Research On Financial Management Practices, Performance, Micro And Small Companies In Kenya

* 30 Oct 2019
* Student Name: John Gatwich Kuol
* Registration Number Is Aipms/271/2019.

Course: Diploma In Financial Management For Ngo’s.

Abstract

Micro And Small Enterprises (Mses) Are Seen As A Driving Force For The Promotion Of An Economy And They Contribute Immensely To The Economic Development Of Any Country. Lack Of Knowledge Of Financial Management Combined With The Uncertainty Of The Business Environment Often Leads Mses To Serious Problems Regarding Financial Performances. The Main Objective Of This Study Was To Explore The Influence Of Financial Management Practices On The Performance Of Micro And Small Enterprises In Kenya. The Study Was Guided By The Following Objectives: Financial Innovations, Investing Activities, Risk Management Practices And Working Capital Management. Since The Mse Population Is Quite High, The Target Population For This Study Was Estimated At Over 10000 Management Staff From Selected Mses In Nairobi. Simple Random Sampling Technique Was Employed To Select The Sample Of 95 Respondents. Primary Data Was Collected Using A Self-Administered Questionnaire. The Questionnaire Was Semi-Structured, Having Both Open-Ended And Closed-Ended Questions. Data Was Presented In Tables, Charts And Graphs. Content Analysis Was Used To Analyze Qualitative Data. A Multivariate Regression Model Was Applied To Determine The Relative Importance Of Each Of The Four Variables With Respect To Performance Of Mses. The Study Found Out That Financial Innovations Influence The Performance Of Micro And Small Enterprises In Kenya To A Very Great Extent. The Study Established That The Reason For Innovation In An Organization Is To Make Profit. The Study Found Out That Investing Can Be Described As The Redirection Of Resources From Being Consumed Today To Creating Benefits In The Future And That Development Of An Effective Business Support System Is Also A Key Condition For The Success Of Investment Capacity Building Further Respondents Strongly Agreed That Investing Requires Business Support Agencies Which Have A Demonstrated Capability Of Penetrating The Mse Sector. This Study Concludes That Financial Innovations Influence The Performance Of Micro And Small Enterprises In Kenya To A Very Great Extent And That The Reason For Innovation In An Organization Is To Make Profit. Further The Study Concludes That Risk Has Become Part Of A Strategic Component Of The Modern Organization’s Survival And Development. Finally The Study Concludes That There’s A Statistical Significant Between Working Capital And Firm Performance And That There Is Need For A Tradeoff Between Receivables And Holding Inventory If The Firm Is To Attain

The Required Profits.

The Study Recommends The Owner/Managers Of Small And Medium Sized Enterprises Should Embrace Financial Innovations In Order To Generate Long Term Stability And For The Firm To Have Competences. The Study Also Recommends That It Is Essential For Small And Medium Sized Enterprises To Invest So That Investments Can Grow To Fight Against Inflation And Future Uncertainties And That The Owner/Managers Should Develop An Effective Business Support System Is Also A Key Condition For The Success Of Investment Capacity Building. This Study Has Analyzed The Influence Of Financial Management Practices On The Performance Of Micro And Small Enterprises In Kenya. There Is Need To Find Out The Challenges Facing Micro And Small Enterprises In Kenya

**Keywords:** Financial Management Practices, Performance, Micro And Small Companies In Kenya

**Introduction**

The Contribution Of Mses Is More Than Double That Of The Large Manufacturing Sector, Which

Stands At 7% Of The Gdp (Republic Of Kenya, 2006). Overall, Mses Create 75% Of All New Jobs.

Estimates Show That, In The Year 2005, The Sme Sector Employed About 5,086,400 People, Up

From 4624400 In 2003 (Migiro, & Wallis 2006). This Was An Increase Of 462,000 Persons And

Consisted Of 74.2% Of Total National Employment. The Average Income Of Enterprises Surveyed

Was About Kshs.6,000 Per Month, Or More Than Two Times 100 Higher Than The Minimum Legal

Monthly Wage For Unskilled Employees, Which In 2006 Was Kshs.2,536. The Share Of The Mse

Sector’s Contribution To Gdp Was Estimated At18.4 Percent. It Is Recognized That Mses Constitute

A Significant Portion Of The Kenyan Private Sector. They Participate In Overall Investment, In

Production Of Goods And Services, In Taking Risks, In Perceiving And Utilizing New Economic

Opportunities And In Developing Business In The Economy. In Kenya, Mses Have Contributed To

The Extension Of Price-Based Signals Into Areas Such As Urban Service Delivery; Garbage Collection,

Urban Transport, Water Distribution And Manufacturing Of A Wide Range Of Domestic And Commercial Appliances (Ilo, 2002).

The Significance Of Kenya’s Micro And Small Enterprises (Mse) Activity Has Continued To Grow

Since The Sector Was First Brought To The Limelight In 1972. The Ilo Provided The Basis For The

Study Of Mse In Kenya Under The Informal Sector.

In Kenya, It Is Now Widely Recognized That The

Promotion Of The Mse Sector Is A Viable And Dynamic Strategy For Achieving National Goals,

Including Employment Creation, Poverty Alleviation And The Balanced Development Between

Sectors And Sub-Sectors.

The Findings Of The 2003 Mse Baseline Survey Underscored The

Important Role That Mses Play In Kenya’s Development Process, Particularly In The Context Of Generating Employment And Income Opportunities For Majority Of Poor People Throughout The

Country. Indeed, The Mse Sector Provides Employment For Substantially More People Than Does

The Formal Sector (Central Bureau Of Statistics, 2002).

Statement Of The Problem

The Influence Of Financial Management Practices On Performance Is One Significant Topic In The

Field Of Entrepreneurship And Mse Sector Development As Evidenced By An Increasing Number Of

Publications And Studies On The Topic (World Bank, 2013). According To Ahmad Et Al. (2011),

Approximately 80% To 90% Of Smes Fail Within 5-10 Years. According To The Kenya Economic

Survey 2013, The Performance Of Kenyan Mses Is Weak As Evidenced By The Decline In Growth

Rate From 5.4% In 2011 To A 4.3% In 2013. Such Decline In Performance Leads To Unemployment

In Kenya Which As A Result Leads To Social Injustices And Crime (Rok, 2013). Furthermore, The

Ways To Address Bimodial Distribution Of Firms Where 59% Are Mses, 16% Medium Firms, And

23% Large Firms Is Still An Empirical Matter (Kpmg, 2012). Poor Business Performance In The

Mse Sector Has For Long Remained Unexplained Most Especially In The Third-World Countries

Perspective Where The Medium And Small Enterprises Occupy The Large Part Of The Economy

(Brigham, 2002). However, Studies From Developed Nations Find Financial Management Practices

To Contribute Immensely To Mses Poor Business Performance.

Previous Studies Which Have Studied Mses Among Which Tushabomwe - Kazooba (2006), Lois

And Annette (2005), Found Out That Mses Are Not Performing To The Desired Expectations And If

This Situation Is Not Addressed, Then The Mses Contribution To The Economy Is Likely To Be

Affected. Moreso These Studies Had Unresolved Contradictions Applicable To Mses Thus, Calling For

A New Study In A Developing Country Setting Like Kenya To Be Done And Help In Establishing The

Relationship Between Financial Management Practices And Performance Of Mses. Therefore, This

Study Is Important Not Because It Fills The Gap, But Also It Sets Out To Address This Gap Knowledge Locally, Studies On Financial Management Practices That Have Been Done Include: Wanyungu,

(2001) Who Did A Research Financial Management Practices Of Micro And Small Enterprises In

Kenya, A Case Of Kibera, While Mundu (1997) Did A Research On Selected Financial Management

Practices By Small Enterprises In Kenya.

None Of These Local Studies Has Ever Focused On Financial

Management Practices In Micro And Small Enterprises In The Whole Of Kenya. It Is In This Light That The Current Study Seeks To Fill The Existing Research Gap By Studying The Influence Of Financial

Management Practices On The Performance Of Micro And Small Enterprises In Kenya

Objectives Of The Study

General Objective

The Main Objective Of This Study Was To Explore The Influence Of Financial Management Practices

On The Performance Of Micro And Small Enterprises Or Companies In Kenya.

Specific Objectives

I. To Assess The Effect Of Financial Innovations On Performance Of Micro And Small Enterprises In Kenya.

Ii. To Establish Whether Investment Activities Affects Performance Of Micro And Small Enterprises In Kenya.

Iii. To Determine The Effect Of Risk Management Practices On Performance Of Micro And Small Enterprises In Kenya.

Iv. To Find Out The Effect Of Working Capital Management On Performance Of Micro And Small Enterprises In Kenya.

Literature Review

Schumpeterian Theory

Schumpeter, As Cited By Svedberg (2000), Pointed Out Economic Behavior Is Somewhat

Automatic In Nature And More Likely To Be Standardized, While Entrepreneurship Consists Of Doing

New Things In A New Manner, Innovation Being An Essential Value. As Economics Focused On The

External Influences Over Organizations, He Believed That Change Could Occur From The Inside, And

Then Go Through A Form Of Business Cycle To Really Generate Economic Change. He Set Up A New

Production Function Where The Entrepreneur Is Seen As Making New Combinations Of Already

Existing Materials And Forces, In Terms Of Innovation; Such As The Introduction Of A New Good,

Introduction Of A New Method Of Production, Opening Of A New Market, Conquest Of A New Source

Of Production Input, And A New Organization Of An Industry (Casson Et Al., 2002). For Schumpeter,

The Entrepreneur Is Motivated By The Desire For Power And Independence, The Will To Succeed, And

The Satisfaction Of Getting Things Done (Swedberg, 2000). He Conceptualized ‘Creative

Destruction’ As A Process Of Transformation That Accompanies Innovation Where There Is An

Incessant Destruction Of Old Ways Of Doing Things Substituted By Creative New Ways, Which Lead To

Constant Innovation (Aghion & Howitt, 1992).

The Entrepreneur’s Crucial Significance To The Dynamics Of The Capitalist System Flows From The

Fact That It Is The Entrepreneur’s Innovations That Disrupt The Economy And Move It Forward.

Rather Than Adapting To External Pressures, The Entrepreneur Destroys The Static Equilibrium From

Within The System By Inventing New Products, Processes Or Behaviors That Contrast The Routine

Systems And Activities (Andersen, 2004; Drejer, 2004). The Schumpeterian Theory Is Important

In Guiding The Entrepreneur In Such A Case. The Above Instigated The First Research Question.

Mcclelland’s Need For Achievement Theory

One Of The Early Psychological Studies Of Entrepreneurship Is That Of David Mcclelland

(Mcclelland, 1961). His Objective Is To Identify And To Analyze The Psychological Factors Which

Produce Entrepreneurial Personalities. David Mcclelland And His Associates Proposed The

Mcclelland’s Theory Of Needs Also Referred To As The Achievement Motivation Theory

(Mcclelland 1961). This Theory States That Human Behavior Is Affected By Three Needs - Need For

Power, Achievement And Affiliation. It Proposes That Individuals With High Achievement Needs Are

Highly Motivated By Competing And Challenging Work. They Look For Promotional Opportunities

At Work And Have A Strong Urge For Feedback On Their Achievements (Quince & Whittaker, 2003).

Mcclelland Described Such Individuals As Gamblers As They Set Challenging Targets For Themselves

Following Which They Take Deliberate Risks To Achieve Those Targets. Such Individuals Look For

Innovative Ways Of Executing Their Jobs And Perceive Achievement Of Goals As A Reward More

Valuable Than Financial Reward.

Individuals With Greater Power And Authority Will Perform Better Than Those Possessing Less

Power (Aagaard & Hauer 2003). Generally, Managers With High Need For Power Turn Out To Be

More Efficient And Successful As They Are More Determined And Loyal To The Organization They

Work For. The Need For Power Can Be Viewed As The Need To Have A Positive Effect On The

Organization And To Support The Organization In Achieving Its Goals. In The Context Of This Study It

Will Be Investigated Whether Successors Motivated By The Need For Power Will Steer The Firm To

Great Heights. The Mcclelland Theory Will Be Used To Investigate The Second Research Question

Being: How Does Investing Affect Performance Of Micro And Small Enterprises In Kenya?.

Modern Portfolio Theory

Modern Portfolio Theory Is Harry Markowitz's Theory Of Portfolio Choice In An Uncertain Future.

In This Theory, He Quantified The Difference Between The Risk Of Portfolio Assets Taken Individually

And The Overall Risk Of The Portfolio (Amenc & Le Sourd, 2003). The Theory Offers A Solution To

The Problem Of Portfolio Choice For A Risk-Averse Investor: The Optimal Portfolios, From The

Rational Investor's Point Of View, Are Defined As Those That Have The Lowest Risk For A Given Return.

These Portfolios Are Said To Be Mean-Variance Efficient (Reilly & Brown, 2003).

While It Is Desirable To Maximize Expected Returns, It Is Equally Important To Keep The Risk

Component Under Control, Especially For Investments That Depend Heavily On The Volatility Factor

Such As Options. For Institutions That Invest Heavily In Different Types Of Financial Instruments,

Such As Banks Or Hedge Funds, There Is A Strong Need To Integrate And Measure The Risks Involved

Firm-Wide. This Gives Rise To The Development Of Value-At-Risk, Which Summarizes The Worst Loss

Over A Target Horizon With A Given Level Of Confidence (Jorion, 2001).

The Signaling Model

Leland And Pyles (1977) Signaling Model Gives A Different View. Their Model Looked Into The

Ownership Of A Company. According To Them, An Entrepreneur’s Fractional Ownership Of A

Company Provides A Credible Signal To Rational Investors Of A Company’s True Value.

Entrepreneurs Will Only Accept Higher Risks If They Are Certain Of The Company’s Prospects. This

Action Serves As A Signal To Investors Of The Superior Quality Of The Company’s Value. Research

Using Signaling Theory In The Context Of Entrepreneurial Venture Has Shown The Promise And Its

Relevance (Gulati & Higgins, 2003) And Acquisition Market (Reuer, Tong, & Wu, 2012).

According To Hill Et Al (2010), Nazir And Afza (2009) The Optimal Level Of Working Capital Is The

One That Ensures A Balance Between Risk And Efficiency. According To Deloof (2003), Efficient

Wcm Ensures An Optimal Level Of Working Capital Is Maintained In Order To Maximize

Shareholder Value And Wealth. The Objectives Of Maximizing Profit Or Shareholder Value Are Some

Of The Key Objectives For A Company, However Certain Levels Of Liquidity Is Essential To Ensure

Short Term Maturing Obligations Are Met When They Arise. Efficient Utilization Of The Firm’s

Resources, As It Relates To Wcm, Means That Managers Should Seek Effective And Efficient Ways To

Deal With The Cash Available For The Day-To-Day Operations In Order To Achieve The Optimum

Impact. Good Wcm Leads To Increased Cash Flows, And Thus Leads To Lesser Need On External

Financing; Therefore, The Probability Of Default For The Firm Is Reduced. A Key Factor In The

Working Capital Management Is The Cash Conversion Cycle (Deloof, 2003).

Financial Innovations

Innovation Is The Process Of Creating A Commercial Product From An Invention (Wolf &

Schoorlemmer, 2007). Innovation Can Deliver Four Types Of Benefits Besides Cash: Knowledge,

Brand, Ecosystem And Culture. But The Most Important Reason For Innovation In An Organization Is

To Make Profit. A Firm Makes Profit By Offering Products Or Services At A Lower Cost Than Its

Competitors Or By Offering Differentiated Products At Premium Prices That More Than Compensate

For The Extra Cost Of Differentiation (Afuah, 2003).

Lehtimaki (2001) Attributed The Emergence Of New Ideas For Product Innovations In Mses To

Entrepreneur. Mses Very Actively Explored New Product Ideas And The Most Frequent Way Of

Achieving This Included Contacts With Customers. Chanaron (2008) Identified Demand Placed On

Business By Customers/Clients, Close Working Relationships With A Key Customer And Close

Analysis Of Competitor Products Are The Major Drivers Of Innovation In Mses Covered In Three

Different Countries: Uk, France, And Portugal.

Investing Activities

Investing Can Be Described As The Redirection Of Resources From Being Consumed Today To Creating

Benefits In The Future (Sullivan & Sheffrin, 2003). In Other Words, It Is The Use Of Assets To Earn

Income Or Profit. Although It Is No Longer A Bartering Society Where Goods Were Often More

Perishable, It Is Preferable, If Not Essential, To Invest Instead Of Keeping Assets Idle, So That

Investments Can Grow To Fight Against Inflation And Future Uncertainties. Mses Must Be Able To

Respond Quickly And Efficiently To International Market Signals To Take Advantage Of Investment

Opportunities And Reap The Benefits Of The International Trading System. This Means They Need To

Be Competitive And Productive. Effective Business Support Systems Are Needed To Enhance

Competitiveness And Productivity Of Mses.

Development Of An Effective Business Support System Is Also A Key Condition For The Success Of Investment Capacity Building?

It Requires Business

Support Agencies (Including Financial Institutions), Which Are Customer-Oriented And Which Have A

Demonstrated Capability Of Penetrating The Mse Sector.

Multinational Enterprises Seeking Out New Markets And Investments Offer Capable Mses The

Opportunity To Insert Themselves Into Global Value Chains Through Subcontracting Linkages, While

Those That Are Unable To Do So Increasingly Face The Danger Of Losing Their Existing Markets.

Competition Within The Developing World For Export Markets, Foreign Investment And Resources Is

Also Intensifying. Against This Backdrop Of Increased Global Competition, Mses Associations,

Support Institutions And Governments In Transition And Developing Countries Have To Adjust And

Adopt New Approaches And Invent New Ways Of Working Together To Foster Mses Competitiveness

Risk Management

Risk Management Is Defined By Dickson (2009) In Valsamakis Et Al (2002) As “The Identification,

Analysis And Economic Control Of Those Risks Which Threaten The Assets Or Earning Capacity Of An

Organization.” As Such The Management Of Risk Has, Explicitly Or Implicitly, Become Part Of A

Strategic Component Of The Modern Organization’s Survival And Development (Waring &

Glendon, 2008). Risk Can Be Seen As The Possibility Of Economic Or Financial Losses Or Gains, As A

Consequence Of The Uncertainty Associated With Pursuing A Course Of Action (Chapman & Cooper,

1983). Risk Pervades All Human Actions (To Varying Degrees), All Kinds Of Business And Every Area

Of Management Of A Company. However, In Many Cases, Risk Can Be Predicted On The Basis Of

Experience, Trying To Better Govern The Disorder. Risk Management (Rm) Has The Task Of

Identifying Risks, Measuring The Probability And The Possible Impact Of Events, And Treating Risks,

Eliminating Or Reducing Their Effect With The Minimum Investment Of Resources. Rm Is Being

Developed And Adopted In A Lot Of Fields Within Enterprise Management.

Micro, Small And Medium Sized Enterprises Are Considered Significantly Important To The Growth

Of Any Economy. However, These Businesses Are Vulnerable To Risks, Such As Business Risk,

Finding, Budgeting, Etc. The Scheme To Prevent Risks Of Small Businesses, Nevertheless, Is Not

Systematically Developed And Performed. Mses Require The Adoption Of A Risk Management

Strategy And Methodology, Because They Lack The Resources To Respond Promptly To Internal And

External Threats, Leading To Potentially Huge Losses That Seriously Threaten Their Survival.

Studies By The Singapore Government (2012) And The Institute Of Chartered Accountants In

England And Wales Coincidentally Prove That The Most Significant Risk Among Small Businesses

Involves Human Factor. High Degree Of Employee Turnover And Shortage Of Know-How Experts

Both Result In Wastage Of Manpower And Additional Cost Of Training. In Long Term, Human Factor

Will Lower The Productivity And Affect The Brand Image Of Small Businesses As An Employer (Alpa,

Et Al. 2005).

Working Capital Management

The Study Done By Garcia-Teruel Et Al, (2007) Entitled “Effects Of Working Capital Management

On Mse Profitability In Spain” Found A Significant Negative Association Between Working Capital

Management And Mse Profitability. In Variance To The Findings Of Garcia-Terel (2007), The

Results From The Study Conducted By Uyar (2009) Indicate Significant Positive Correlations

Between Working Capital Components With Firms’ Performance In Malaysia. Garcia-Teruel And

Martinez-Solano (2007) Investigated The Effects Of Working Capital Management On The

Profitability Of A Sample Of Small And Medium-Sized Spanish Firms. Their Findings Revealed That

Managers Can Create Value By Reducing Their Inventories And The Number Of Days For Which Their

Accounts Are Outstanding. Moreover, Shortening The Cash Conversion Cycle May Improve The

Business Profitability.

Performance Of Mses

Performance Is One Of The Most Important Objectives Of Financial Management Because One Goal

Of Financial Management Is To Maximize The Owner’s Wealth (Mcmahon, 2005). Thus,

Performance Is Very Important In Determining The Success Or Failure Of A Business. At The

Establishment Stage, A Business May Not Be Profitable Because Of Investment And Expenses For

Establishing The Business. When The Business Becomes Mature, Profits Have To Be Produced. Due

To The Importance Of Performance, Edmister (2007) Among Other Researchers Have Suggested That

Small Firms Need To Concentrate On Performance. Jen (2003) Found Performance To Be A

Significant Determinant Of A Small Firm’s Credit Risk. Thomas And Evanson (2007) Stress The Aim

Of A Business Is Not Only The Generation Of Sales, But Also Generation Of Profits. Profit Is Especially

Important Because It Is Necessary For The Survival Of A Business. Low Performance Contributes To

Under-Capitalization Problems Because It Leads To Retained Earnings And Therefore To A Reliance On

External Capital (Davidson & Dutia, 2001).

Data Analysis/Findings

Regression Analysis

This Section Presents A Discussion Of The Results Of Inferential Statistics. The Researcher Conducted

A Multiple Regression Analysis So As To Determine The Relative Importance Of Each Of The Variables

With Respect To The Influence Of Financial Management Practices On The Performance Of Micro And

Small Enterprises. The Researcher Used The Statistical Package Spss And Advance Excel, To Enter

And Compute The Measurements Of The Multiple Regressions For The Study. Findings Are Presented

In The Following Tables;

**Model Summary Source: Research, 2014**

A. Predictors: (Constant), Financial Innovations, Investment Activities, Risk Management Practices,

And Working Capital Management.

B. Dependent Variable: Financial Management Practices

Coefficient Of Determination Explains The Extent To Which Changes In The Dependent Variable Can

Be Explained By The Change In The Independent Variables Or The Percentage Of Variation In The

Dependent Variable (Financial Management Practices On The Performance Of Micro And Small

Enterprises) That Is Explained By All The 4 Independent Variables (Financial Innovations,

Investment Activities, Risk Management Practices, And Working Capital Management).

The Four Independent Variables That Were Studied, Explain 82.8% Of Variance In Financial

Management Practices On The Performance Of Micro And Small Enterprises In Kenya As Represented By The R2. This Therefore Means That Other Factors Not Studied In This Research

Contribute 17.2% Of Variance In The Dependent Variable. Therefore, Further Research Should Be

Model R R Square Adjusted R

Square Std. Error Of The

Estimate 1 . 838a .828 .810 .625

Conducted To Establish The Influence Of Financial Management Practices On The Performance Of

Micro And Small Enterprises.

Anova (Analysis Of Variance)

Model Sum Of Squares Df Mean Square F Sig.

1 Regression 40.566 3 .384 83.0 .001a

Residual 4.686 7 .396

Total 43.353 11

Source: Research, 2014

A.Predictors: (Constant), Financial Innovations, Investment Activities, Risk Management Practices,

And Working Capital Management.

B. Dependent Variable: Financial Management Practices

The F Critical At 5% Level Of Significance Was 5.33. Since F Calculated Is Greater Than The F

Critical (Value = 83.0), This Shows That The Overall Model Was Significant. The Significance Is Less

Than 0.05, Thus Indicating That The Predictor Variables), Explain The Variation In The Dependent

Variable Which Is Financial Management Practices On The Performance Of Micro And Small

Enterprises. If The Significance Value Of F Was Larger Than 0.05 Then The Independent Variables

Would Not Explain The Variation In The Dependent Variable.

Multiple Regression Analysis

Model Unstandardized

Coefficients

Standardized

Coefficients

Modern Portfolio Theory

Modern Portfolio Theory Is Harry Markowitz's Theory Of Portfolio Choice In An Uncertain Future.

In This Theory, He Quantified The Difference Between The Risk Of Portfolio Assets Taken Individually

And The Overall Risk Of The Portfolio (Amenc & Le Sourd, 2003). The Theory Offers A Solution To

The Problem Of Portfolio Choice For A Risk-Averse Investor: The Optimal Portfolios, From The

Rational Investor's Point Of View, Are Defined As Those That Have The Lowest Risk For A Given Return.

These Portfolios Are Said To Be Mean-Variance Efficient (Reilly & Brown, 2003).

While It Is Desirable To Maximize Expected Returns, It Is Equally Important To Keep The Risk

Component Under Control, Especially For Investments That Depend Heavily On The Volatility Factor

Such As Options. For Institutions That Invest Heavily In Different Types Of Financial Instruments,

Such As Banks Or Hedge Funds, There Is A Strong Need To Integrate And Measure The Risks Involved

Firm-Wide. This Gives Rise To The Development Of Value-At-Risk, Which Summarizes The Worst Loss

Over A Target Horizon With A Given Level Of Confidence (Jorion, 2001).

The Signaling Model

Leland And Pyles (1977) Signaling Model Gives A Different View. Their Model Looked Into The

Ownership Of A Company. According To Them, An Entrepreneur’s Fractional Ownership Of A

Company Provides A Credible Signal To Rational Investors Of A Company’s True Value.

Entrepreneurs Will Only Accept Higher Risks If They Are Certain Of The Company’s Prospects. This

Action Serves As A Signal To Investors Of The Superior Quality Of The Company’s Value. Research

Using Signaling Theory In The Context Of Entrepreneurial Venture Has Shown The Promise And Its

Relevance (Gulati & Higgins, 2003) And Acquisition Market (Reuer, Tong, & Wu, 2012).

According To Hill Et Al (2010), Nazir And Afza (2009) The Optimal Level Of Working Capital Is The

One That Ensures A Balance Between Risk And Efficiency. According To Deloof (2003), Efficient

Wcm Ensures An Optimal Level Of Working Capital Is Maintained In Order To Maximize

Shareholder Value And Wealth. The Objectives Of Maximizing Profit Or Shareholder Value Are Some

Of The Key Objectives For A Company, However Certain Levels Of Liquidity Is Essential To Ensure

Short Term Maturing Obligations Are Met When They Arise. Efficient Utilization Of The Firm’s

Resources, As It Relates To Wcm, Means That Managers Should Seek Effective And Efficient Ways To

Deal With The Cash Available For The Day-To-Day Operations In Order To Achieve The Optimum

Impact. Good Wcm Leads To Increased Cash Flows, And Thus Leads To Lesser Need On External

Financing; Therefore, The Probability Of Default For The Firm Is Reduced. A Key Factor In The

Working Capital Management Is The Cash Conversion Cycle (Deloof, 2003).

Financial Innovations

Innovation Is The Process Of Creating A Commercial Product From An Invention (Wolf &

Schoorlemmer, 2007). Innovation Can Deliver Four Types Of Benefits Besides Cash: Knowledge,

Brand, Ecosystem And Culture. But The Most Important Reason For Innovation In An Organization Is

To Make Profit. A Firm Makes Profit By Offering Products Or Services At A Lower Cost Than Its

Competitors Or By Offering Differentiated Products At Premium Prices That More Than Compensate

For The Extra Cost Of Differentiation (Afuah, 2003).

Lehtimaki (2001) Attributed The Emergence Of New Ideas For Product Innovations In Mses To

Entrepreneur. Mses Very Actively Explored New Product Ideas And The Most Frequent Way Of

Achieving This Included Contacts With Customers. Chanaron (2008) Identified Demand Placed On

Business By Customers/Clients, Close Working Relationships With A Key Customer And Close

Analysis Of Competitor Products Are The Major Drivers Of Innovation In Mses Covered In Three

Different Countries: Uk, France, And Portugal.

Investing Activities

Investing Can Be Described As The Redirection Of Resources From Being Consumed Today To Creating

Benefits In The Future (Sullivan & Sheffrin, 2003). In Other Words, It Is The Use Of Assets To Earn

Income Or Profit. Although It Is No Longer A Bartering Society Where Goods Were Often More

Perishable, It Is Preferable, If Not Essential, To Invest Instead Of Keeping Assets Idle, So That

Investments Can Grow To Fight Against Inflation And Future Uncertainties. Mses Must Be Able To

Respond Quickly And Efficiently To International Market Signals To Take Advantage Of Investment

Opportunities And Reap The Benefits Of The International Trading System. This Means They Need To

Be Competitive And Productive. Effective Business Support Systems Are Needed To Enhance

Competitiveness And Productivity Of Mses. Development Of An Effective Business Support System

Is Also A Key Condition For The Success Of Investment Capacity Building. It Requires Business

Support Agencies (Including Financial Institutions), Which Are Customer-Oriented And Which Have A

Demonstrated Capability Of Penetrating The Mse Sector.

Multinational Enterprises Seeking Out New Markets And Investments Offer Capable Mses The

Opportunity To Insert Themselves Into Global Value Chains Through Subcontracting Linkages, While

Those That Are Unable To Do So Increasingly Face The Danger Of Losing Their Existing Markets.

Competition Within The Developing World For Export Markets, Foreign Investment And Resources Is

Also Intensifying. Against This Backdrop Of Increased Global Competition, Mses Associations,

Support Institutions And Governments In Transition And Developing Countries Have To Adjust And

Adopt New Approaches And Invent New Ways Of Working Together To Foster Mses Competitiveness

Risk Management

Risk Management Is Defined By Dickson (2009) In Valsamakis Et Al (2002) As “The Identification,

Analysis And Economic Control Of Those Risks Which Threaten The Assets Or Earning Capacity Of An

Organization.” As Such The Management Of Risk Has, Explicitly Or Implicitly, Become Part Of A

Strategic Component Of The Modern Organization’s Survival And Development (Waring &

Glendon, 2008). Risk Can Be Seen As The Possibility Of Economic Or Financial Losses Or Gains, As A

Consequence Of The Uncertainty Associated With Pursuing A Course Of Action (Chapman & Cooper,

1983). Risk Pervades All Human Actions (To Varying Degrees), All Kinds Of Business And Every Area

Of Management Of A Company. However, In Many Cases, Risk Can Be Predicted On The Basis Of

Experience, Trying To Better Govern The Disorder. Risk Management (Rm) Has The Task Of

Identifying Risks, Measuring The Probability And The Possible Impact Of Events, And Treating Risks,

Eliminating Or Reducing Their Effect With The Minimum Investment Of Resources. Rm Is Being

Developed And Adopted In A Lot Of Fields Within Enterprise Management.

Micro, Small And Medium Sized Enterprises Are Considered Significantly Important To The Growth

Of Any Economy. However, These Businesses Are Vulnerable To Risks, Such As Business Risk,

Finding, Budgeting, Etc. The Scheme To Prevent Risks Of Small Businesses, Nevertheless, Is Not

Systematically Developed And Performed. Mses Require The Adoption Of A Risk Management

Strategy And Methodology, Because They Lack The Resources To Respond Promptly To Internal And

External Threats, Leading To Potentially Huge Losses That Seriously Threaten Their Survival.

Studies By The Singapore Government (2012) And The Institute Of Chartered Accountants In

England And Wales Coincidentally Prove That The Most Significant Risk Among Small Businesses

Involves Human Factor. High Degree Of Employee Turnover And Shortage Of Know-How Experts

Both Result In Wastage Of Manpower And Additional Cost Of Training. In Long Term, Human Factor

Will Lower The Productivity And Affect The Brand Image Of Small Businesses As An Employer (Alpa,

Et Al. 2005).

Working Capital Management

The Study Done By Garcia-Teruel Et Al, (2007) Entitled “Effects Of Working Capital Management

On Mse Profitability In Spain” Found A Significant Negative Association Between Working Capital

Management And Mse Profitability. In Variance To The Findings Of Garcia-Terel (2007), The

Results From The Study Conducted By Uyar (2009) Indicate Significant Positive Correlations

Between Working Capital Components With Firms’ Performance In Malaysia. Garcia-Teruel And

Martinez-Solano (2007) Investigated The Effects Of Working Capital Management On The

Profitability Of A Sample Of Small And Medium-Sized Spanish Firms. Their Findings Revealed That

Managers Can Create Value By Reducing Their Inventories And The Number Of Days For Which Their

Accounts Are Outstanding. Moreover, Shortening The Cash Conversion Cycle May Improve The

Business Profitability.

Performance Of Mses

Performance Is One Of The Most Important Objectives Of Financial Management Because One Goal

Of Financial Management Is To Maximize The Owner’s Wealth (Mcmahon, 2005). Thus,

Performance Is Very Important In Determining The Success Or Failure Of A Business. At The

Establishment Stage, A Business May Not Be Profitable Because Of Investment And Expenses For

Establishing The Business. When The Business Becomes Mature, Profits Have To Be Produced. Due

To The Importance Of Performance, Edmister (2007) Among Other Researchers Have Suggested That

Small Firms Need To Concentrate On Performance. Jen (2003) Found Performance To Be A

Significant Determinant Of A Small Firm’s Credit Risk. Thomas And Evanson (2007) Stress The Aim

Of A Business Is Not Only The Generation Of Sales, But Also Generation Of Profits. Profit Is Especially

Important Because It Is Necessary For The Survival Of A Business. Low Performance Contributes To

Under-Capitalization Problems Because It Leads To Retained Earnings And Therefore To A Reliance On

External Capital (Davidson & Dutia, 2001).

Data Analysis/Findings

Regression Analysis

This Section Presents A Discussion Of The Results Of Inferential Statistics. The Researcher Conducted

A Multiple Regression Analysis So As To Determine The Relative Importance Of Each Of The Variables

With Respect To The Influence Of Financial Management Practices On The Performance Of Micro And

Small Enterprises. The Researcher Used The Statistical Package Spss And Advance Excel, To Enter

And Compute The Measurements Of The Multiple Regressions For The Study. Findings Are Presented

In The Following Tables;

**Model Summary**

**Source: Research, 2014**

A. Predictors: (Constant), Financial Innovations, Investment Activities, Risk Management Practices,

And Working Capital Management.

B. Dependent Variable: Financial Management Practices

Coefficient Of Determination Explains The Extent To Which Changes In The Dependent Variable Can

Be Explained By The Change In The Independent Variables Or The Percentage Of Variation In The

Dependent Variable (Financial Management Practices On The Performance Of Micro And Small

Enterprises) That Is Explained By All The 4 Independent Variables (Financial Innovations,

Investment Activities, Risk Management Practices, And Working Capital Management).

The Four Independent Variables That Were Studied, Explain 82.8% Of Variance In Financial

Management Practices On The Performance Of Micro And Small Enterprises In Kenya As Represented By The R2. This Therefore Means That Other Factors Not Studied In This Research

Contribute 17.2% Of Variance In The Dependent Variable.

**Conclusions**

This Study Concludes That Financial Innovations Influence The Performance Of Micro And Small

Enterprises In Kenya To A Very Great Extent And That The Reason For Innovation In An Organization

Is To Make Profit. Financial Innovation Is Essential In Order To Generate Long Term Stability And

That Innovation Requires The Firm To Have Competences Relating To Technology. Further Study

Concludes That Customer Perspective Of Newness Necessitates A Change In Consumer Behavior To

Accommodate New Product Usage Conditions.

This Study Concludes That Investing Can Be Described As The Redirection Of Resources From Being

Consumed Today To Creating Benefits In The Future; That It Is Essential To Invest So That Investments

Can Grow To Fight Against Inflation And Future Uncertainties And That Development Of An Effective

Business Support System Is Also A Key Condition For The Success Of Investment Capacity Building

While As Investing Requires Business Support Agencies Which Have A Demonstrated Capability Of

Penetrating The Mse Sector.

Further The Study Concludes That Risk Has Become Part Of A Strategic Component Of The Modern

Organization’s Survival And Development; That Risk Can Be Seen As The Possibility Of Economic Or

Financial Losses Or Gains; That Mses Require The Adoption Of A Risk Management Strategy And

Methodology; And That The Most Significant Risk Among Small Businesses Involves Human Factor.

Finally The Study Concludes That There’s A Statistical Significant Between Working Capital And Firm

Performance; That There Exists A Highly Significant Negative Relationship Between The Time It Takes

For Firms To Collect Cash From Their Customers; That Heavy Investment In Inventory Ties Up Capital

Which In The End Reduces Firm’ Profitability; And That There Is Need For A Tradeoff Between

Receivables And Holding Inventory If The Firm Is To Attain The Required Profits.

**References**

Gulati, R. And Higgins, M.C., (2003). Which Ties Matter When? The Contingent Effects Of Inter

Organizational Partnerships On Ipo Success. Strategic Management Journal, 24(2), Pp.

127-144

Sorensen, M., (2007). How Smart Is Smart Money? A Two-Sided Matching Model Of Venture

Capital. Journal Of Finance, 62(6), Pp. 2725-2762.

Aagaard, T. R. & Hauer I. J. (2003). A Cross-Sectional Descriptive Study Of Mentoring

Relationships Formed By Medical Students.

Abor. J, And Quartey, A. (2010). Issues In Sme Development In Ghana And South Africa. Int.

Res. J. Finance. Econ. 39(6): 215-228

Afuah, A. (2003). Innovation Management: Strategies, Implementation, And Profits (2nd Ed.).

New York: Oxford University Press.

Aghion, P. And Howitt, P., (1992), A Model Of Growth Through Creative Destruction.

Econometrica 60: 323 – 351

Ahmad, S. Z., N. S. A. Rani And S. K. M. Kassim. (2011). Business Challenges And Strategies

For Development Of Small And Medium Sized Enterprises (Smes) In Malaysia. Int. J.

Business Competition And Growth, 1(2): 177–197.

Alpa A., Virdi, Et Al. (2005). Risk Management Among Smes – Executive Report. Institute Of

Chartered Accountants In England And Wales, Consultation And Research Center.

Http://Www.Cpaireland.Ie/Userfiles/File/Technical%20resources/Sme%20resource/Ica

Ew%20risk%20mgt%20among%20smes.Pdf

Altman, E. I., (2004), Financial Ratios, Discriminant Analysis And The Prediction Of Corporate

Bankruptcy, The Journal Of Finance, Vol. 23, No. 4, P. 589 – 609.

Amatori, F. (2011). Entrepreneurship. Milan: Bocconi University.

Amenc, N., & Le Sourd, V. (2003). Portfolio Theory And Performance Analysis. Wiley Finance

Series. Chichester, England: Wiley.

Andersen, E.S. (2004): Økonomiens Konger: Joseph A. Schumpeter. Jurist- Og

Økonomforbundets Forlag, København. Babbie, E. (2002). Survey Research Methods (2nd Ed.). Belmont: Wodsworth.

Basadur, M. & Gelade, G. (2006). The Role Of Knowledge Management In The Innovation Process.

Creativity And Innovation Management, 15, 1, 45-61 Brigham, E. F. (2002). Fundamental Of Financial Management, 6th Edition, Dryden Press, Forth

Worth.

Casson Sa, Chilley Pm, Topping Jf, Evans Im, Souter Ma, Lindsey K. (2002) The Polaris

Gene Of Arabidopsis Encodes A Predicted Peptide Required For Correct Root Growth And

Leaf Vascular Patterning. Plant Cell 14:1705-21.

Central Bureau Of Statistics (2002), ‘Present And Future Finance Needs For Industrial Sector In

Kenya. A Study For Kenya Association Of Manufacturers’, Nairobi.

Central Bureau Of Statistics. (2004) National Micro And Small Enterprise Baseline Survey

(Nairobi, Republic Of Kenya).

Chanaron, J-J., (2008). Managing Innovation In European Small And Medium-Sized Enterprises,

Apeldoorn, Antwerpen.

Chandran, E. (2004). Research Methods. Nairobi: Starbright Services Limited.

Cohen, J., Cohen, P., West, S. G., & Aiken, L. S. (2003). Applied Multiple Regression/Correlation

Analysis For The Behavioral Sciences (3rd Ed.). Mahwah, Nj: Lawrence Erlbaum

Associates. Cooper, D., & Schindler, P.S. (2003). Business Research Methods (8th Ed). New Delhi: Tata

Mcgraw-Hill Publishing Company. India.

Cottam, A., Ensor, J., & Band, C. A. (2001). Benchmark Study Of Strategic Commitment To

Innovation. European Journal Of Innovation Management, 14-20.

Czaja, R. (1998, September 9). Questionnaire Pretesting Comes Of Age. Marketing Bulletin, Pp.

52-66.

Danneels, E., And Kleinschmidt, E.J. (2001), "Product Innovativeness From The Firm's

Perspective: Its Dimensions And Their Relation With Project Selection And Performance".

The Journal Of Product Innovation Management 18, Pp.257-273.

Davidson Iii, W. N., And Dutia, D. (2001), Debt, Liquidity, And Profitability Problems In Small

Firms, Entrepreneurship: Theory And Practice, Fall, P. 53 – 63.

Deloof, M. (2003). Does Working Capital Management Affect Profitability Of Belgian Firms?.

Journal Of Business Finance & Accounting, 30(3) & (4), Pp. 573 – 587.

Dinopoulos, E. And Thompson, P. (1998). Schumpeterian Growth Without Scale Effects. Journal

Of Economic Growth 3, 313–35.

Drejer, I. (2004): Identifying Innovation In Surveys Of Services: A Schumpetarian Perspective.

Research Policy 33, 2004, P. 551-562.

Ecorys, (2012). Eu Smes In 2012: At The Crossroads: Annual Report On Small And Medium-Sized

Enterprises In The Eu 2011/12, European Commission, Rotterdam.

Http://Ec.Europa.Eu/Enterprise/Policies/Sme/Facts-Figures-Analysis/Performance

Review/Files/Supporting-Documents/2012/Annual-Report\_En.Pdf [Last Accessed June 18,

2013]

Edmister, R. O (2007), Financial Ratios As Discriminant Predictors Of Small Business Failure,

Doctoral Dissertation, The Ohio State University.

Garcia-Teruel, P.J.G, Solano, P.M. (2007). Effects Of Working Capital Management On Sme

Profitability”, International Journal Of Managerial Finance. 3(2): 164-177, 2007.

Georgellis, Y., Joyce, P. And Woods, A. (2000). “Entrepreneurial Action, Innovation, And

Business Performance: The Small Independent Business”, Journal Of Small Business And

Enterprise Development, Vol.7, No.1, Pp.7-17.

Government Of Kenya (1996), Sessional Paper No. 2 Of 1996 “Industrial Transformation To The

Year 2020”

Helmenstine, T. (2012). What Is An Independent Variable? Retrieved July 7, 2013, From

About.Com : Http://Chemistry.About.Com/Od/Chemistryterminology/A/What-Is-An

Independent-Variable.Htm

Hill, M.D., Kelly, G.W., Highfield, M.J. (2010). Net Operating Working Capital Behavior: A

First Look. Financial Management, Vol. 39 (2), Pp. 783-805.

Hutchinson, P., Meric, I. And Meric, G., (2008), The Financial Characteristics Of Small Firms

Which Achieve Quotation On The Uk Unlisted Securities Market, Journal Of Business

Finance & Accounting, 15(1)

Ilo (2002), ‘Employment, Incomes And Equality: A Strategy Of Increasing Productive

Employment In Kenya’. Geneva: International Labor Organization.

Jen, F. C. (2003), The Determinants Of The Degree Of Insufficiency Of Bank Credit To Small

Business, Journal Of Finance, 18, P. 694 – 695.

Jorion, P. (2001). Value At Risk: The New Benchmark For Managing Financial Risk. New York:

Mcgraw-Hill.

Khan. J, And Jawaid, G. (2004). Clusters And Entrepreneurship: Implications For Innovation In A

Developing Economy, Journal Of Developing Entrepreneurship. 9(3):201-219.

Kogut, B. – Zander, U. (2002) Knowledge Of The Firm, Combinative Capabilities, And The

Replication Of Technology. Organization Science, Vol. 3 (3), 383-397

Kogut, B. – Zander, U. (2003) A Memoir And Reflection: Knowledge And An Evolutionary

Theory Of The Multinational Firm 10 Years Later. Journal Of International Business

Studies, Vol. 34 (6), 505-515.

Kothari, C. R. (2004). Research Methodology: Methods And Techniques. New Delhi: New Age

International (P) Limited Publishers

Lehtimaki, A. (2001). ‘Management Of The Innovation Process In Small Companies In Finland’.

Ieee Transactions On Engineering Management, 38 (2): 120–6.

Lewis, R. And Cockrill, A. (2002), “Going Global – Remaining Local: The Impact Of E-Commerce

On Small Retail Firms In Wales”, International Journal Of Information Management, Vol.

22, Pp. 195-209.

Mcclelland, D.C. (1961). The Achieving Society. Ny: Van Nostrand.

Mcdaniel, B. (2005): A Contemporary View Of Joseph A. Schumpeter’s Theory Of The

Entrepreneur. Journal Of Economic Issues, Vol. Xxxix, No. 2, June 2005.

Mcmahon, R. G. P. (2005), Financial Management For Small Business, 2 Edition, Cch

Australia.

Mcmahon, R. G. P., Holmes, S., Hutchinson, P. J., Forsaith, D. M. (2003), Small Enterprise

Financial Management: Theory And Practice, Harcourt Brace, Sydney.

Mugenda, A.G. (2008). Social Science Research. Nairobi: Acts Press.

Mugenda, O. M., & Mugenda, A. G. (2003). Research Methods: Quantitative And Qualitative

Approaches. Nairobi: Acts Press.

Mundu, S. N. (1997) Selected Financial Management Practices By Small Enterprises In Kenya:

The Case Of K.I.E Kenya Industries Estates Wanes.

Narvekar, R., & Jain, K. (2006). A New Framework To Understand The Technological Innovation

Process. Journal Of Intellectual Capital, 7 174-186. 15-23.

Nazir, M. S. & Afza, T. (2009). Working Capital Requirements And The Determining Factors In

Pakistan. Icfai J Journal Of Applied Finance, 15(4), Pp. 1109 – 1129.

Olawale, F. (2012) An Investigation Into The Financial Management Practices Of New Micro

Enterprises In South Africa.

Orobia A.O., Warren, B, And John, C.M. (2013). How Do Small Business Owners Manage

Working Capital In An Emerging Economy? A Qualitative Inquiry. Emerald Group

Publishing.

Pablo, A.L., Reay, T., Dewald, J.R. And Casebeer, A.L. (2007). Identifying, Enabling And

Managing Dynamic Capabilities In The Public Sector. Journal Of Management Studies,

44(5), Pp.687-708.

Padachi K (2006). Trends In Working Capital Management And Its Impact On Firms' Performance:

An Analysis Of Mauritian Small Manufacturing Firms. Int. Rev. Bus. Res. 2(2):16-22.

Peel, M. (2006). Working Capital And Financial Management Practices In The Small Firm Sector.

Int. Small Bus. J. 14(2):43.

Perrin, T. (2008). Life Insurance Cfo Survey #19: Embedding Enterprise Risk Management.

Accessed 02.05.2013 Published 05.2008.

Http://Www.Towersperrin.Com/Tp/Getwebcachedoc?Webc=Till/Usa/2008/200805/Cfo\_

Survey19.Pdf

Potocan, V. And Mulej, M. (2009), How To Improve Innovation Of Smes”, Management, 14(1),

Pp. 1 – 20.

Quince B. And Whittaker, A. (2003). The Sustainability Of The Entrepreneurial Orientation

Performance Relationship, Entrepreneurship Theory And Practice, Vol. 24 No.1,

Reilly, F. K., & Brown, K. C. (2003). Investment Analysis And Portfolio Management. Mason,

Ohio [U.A.]: Thomson South-Western.

Republic Of Kenya, (2008) Economic Survey. Nairobi Kenya: Government Printers, 2008

Republic Of Kenya, (2012) Economic Survey. Nairobi Kenya: Government Printers, 2012

Rosenbloom, R.S. (2000). Leadership, Capabilities, And Technological Change: The

Transformation Of Ncr In The Electronic Era. Strategic Management Journal, 21(10),

Pp.1083-1103.

Schumpeter, J.A. (1934), The Theory Of Economic Development, Cambridge, Mass.: Harvard

Shane, S. (2008), The Handbook Of Technology And Innovation Management, Wiley-Blackwell,

New York.

Sheshimski, E., Strom, R. And Baumol, W. (2007), Entrepreneurship, Innovation, And The

Growth Mechanism Of The Free-Enterprise Economies, Princeton University Press,

Princeton. Siegel, N. (2003). Research Methods For Managers. A Skill Building Approach (2nd Ed.). New

York: Wiley Publishers.

Singapore Government. (2012). Top Five Risk Smes Should Address. The Business Times.

Sring Singapore, Ministry Of Trade And Industry. Singapore Press Holdings Ltd.

Accessed 02.05.2013. Http://Www.Spring.Gov.Sg/Newsevents/Itn/Pages/Top-Five-Risks

Smes-Should-Address-20120228.Aspx#.Uze4hbvta\_4

Sullivan, A. And S.M. Sheffrin (2003). Economics: Principles In Action. Upper Saddle River,

New Jersey 07458: Pearson Prentice Hall. Pp. 271. Isbn 0-13-063085-3.

Teece, D. And Pisano, G. (2004) Dynamic Capabilities Of A Firm: An Introduction. Industrial And

Corporate Change, Vol. 3 (3), 537-556.

European Journal Of Business Management Vol.1, Issue 11, 2014

Http://Www.Ejobm.Org Issn 2307-6305| P A G E 20

Teece, D.J. (2007). Explicating Dynamic Capabilities: The Nature And Microfoundations Of

(Sustainable) Enterprise Performance. Strategic Management Journal, 28(13), Pp.1319

1350.

Teece, David – Pisano, Gary – Shuen, Amy (1997) Dynamic Capabilities And Strategic

Management. Strategic Management Journal, Vol. 18 (7), 509-533.

Thomas, J. And Evanson, R. V., (1987), An Empirical Investigation Of Association Between

Financial Ratio Use And Small Business Success, Journal Of Business And & Accounting,

14(4).

Uyar, A. (2009). The Relationship Of Cash Conversion Cycle With Firm Size And Profitability: An

Empirical Investigation In Turkey. International Research Journal Of Finance And

Economics, Issn 1450-2887 Issue 24, Eurojournals Publishing, Inc

Valsamakis, A.C. Vivian, R.W. And Du Toit, G.S., (2002). The Theories And Principles Of Risk

Management, Durban: Butterworths.

Varis, M., & Littunen, H. (2010). Types Of Innovation, Sources Of Information And Performance

In Entrepreneurial Smes. European Journal Of Innovation Management, 13 46-61.

Verona, G. And Ravasi, D. (2003). Unbundling Dynamic Capabilities: An Exploratory Study Of

Continuous Product Innovation. Industrial & Corporate Change, 12(3), Pp.577-606.

Wanyungu D.M., (2001) Financial Management Practices Of Micro And Small Enterprises In

Kenya. The Case Of Kibera.

Waring, A.E. And Glendon, A.I., (2008). Managing Risk: Critical Issues For Survival And Success

Into The 21st Century. Toronto: International Thomson Business Press.

Winter, S.G. (2003). Understanding Dynamic Capabilities. Strategic Management Journal.

Pp.24-35

Wolf, Pieter De – Schoorlemmer, Herman (2007) Exploring The Significance Of Entrepreneurship

In Agriculture, Research Institute Of Organic Agriculture Fibl.

Woodside, A. G. (2005). Firm Orientations, Innovativeness, And Business Performance:

Advancing A System Dynamics View Following A Comment On Hult, Hurley, And Knight's

2004 Study. Industrial Marketing Management, 34(3).

Young, N. (2009). Understanding The Research Process And Methods. An Introduction To

Research Methods. Las Vegas: Acts Press