

## Small and Medium Size Manufacturing Enterprises Growth and Work Ethics in Kenya

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### Abstract

Developing countries are facing a formidable unemployment challenge due to a combined effect of slow economic growth and rapid increase in population. In Kenya, Economic Recovery Strategy (ERS) estimates that 500,000 jobs would be created annually with 88% of these generated by small and medium size enterprises. Yet, the attrition level is alarming. It has been shown that for every 100 new enterprises started in a year, 60 percent close down within the first year, and those that survive the first year, 40% are likely to close in the second year (Kenya 1998; 1999). The question that begs answers is, why so? One untested theory has been unfair competition and unethical behavior of the small and medium enterprises. This leads to low confidence, and trust and difficulties in sustaining customers as well as establishing long lasting networks. This study explores the extent to which SME's embrace business work ethic. It seeks to answer questions as to how much the growth of SMEs is affected by work ethics or lack of it. The study employed ex post facto survey design among small manufacturing enterprises in Eldoret Municipality with respondents sampled through proportionate random sampling in clusters based on geographical location. This paper measures the perception of the entrepreneurs on the relative importance of ethical practices and social responsibility in business. It goes further to highlight core competencies that can be leveraged to prepare small and medium size manufacturing enterprises engage in ethical practices.

### 1.0 Introduction

Small and medium enterprises (SMEs) are generally thought to play a crucial role in driving economic growth in both developing and developed countries (Beck *et al.*, 2003). As a group, they generate more new jobs than large firms. They introduce innovative ideas, products, and business methods. And they can push economic reforms and the modernization of uncompetitive economies. Growth and modernization in the SME sector are often associated with successful economic development, particularly in lower-income countries (Mwamadzingo, 1996). In turn, such growth and modernization are associated with general poverty reduction. Proponents of SME development argue that these enterprises play a crucial role in driving economic growth in both developing and developed countries.

SME development is often seen as a critical component of pro-poor growth strategies. Dollar and Aart (2002) observed that SMEs generate new jobs in the economy, introduce business methods, products, and services that help restructure weak agricultural sectors or other uncompetitive transition economies, and help spread the benefits of economic growth by engaging low-income groups in national development. They form dynamic supply-chain linkages between small-scale producers and lucrative urban, national, or export markets. Despite these presumed benefits of SMEs, low-income and transition countries tend to have a substantial gap between the small and micro-enterprises and larger firms (World Bank, 2001). The reason for this "missing middle" may be that the governments or markets in these countries effectively discriminate against SMEs in favor of larger firms. Given the promise of SMEs for growth and poverty reduction, a case can be made that these enterprises need support in order to "level the playing field. Scholars have argued that SME's are their own enemies as they found out that unethical practices were the major challenge facing budding SME's in a competitive environment (Caves 1998; Little 2004). Some budding entrepreneurs would source goods illegally at cheap prices and dispose off too cheaply to consumers forcing legitimate SME's owners to lower their prices minimizing their profit margin or just barely breaking even.

Work ethics here is seen as a set of values and practices based on the moral virtues of handwork and diligence in the conduct of business. It is also a belief in moral benefit of work and its ability to enhance character. As a firm creates and builds its own image and character as a result of work ethics, it builds confidence among its stakeholders. The SMEs are able then to build networks based on this well known character, attract efficient and

competent workers and thus grow, expand and eventually graduate to large firms. Since not all SMEs have strong work ethics, indeed some are deliberately crafted to exploit unethical opportunities as exemplified by several business scandals in Kenya, it is necessary to develop an industry self regulatory structures that can enforce standard ethical conduct and practices among sector players such as code of ethics.

A code of ethics cannot guarantee ethical behavior. Moreover, a code of ethics cannot resolve all ethical issues or disputes or capture the richness and complexity involved in striving to make responsible choices within a moral community. Rather, a code of ethics sets forth values, ethical principles, and ethical standards to which professionals aspire and by which their actions can be judged. Principles and standards must be applied by individuals of good character who discern moral questions and, in good faith, seek to make reliable ethical judgments. It is not known the extent to which this work ethics is embraced among Small Manufacturing Enterprises (SMEs). There is need to be ethical and socially responsible in today's small and medium manufacturing enterprise business environment in order to stay successful. In small and medium manufacturing enterprises today there are many instances of enterprises acting unethically.

An interesting feature of Navarro (2005) study is that only one-sixth of all MBA schools in developing and developed world cover ethics, human resource management and regulatory issues while 100% of the same schools cover financing, marketing and other management topics. No wonder the business world has witnessed lots of corporate scandals. The study therefore sought to investigate the extent to which work ethic is upheld among SMEs in Eldoret municipality and how it effects it growth.

## 2.0 Literature Review

Traditionally, small-scale enterprises have been an important part of the industrial structure of many countries (Caves, 1998). They invariably constitute the major part of all productive units, even in industrialized countries. In recent years, and for many reasons, the potential and practice of small enterprises has provoked a great deal of interest among industrial policy-makers, as well as with academics and researchers. This is due to the important contribution these enterprises can have on economic development, quality of life, and better distribution of income. Among the contributions of small and medium size enterprises include: nursery for nascent entrepreneurs, employment creation, increased exports, and wealth creation. Studies have shown that SMEs is a source of employment for the unemployed and underemployed, thus contribute to economic growth and the equality (Beck *et al.*, 2003) in both developed and developing countries.

Entrepreneurship is a scarce productive resource particularly in developing countries. For this reason, the incorporation of new entrepreneurs into the productive process can be one of the main roles of the SMEs. Being the principal nurseries of new entrepreneurs, they can therefore represent an important stimulus to aggregate supply in the long run. Small-scale production is considered highly labour intensive, consequently it is considered to be of high efficacy to confront unemployment and scarce capital. In some cases, these enterprises require less investment by unit of labour and value added, which can lead to more rapid growth in employment and income. While a strong differentiation in capital-labour relations among industries is also effective, empirical evidence shows that diminishing size is associated with increasing ratio of workers to capital. At the same time, SMEs exhibit wider territorial dispersion.

Moreover, SMEs in developing countries are characterized by their low level on insertion into international markets and their preference for supplying specific segments of the domestic market. Southeast Asian small enterprises, however, have in the last decades, developed into both direct exporters, taking advantage of their flexibility to provide specific segments of the market, and as indirect exporters, supplying commercial enterprises or large enterprises. Similarly, it is recognized that SMEs generally owned by medium to low-income families and that they are important tools in their efforts for accumulation and expansion. Consequently, supporting capital formation in these enterprises is an important factor to consider when formulating savings and investment development policies directed to medium to low-income families. SMEs can also be considered more agile and have flexible productive units but unethical practices cause unhealthy competition among the players.

This high capacity to adapt is partly due to various factors such as simpler administrative structures that facilitate rapid decision-making, less labour market restriction, and lower level of diversification (Dollar and Aart, 2002). This flexibility can allow them to respond more quickly to changes in economic policies and in market conditions if there is healthy competition. Nonetheless, the structure and nature of SMEs sometimes can bring important difficulties when trying to reach full productive potential. They are more vulnerable to issues of primary material scarcity, uneven quality in primary material, price fluctuations, and sometimes, uncertainty with respect to ethical practices. These difficulties indicate that the relation among SMES and other productive units (especially large

enterprises) must be complementary in nature. Such relations could be of subcontracting, concession contract, or commercial intermediation, where large enterprises can provide direct or indirect support to smaller enterprises and avoid them problems such as unfair competition or congestion of public goods. Complementarities allow for the favourable positioning of SMEs since their productive activities directly affects larger enterprises.

In sum, SME sector is considered effective in confronting unemployment and scarce capital, while at the same time, promotes entrepreneurial culture and productive flexibility. However, international experience indicates that no unique model of small enterprise development exists. Rather, successful experiences from diverse origins reinforce the conviction that small economic units can develop efficiently, and effectively contribute to development especially when many adhere to work ethics. Such experiences occur when the social, moral, institutional, and economic conjuncture positively relate to this option.

### **2.1 Challenges of SME's regarding Work Ethics**

The formal financial sector tends to discriminate against SMEs compared with larger firms. To clarify the economic and social role that should be played by SME equity funds and management assistance such as offered by development partners, it is valuable first to identify the extent to which this bias reflects conventional market failure, rather than simple social prejudice. The major contributors to capital market failures that may affect SMEs have been described by Little (2004). The problems are primarily those of adverse selection and moral hazard. Closure rates of SMEs are much higher than those of large firms, particularly for new entrants (Caves, 1998). As a result, lenders will statistically discriminate against even a high-quality SME seeking a loan.

Typically, an SME seeking to expand will have very limited collateral in relation to its borrowing needs. Especially those enterprises seeking to supply customers in developed countries who are accustomed to long accounts-payable cycles as a matter of basic business management will face severe working capital constraints, yet most traditional banks in developing countries will rarely lend working capital or will not do so on the terms needed by SMEs. Due to lack of finance most SME's embrace unethical practices in order to remain afloat. For example, they seek unethical schemes to access low-quality goods at lower prices and evade taxation so that they have an upper hand over the fellow competitors. Others include accepting contracts at lower prices than they should because there are no rules governing their operation.

Problems of lack of information, credit, scale economies, quality, reputation, and a far too rosy belief in the market possibilities in developed nations interact to make business disproportionately difficult for most SMEs. At the same time, informal networks and contracts provides special development advantages over producing for the domestic market: for quality products and services, it provides access to larger markets; and it is an effective way to absorb guaranteed markets through customer and supplier links, so it provides special benefits to the individual SME's (World Bank, 2001).

### **3.0 Methodology**

The study employed exposit facto survey design among small manufacturing enterprises in Eldoret municipality. Respondents (59) were sampled using proportionate random sampling in clusters based on geographical location of designated industrial areas. The respondents were owner/managers of small manufacturing enterprises operating in the designated industrial zones in Eldoret municipality. The respondents reported the existing work ethic situation in their enterprises using a questionnaire.

In data analysis, the SMEs work ethics, values, beliefs and practices were assessed in a Likert scale type of questions whose responses ranged from 1 to 7, (Very strongly disagree to very strongly agree). Each SME score on each item was then aggregated to arrive at a single measure of work ethic. Similarly, the SME growth was established by scoring each firm on a number of items; number of years in operation; number of years in same business; increase in capital (the difference between current net worth and startup capital); increase in number of employees; annual turnover; profitability levels among other sub variables that signify growth. The score for each SME in each item were aggregated and then divided by the maximum possible score so as to reduce it to an index ranging from zero to one. The growth index was used as a dependent variable in the study.

To investigate the existence of an association between SME growth and its work ethic belief and practices, the indices were broken down to ranges between 0-0.25; 0.25-0.50; 0.50-0.75 and 0.75-1.0 representing very low, low, high and very high classes for both work ethics and growth. Cross tabulation and chi-square tests were used to test the association. Regression analysis was then used to test the degree of linear relationship between SMEs work ethics and growth.

**4.0 Results**

Results indicate that the majority 34 (57.6%) of the SME’s have been in the same location for more than six years. This means they have outlived the survival stage of their enterprise growth and would focus on expansion. On growth, 52 (88.1%) of the respondents acknowledged that their business had grown in size since start up indicating the potential in the market and the industry they are in. Most, 32 (54.2%) of the SME’s have added more than three employees since inception which is another indicator of growth. The majority of the SME respondents 49 (94.2%) agreed that they make profit while 41 (78.8%) reported that they pay taxes from their business profits which does not only indicate size but also the degree of formality. On the type of manufacturing enterprise, most 14 (23.7%) of the respondents are in electrical works while the distribution of other manufacturing enterprises is as shown in Table 1.

**Table 1: Type of Manufacturing Enterprise**

Business Type	Frequency	Percentage
Furniture	4	6.8
Sheet metal fabrication	10	16.9
Welding fabrication	13	22.0
Electrical works	14	23.7
Engineering works (Machining of Metal components)	9	15.3
Timber machining (Saw mills, planning etc.)	6	10.4
Textile and tailoring	13	22.0
Total	59	100

Textile and tailoring, and welding fabrication are popular with a representative rate of 22.0% for both of them and the table shows the manufacturing subsector that is deemed to have potential for income generating by the entrepreneurs

**SMEs Growth**

The study sought to determine the association between age and growth of SME’s. Age and the number of years worked in a particular industry is an indicator of experience and it would be expected that the older the owner/manager the better the performance of an enterprise hence growth. The index for growth was worked out on a continuum ranging from 0 to 1 from various growth indicators such as increase in capital from start up to current net worth, increased in number of employees, size of annual of annual profit and tax payment as described under methodology. The mean was 0.49, which was not significantly lower than half point 0.5 as shown in the one-sample t-test results as shown in Table 2.

**Table 2: One-Sample t-Test on the difference of means**

	Test Value = 0.5					
	t-value	df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
Growth	-.610	58	.544	-1.2203E-02	-5.2253E-02	2.785E-02

When the growth index was subdivided into quartiles very low (0 –0.25); low (0.25-0.5); high (0.5-0.75) and very high (0.75-1.0) it was found that the majority31 (52.5%) of the SMEs were in the low growth category and 36(61%) range from very low growth to low growth as shown in Table 3. This statistics indicate that the SMEs growth rate is low. To check whether there is a relationship between SMEs age and its growth rate, a chi square test was conducted whose contingency table is shown in Table 3.

**Table 3: Cross tabulation of SME age against SME growth rate**

SME Age Class in years	SME Growth rate category				Total
	Very low 0-0.25	Low 0.25-0.5	High 0.5 – 0.75	Very high 0.75-1.0	
0 - 25	3	2	3	0	8
26 - 40	2	12	9	1	24
41 - 55	0	8	3	2	13
55 and above	0	9	4	1	14
Total	5	31	19	4	59

At the 95% confidence level and a degree of freedom  $\emptyset = (4-1) (4-1) = 9$ ,  $X^2_{\alpha} = 16.919$ . Since  $X^2_c = 14.84$  is less than  $X^2_{\alpha} = 16.919$  then we reject the null hypothesis and conclude that there is an association between age and the growth of SMEs. Note that most SMEs whose owner/managers are in the age groups of less than 40 years have very low growth rates while those aged 41 and more have high and very high growth rates. Little (2004) argued that experience in business goes a long way in enhancing future competitiveness. Experienced entrepreneurs are more likely to have skills and knowledge necessary for growth of their businesses. Caves (1998) also found that age comes with responsibility and commitment for most owners of small businesses. The commitment is pegged on the fact that as entrepreneurs grow old, the number of dependants' increase as well as realization of one's self and determination to gain self actualization.

The same test was conducted for level of education with  $X^2_c = 11.09$  implying that there is an association between level of education and growth of SME's. Training and education equips the trainee with the necessary knowledge and skills in a particular area. Beck *et al.*, (2003) found that the higher the level of education the higher the chances of survival and growth of small businesses in Sub-Saharan Africa. Beck *et al.*, (2003) attest these findings to the changing nature of business whereby competence, integrity and effectiveness define survival of small businesses. This finding implies that the owner/managers are in a position to understand and appreciate the role of work ethics as a component part of developing integrity hence growth in business.

**Challenges towards survival of SME's**

Asked about the main challenges to the survival of SMEs, most 16 (27.12%) of the respondents indicate that high cost of operations remains a major challenge towards performance and survival of SME's in Kenya as shown in Table 4.4.

**Table 4.4 Challenges to the performance and survival of SMEs**

Challenge	Frequency	Percentage
High cost of operations	16	27.12
Unavailability of raw materials	14	23.7
Harassment by local authorities	11	18.6
Unfair competition	9	15.3
Unethical practices by competitors	12	20.32
Corruption	1	1.7

Contrary to expectations, only 9 (15.3%) and 12 (20.32%) of the respondents believe that unfair competition and unethical practices by competitors respectively pose a challenge to survival and performance of SME's. The study findings concur with World Bank (2001), which found out that the major challenge facing SME's in developing countries is the high cost of operation coupled by unavailability of finances. This unfair competition breeds unethical practices in the sector. For example, as costs escalate, entrepreneurs tend to seek alternative ways of cutting costs even if that means cutting corners and taking shortcuts thereby creating conflicts with the requirements of work ethics.



**Work ethics and Social Responsibility in SME’s**

Several issues were raised with the respondents concerning their values, beliefs and ethical practices at work in a Lickert scale ranging from very strongly disagree to very strongly agree (1-7) as shown in Table 5. The respondents are categorical in items that check values and beliefs such as commitment, loyalty, employee treatment and unfair dealing with the mean response about 6 on a scale of 7. When asked about engaging in corrupt practices, underhand deals with suppliers and employees conniving with the customer to defraud the employers, the means score range from 4.39 to 5.81 which is a strong indication that the vice exists in the SMEs. Respondents were non committal on issues pertaining to employee relations, item 9-13 in Table 5, with the mean score ranging from 3.39 to 4.39 which indicates indecisiveness.

The study also reveals that there are no well established work ethic structures and networking relationship between and among SMEs with items on suppliers/ customer relationship, networks, associations and codes of conduct, and laws on unethical behavior scoring 3.18 to 3.88 which suggest its non-existence. Respondents indicate that pricing and advertising is regulated to eliminate unethical behavior with a mean score of 6.41 on a scale 1-7 showing very strong agreement and that customers are key to business survival hence require to be retained by ensuring quality product service scoring a mean of 5.7. Items on social responsibility (24-26) in Table 5 had low scores between 3.79 and 5.49. This indicates that on an average, SMEs moderately engage in social responsibility activities. A one sample t-test with a test value of 4 which in the Likert scale indicates indecisiveness shows the items or statements which all the respondents significantly agree with  $p < 0.05$  if the mean is high than 4.0 or disagree with if the mean is less than 4.0 as shown in Table 5.

**Table 5: Descriptive statistics of the respondents’ perception on work ethics**

Statements	Mean	Std. Dev.
I am very committed and loyal to the enterprise/firm I work for	6.33	1.26
Loyalty is a very important factor in work ethics business	6.18	1.42
My firm treats everyone fairly and I would do everything to protect it	6.00	1.25
I have a very strong faith in my professional skills, type of work and business and would do everything to uphold its integrity	5.93	1.48
My firm does not entertain unfair, illegal and corrupt dealing even if they may offer short cuts to success	6.19	.88
Many small manufacturing firms are engaged in corrupt practices leading to unfair competition	5.81	1.23
Supply of raw materials has a lot of under hand deals, trading with stolen goods, goods bought at low prices using the back door or using substandard or rejected materials leading to unfair competition	5.21	1.73
Workers steal from employer or sell products to unsuspecting customers at low prices when owner/managers are not there	4.39	1.98
Workers do not embrace total responsibility to the employer and would not mind cheating on him	3.98	1.81
SMES experience a lot of conflicts of interest between employers and employees	4.04	1.74
Owners/managers do not have total commitment to their own enterprise and pay more attention elsewhere	3.54	1.78
The more influence you have in the government local authorities and among other industry players the easier it is to cut deals	3.39	1.69
Employee will very easily give a way a business confidential information to competitors for anything	3.73	1.66
SMES have well established relationships with suppliers and protect each others integrity	3.88	1.77
There are enterprises networks, associations and unions that have developed code of conducts to protect each other from unfair and corrupt deals	3.18	1.79
There are laws and adequate applications of the laws to protect SMES from unfair competition as a result of unethical behavior	3.78	2.12
Pricing and advertising is regulated to eliminate unethical behavior	6.41	1.00
The customer is the key to business survival everything is done to attract and retain a customer through quality products	5.79	1.59



Our business/firm has good relationship with our customers so that most of our customers are repeat customers.	5.85	1.13
Our manager engages in community projects and sets aside some money every year for community projects	4.09	1.79
Our business/firm have total commitment to environmental safety and ethics and devote some money and time for environmental work	3.79	1.90
Preservation of human rights, does not discriminate among people and does not employ children	4.25	1.74
Our employer/firm provides good work environment for workers	3.89	1.93
Adequate safety measures, working gear and protective clothing's' are provided at the work place	3.91	1.86
Good disposal system for waste, by products, effluent, noise pollution, air pollution and land pollution exist and is regularly used in my place of work	4.02	1.71
Our firm/business adheres to standards of products	4.92	1.48
Our firm/business observes general good public relations to stakeholders of the enterprise	5.49	1.61

These findings indicate that to a large extent, SMEs observe good work ethics and are conscious of their social responsibility albeit with a moderate score. However, there are some vital structures that would ensure sustainable adherence to good work ethics that are lacking. The respondents disagree on the existence of established formal relationships with suppliers, enterprise networks and associations and laws that enforce compliance to good work ethics and social responsibility and protect them from unfair competition as shown in Table 5.

**Relationship between Work Ethics and Growth of SME's**

To test the relationship between work ethics and SME growth, an SME work ethics index was developed from the responses and a score was awarded which was reduced to a continuum between 0 and 1. Thus SME's recorded a minimum work ethics index of 0.00 and a maximum of 0.82 with a standard deviation of 0.1307. The mean of 0.6307 shows a high performance by SMEs in Work ethics. A one sample T test shows that the mean is significantly higher than 0.5 the mid point of the continuum. SMEs frequency distribution according to ethics class – very low –1, low –2, High-3 and very high –4 (see Table 6).

**Table 6 SME's Frequency Distribution according to Work Ethics Index**

Growth	Frequency	Percent
1.00	2	3.4
3.00	50	84.7
4.00	7	11.9
Total	59	100.0

The findings in Table 6 above shows majority 50(84.7%) of the SMEs are operating at high level of work ethics. Having established this, the study sought to find out whether there exists any relationship between work ethics and growth rate of SME's. A cross tabulation of growth rate classes against work ethic classes is as shown Table 7 which is also the chi square contingency table for testing the relationship between the two variables.

**Table 7 Cross tabulation of ethics class and Growth of SME's class**

Ethic Class	Growth Class				Total
	0 - 0.25- 1	0.25 - 0.5- 2	0.5 - 0.75 3	0.75 - 1.0 4	
0 –0.25 -1.00	1	1	0	0	2
0-26 – 0.5-2	0	0	0	0	0
0.51- 0.75- 3.00	4	27	17	2	50
0.76-1.0 - 4.00	0	3	4	0	7
Total	5	31	21	2	59



The computed  $X^2_c = 207.73$  is greater than  $X^2_\alpha = 16.919$  at the 95% confidence level. The null hypothesis is therefore accepted and it is concluded that there is no sufficient evidence to suggest that work ethics among SMEs affects the enterprise growth. It is therefore expected that there should be no significant linear relationship between the SMEs work Ethic and its growth indices

A visual examination of the scatter plot suggests no relationship between work ethics index and the growth index. This is in agreement with the Chi square test, which suggested no association. The regression analysis shows a weak relationship  $r=0.35$  and  $r^2= 0.123$  which shows that only 12.3% of the change in the growth index can be explained by a unit change in the work ethics index.

**Table 8 Bivariate Regression Results**

	Un-standardized Coefficients		Standardized Coefficients	t-values	p-values
Variables	B	Std. Error	Beta		
Constant	.228	.094		2.429	.018
Ethics Index	.412	.146	.350	2.822	.007
R-square	12.3				
Adjusted R-square	10.7				

Dependent variable: Growth index

Table 8 shows bivariate regression results and indicates that work ethics has a positive and significant effect on SMEs growth ( $\beta=0.228$ ;  $p<.01$ ). Therefore, the findings concur with the expectation that good work ethics positively affect growth rate of SME's in Kenya. This is not surprising, however, two things can be deduced from this finding; first, the concept of work ethics seems to be appreciated by the SME, owner managers, and secondly it does affect the growth of their enterprises. However, it would be more prudent to incorporate other measures of evaluating work ethics in studies of this nature such as observations on tangible aspects that indicate practice of work ethics.

**5.0 Conclusions**

Without doubt, enhancing the productive capacity of the Kenyan economy is a great challenge. The small-scale enterprise has its place in the new economic development strategy in Kenya – vision 2030. The capacity of these enterprises to fulfill this role will depend on their own personal values as well as firm specific values. One of the favorite metaphors of Chinese leader Deng Xioping, with which all economic reforms soon identified, was the famous phrase “*black or white, a cat is good only if it catches mice*”. In the end, what is really important is that the economy with the aid of SME's is good in generating and distributing wealth for every one in a sustainable way. This will only happen when all firms, SMEs included embrace and practice good work ethics that will enhance their survival, competitiveness, growth through networking, subcontracting arrangements and other forms of inter-firm joint activities and eventual graduation to large firms.

Research findings have shown a significant relationship between work ethics and growth of SME's, it is important that SME's embrace work ethics because it embraces dignity, integrity, importance of human relationships and competence resulting to a level playing ground. Work ethics should therefore be part and parcel of a healthy competition aided by a government policy on the same. Though the Kenya Bureau of Statistics (KBS) in Kenya is expected to guard against such practices there is need for a close monitoring of SME's. Specifically:

- i) SMEs should establish networks, trade associations and cooperatives and union and develop code of conducts that governs their operations and protect each other from unfair competition.
- ii) The government should enact laws and enforce their application in protecting SMEs from unfair and unethical practices.
- iii) SMEs should have total commitment to worker and environmental safety, allocating resources to environment programs and worker protecting gear in their budgets as well as working towards good human relationships both inside and outside the enterprises.
- iv) There should be well established relationships between SMEs and their suppliers that will not only ensure quality and timely deliveries but also protect each others integrity.



- v) The government should provide policy framework that would require and facilitate establishment of a SMEs code of ethics and a self regulatory body specifically to monitor work ethics among SME's in Kenya.

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