

**SMALL BUSINESS
MANAGEMENT**

Chapter One

Introduction to Small Business Management

Unit Introduction

Due to the frequent large-scale transitions to and from the industry, the small company sector is one of the most volatile parts of the national economy. Each year, many brand-new enterprises are launched, but at the same time, virtually the same number of smaller companies fail for various reasons. Less manageable external and internal variables cause small companies difficulties. These factors include the owner-personal entrepreneur's characteristics, technical knowledge, managerial competencies, and behavior. These factors all impact the likelihood that entrepreneurship will continue to grow. Motives can range from those that "pull" an individual towards self-employment, including the desire for independence or even the absence of other work opportunities, to those that "push" a person into self-employment, like the lack of job alternatives (Zhuang & El-Ansary, 2008).

When the company has been established, the founder's capabilities and administration style will, to a considerable extent, influence how the company is managed in essential functional departments. There is data from several studies that suggest the performance of small businesses is more dependent on the strategies that the business chooses to implement instead of the buoyancy of both the marketplace in which the business competes. Individual elements, like the managerial behaviors, competence, and personal attributes required to deal in the small company environment, are more essential than environmental factors, which include both internal and external aspects. Some people can be successful as entrepreneurs even though the odds are stacked with them when other people are unable to do so, even when the circumstances for success are quite favorable. (Hatten & Hatten, 2009).

Small firms often confront difficulties, particularly in the areas of advertising, accounting, financial management, and the management of employees. Experts from all around the world agree that the current global economy is undergoing a transition towards a knowledge-based economy. The twenty-first century saw the introduction of several types of information technology. However, the transformation of thought and the generation of new value in current methods to the management of businesses is communicated not just via information systems but also through the actual process of working using information. These shifts are mirrored in the economy today (Graham, 2002). The utilization of available resources is transitioning from present capital vital assets to strategic resources in terms of guidance for assessing, innovative thinking, and invention. This movement in the utilization of assets is taking place right now. In the realm of manufacturing, knowledge, and skills are vital

components. Businesses may obtain a competitive advantage by developing and establishing continuous and ongoing, as well as management knowledge and abilities that are situated at the center of a process of innovation. Frequently, small business owners fail to see the significance of these realities, and assistance programs designed to foster the growth of smaller businesses fail to take them into account. (Burns & Dewhurst, 1996)

Learning Objective

At the end of this chapter, students will be able to:

1. The concept of a small business and its management
2. The challenges and opportunities associated with small business management
3. The role of the small business manager
4. The key components of a successful small business management strategy

Key Terms

1. Small Business
2. Marketing
3. Political Environment
4. Economic Environment
5. Data Analysis

1.1. Marketing

Small business marketing can be a challenging task for owners. When marketing your small business, you must consider various factors, including your target market, budget, and approach. When it comes to market targeting, it is critical to evaluate who your target audience is and what demands they have that your company can meet. You can build a marketing strategy to reach your target market once you have a thorough grasp of them. Another key factor to consider when marketing your small business is your marketing budget. You must assess how much you are willing to spend on marketing and advertising and then develop a budget representing your objectives. Finally, your marketing approach should be tailored to reach your target market and meet your marketing objectives. There are numerous marketing channels available, and you must select the ones best suited to your company. You can create an effective marketing strategy for your small business with a little planning and work.

Numerous small businesses continue to depend heavily on conventional types of information, including personal contacts with clients and business associates, despite the abundance of available business-related details and the possibility of trying to access national and global databases. This results from the SMEs' poor information systems network operation, particularly in rural regions, and their inability to analyze statistical data (Muteti, 2005). First, the problem may be solved by teaching business owners how to analyze statistics and connecting more rural regions to power and the internet. Another issue that SMEs face is a lack of marketing knowledge (Burgess & Oldenboom, 1997). Most small businesses do not employ a marketing strategy that acknowledges and guarantees the consumer's sovereignty. The selling idea is what the majority of SMEs mostly use. This idea primarily prioritizes sales volume over customer happiness. Since the marketing idea provides long-term profitability and growth, SMEs must adopt it as a long-term policy. To impact demand and acquire a competitive edge, they must implement promotional methods, including marketing, sales promotion, and publicity (Kotler, 2010).

SMEs can advertise via Kenya's many media outlets to reach their target market. Most Kenyans believe in the radio, even though it only transmits sounds, and it may thus be a very successful weapon. The television is yet another instrument that may be utilized in advertising. Television effectively mixes auditory and visual elements. It could be restricted because it isn't accessible in most of Kenya, although SMEs in metropolitan regions and certain rural areas could utilize it successfully. The high price is the sole barrier. SMEs may employ promotional strategies by giving consumers rewards like premiums, discounts, and contests (Kotler, 2009).

Most SMEs have developed without marketing, acknowledging it as a crucial task or a fundamental business tenet. Some SMEs may have had a sales department from the beginning to sell the products the SMEs make (Hill, 2009). (Hill, 2009) claims that SMEs have developed without advertising because business owners have a limited understanding of marketing. They contend that producing high-quality goods was important for consumers to continue buying. The development of a marketing department within SMEs would improve operations.

According to (Katz & Kahn, 1978), SMEs are seen as open platforms where all activities communicate and thus depend on each other (Goldhaber, 1986). All the other activities' elements are changed to account for changes made to one part of the system. Both macro and micro sectors are expected to experience these consequences. Numerous academics have noticed the interconnection of

organizations at the macro level. Distribution channels are shown (Stern & El-Ansary, 1995) as "a network of systems," which views organizations as interdependent parts. At the micro level, an institution's functions accommodate one another as it adapts to an environment. It is simple to understand the complexities and sensitivity of every decision taken in a function when the decisions connected to the creation and execution of a commercial communication plan are combined (Lall, 1991).

SMEs have few networks to share knowledge, expertise, and contacts for professional and social reasons. Networks are crucial for forming, progressing, and expanding small firms, claim (Shaw & Conway, 2000). Professionals, professional colleagues, and governmental organizations might all be network members. Networking is crucial for SMEs even though they improve access to competitive data, clients, and domestic and global marketplaces. According to (Tulus, 2005), networking is crucial because it fosters clustering, which is crucial for the expansion and development of markets.

From the perspective of Kenya, tiny businesses like *mitumba*—the sale of used clothing—are primarily concentrated in one location. In doing so, the goal is to establish a close-knit network that will ultimately boost client inflow (Burns & Dewhurst, 1996)

1.2. An Enabling Environment

Without obstacles from the government or other authorities, firms may function more easily inside an enabling environment. The function of the government must be restricted to fostering an environment conducive to business expansion and minimizing commercial disputes since it "has no business within a business." Small and medium-sized enterprises (SMEs) need a supportive framework as they are at a disadvantage compared to giant corporations. The government must aid SMEs to promote their expansion and establishment. The famed structural changes and trade social reforms of the 1980s were meant to assist small and medium-sized businesses by fostering an atmosphere that would facilitate the selling goods and services. However, there's real evidence of both the beneficial and negative effects of these policies on the growth of SMEs throughout Africa. Even though the government is tasked with fostering a supportive framework, SMEs may contribute by ensuring that they acquire superior skills and expertise and are situated in robust niche markets (King & McGrath, 2002). Discussing the physical, political, economic, social, technical, and legal environments (PESTEL) is crucial to understanding the context in which SMEs operate (Kotler, 2010).

1.2.1. Political environment

The political climate of a nation impacts marketing efforts at all stages (Kotler, 2010). New administrations frequently introduce new regulations that impact companies, particularly SMEs. For instance, the Jubilee government recently introduced new regulations that provide zero-interest loans to women- and youth-owned SMEs. Although this has not yet been implemented, the borrowers will at least be encouraged by favorable loan rates. These regulations are expected to encourage the

establishment of new SMEs, increasing competitiveness in the industry. The competitive climate will force SMEs to innovate new goods more aggressively to achieve a competitive edge. Political stability is essential for SMEs because it guarantees a favorable business climate. The political strife of 2007–2008 would serve as a reminder of the negative impact of political unrest on both big and small enterprises (Porter, 1998).

1.2.2. Economic environment

The economic climate also impacts the efficiency and activities of SMEs. The stages of a business cycle, inflation, and interest rates are all components of an economic environment. According to (Stanton & Futrell, 1987), establishing wherever their firms are in the business cycle is important for small and medium-sized business owners—identified four fundamental phases of the business cycle: affluence, recession, depression, and recovery. Promotion of positive, efficient marketing plans would be aided by knowing where the SME is within the cycle.

A nation's overall price level rise is referred to as inflation (Kotler, 2010). Poor consumer buying power causes high inflation rates and low interest for SMEs' goods and services. Consequently, SMEs must create marketing plans to draw clients during rising inflation. The using a promotional strategy, which comprises incentives to draw in more clients, is one such tactic. Interest rates have an impact on SMEs' marketing strategies as well. In times of high borrowing rates, customers frequently put off major expenditures. SMEs must devise tactics to persuade clients to purchase during high bond yields. In these situations, sales promotion techniques might be acceptable.

1.2.3. Social-cultural environment

Due to these factors' dynamic nature, no entrepreneur could disregard the influence of social and cultural influences on the market. More quickly than ever, cultural norms, lifestyles, and societal beliefs and values are evolving (Kotler, 2010). Business owners should be mindful of these developments while selling their products to be successful and competitive. SMEs' marketing plans should always take these developments into account. The shifting role of women in Kenyan civilization is among the most dramatic developments. Some of these developments according to involve breaking from the traditional roles of women as homemakers, whose sole responsibility would be to give birth and care for the children. At the same time, the guy works outside the house. Today's women make substantial decisions both at home and at work. Consequently, marketers must be conscious of this to connect with people while promoting their goods and services (Rovegno, 2008).

1.2.4. Technological environment

Our lifestyles, our lifestyles, our purchase habits, and our overall economic well-being are all significantly influenced by technology to a significant degree (Stanton & Futrell, 1987). The following are some of the effects that technology has on the marketing techniques of SMEs:

- i. The beginning of wholly new industries, including robotics, printing, and laser technology

- ii. launch of whole new businesses, including robots, printers, and lasers
- iii. Stimulating sectors of the economy that are unrelated to modern technology. Modern household appliances, including deep freezers and refrigerators, can freeze food for several days. Homemakers now have more time to engage in activities outside the house. A marketer should be able to recognize all of these variations and react to them appropriately (Stepp-Greany, 2002).

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