



SENSEMAKING AND SENSEGIVING APABILITIES AND RESILIENCE: A STUDY OF A MANUFACTURING MSME IN KENYA

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ABSTRACT

MSMEs play a very crucial role in the economies of developing countries. They contribute towards GDP; reduce the unemployment levels and bridging the huge gap that divides the rich and the poor. They however face numerous risks such as commercial risks, financial risks, operational risks and regulatory and compliance risks to name a few, which threaten their existence. In Kenya, many of the MSMEs do not survive beyond a year due to the lack of resilience to these risks. Furthermore, lack of proper managerial expertise in creating strategies that are well suited to mitigate these risks contribute to their demise. Much has been said about the risks that MSMEs face in Kenya. However, there is limited research on the strategies used to mitigate those risks and the decision making process that leads up to the strategies that are employed.

This research therefore aimed to bridge that gap and investigate how MSMEs respond to risk, why they respond the way they do and how they can build resilience. This was done using sensemaking theory to explore the sensemaking and sensegiving capabilities of MSMEs in Kenya. A single case study of a manufacturing MSME in Kenya was used. The overall proposition of the study was that good sensemaking and sensegiving capabilities would assist MSMEs build resilience. Pattern- matching was used to match the expected pattern (theories such as enactment theory and 4 I framework) to the observed pattern which was obtained through the data collected from the company.

The findings suggested that indeed good sensemaking and sensegiving capabilities do build resilience as the risk management processes and sense making and sensegiving capabilities of the selected company was a close fit to the expected pattern. The areas where the two patterns did not match, highlighted areas in which the MSME could make improvements and in so doing build resilience.

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LIST OF ABBREVIATIONS

EAC-	East African Community
HODs-	Heads of Department
KSH-	Kenya Shilling
LTD-	Limited
MD-	Managing director
MSMEs-	Micro, Small and Medium Enterprises
OL-	Organisational Learning
OM-	Owner-Manager
RM-	Risk Management
SADC-	Southern African Development Community
SMEs-	Small and Medium Enterprises
SWOT-	Strengths, Weaknesses, Opportunities and Threats
ZAR-	South African Rand

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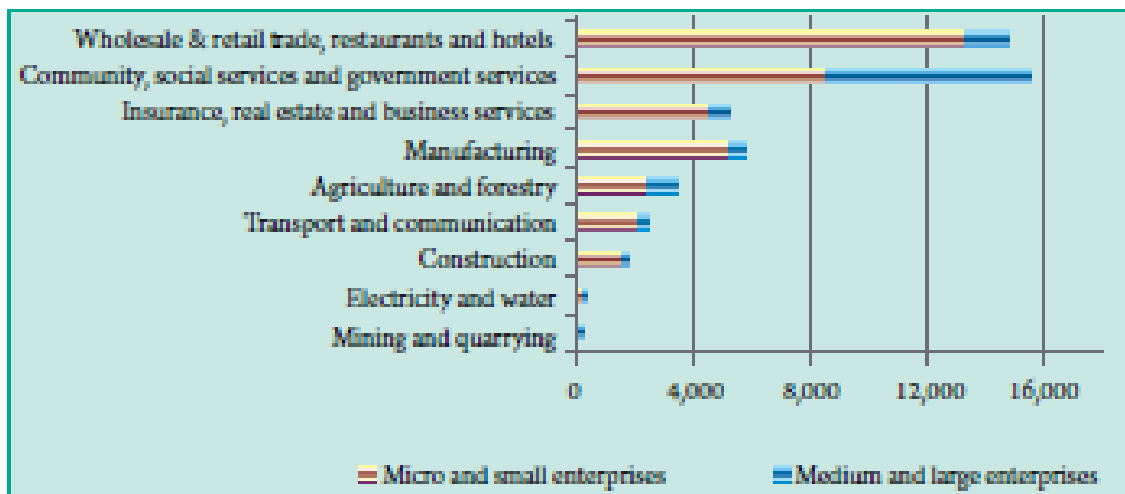
CHAPTER 1: INTRODUCTION

1.1 Research Area

Micro, Small and Medium enterprises (MSME) make a substantial contribution to many countries' GDP and promote economic growth. MSME's have played a big role in getting 'sustained global and regional economic recovery' (Ayyagari et al. 2007) and in developing countries they are of even greater importance especially because of the high unemployment rates coupled with high levels of poverty. Abor & Quartey 2010 emphasize this when they say that SMEs 'have a crucial role to play in stimulating growth, generating employment and contributing to poverty alleviation, given their economic weight in African countries. 'This has forced people to be more innovative and to nurture their entrepreneurial spirit which has led to the vast growth in number of SMEs to the point that 'SMEs represent over 90% of private business and contribute to more than 50% of employment and of GDP in most African countries'(UNIDO 1999 as cited in Abor & Quartey 2010 p 219).MSMEs also encourage the economic empowerment of indigenous people which is essential in many developing countries as it contributes to reducing the wealth divide between the rich and poor which is quite large.(Juma 2012).

In Kenya, the MSME sector has improved greatly over the past few years. 'The sector contributes about 18% to GDP and plays a critical role in easing foreign exchange constraint, penetrating new markets, and stimulating growth and development particularly in the rural areas'(Kithae et al. 2012). The MSME sector is also currently the largest employer in the private sector(Manufacturers 2005). The Kenyan Government recognises the importance of the sector, especially in keeping the level of unemployment down, and is doing its best to ensure that the MSME sector continues to flourish. Juma 2012 recognises the role of government in ensuring growth of MSMEs and says in a statement that 'a policy thrust to grow successful SMEs must take pre-eminence if long term sustainable economic development of Africa is to be realised.' The government has realised this, has prioritised MSMEs and introduced policies such as ensuring a certain percentage of government procurement is allocated to MSMEs, which is significant as government is the biggest spender in the economy (Manufacturers 2005). By 2011 MSMEs accounted for most of the businesses in all the industries in Kenya, as shown in Figure 2 below.

Figure 1: MSME distribution by industry



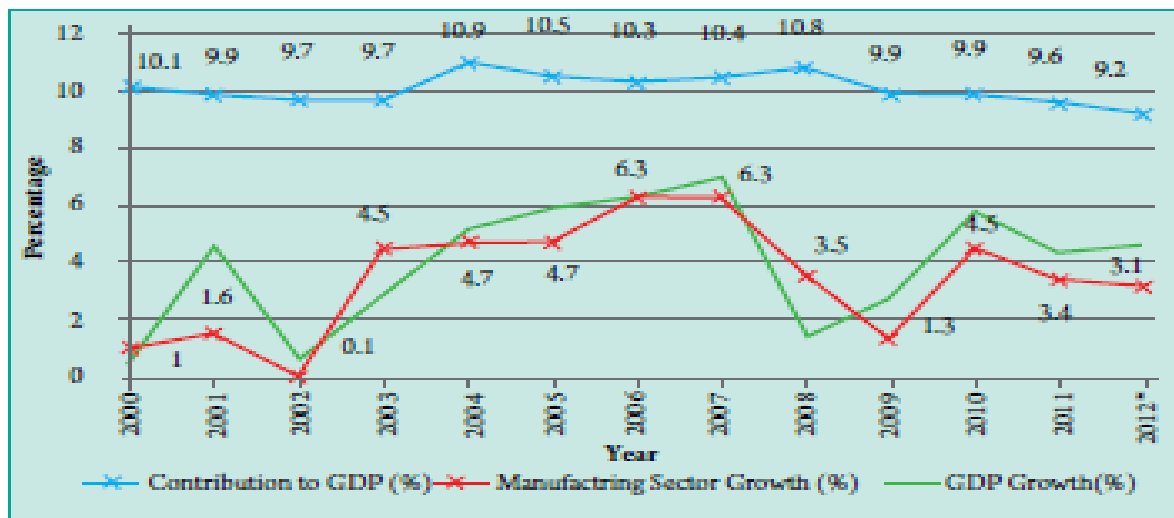
Source: (Kenya Institute for Public Policy Research and Analysis(KIPPRA) 2013)

Whilst SME's are expected to significantly contribute to issues such as employment and have great innovation capabilities, they are highly exposed to a lot of risks which have the potential to undermine their contribution and success. Unlike large organisations, MSMEs do not have the same capacity in terms of finances, expertise, experience and even technology. It can be argued that due to their small size they would be more efficient and more productive than large organisations but they face unique challenges that constrain their growth. In Kenya, despite the growth of MSMEs, they are faced with numerous challenges which lead to their failure sometimes within the first year of operation. Some of the challenges faced by MSMEs in Kenya include competition among themselves and from large firms, lack of access to credit, cheap imports, insecurity and debt collection, inadequate access to skills and technology, HIV/AIDS, Entry barriers, Health and Safety in workplaces, limited access to infrastructure among others. (Manufacturers 2005). Abor 2011 also identified some challenges that many MSMEs face including and not limited to: limited managerial skills, access to finance, equipment and technology level and quality of regulation and intense competition.

MSMEs in the manufacturing industry are usually the hardest hit by many of these risks especially when it comes to competition from large organisations, from other manufacturers and worst still cheap inferior imports. In Kenya, 'Vision 2030 identifies the manufacturing sector as one of the key drivers for realizing a sustained annual GDP growth of 10 percent'(Kenya Institute for Public Policy Research and Analysis(KIPPRA) 2013) . This indicated that a flourishing manufacturing sector would lead to significant GDP growth. This is illustrated in Figure 1 below which shows that GDP growth follows the same growth pattern as a growth in the manufacturing industry. However, 'the manufacturing sector has high, yet untapped potential to contribute to employment and GDP growth'(Kenya Institute for Public Policy Research and Analysis(KIPPRA) 2013). This means that it does not contribute as much as it should to GDP. In Kenya, 'the contribution of the manufacturing sector to GDP has continued to stagnate at about 10 percent'(Kenya Institute for Public Policy Research and

Analysis(KIPPRA) 2013). Therefore significant improvements and changes need to be made in the manufacturing industry so that it can reach its full potential and lead to GDP growth and development.

Figure 2: Growth Patterns of GDP and the manufacturing sector in Kenya



Source: (Kenya National Bureau of Statistics as cited in Kenya Institute for Public Policy Research and Analysis(KIPPRA) 2013)

The importance of the MSME sector and the manufacturing sector to a country’s economy cannot be ignored or downplayed. This means that there has to be great emphasis placed on their success so as to increase their contribution to GDP and the economy as a whole. This is especially true in developing countries where MSMEs constitute most of the companies in all industries yet their contribution to GDP is very low. It is therefore important to find out how these SMEs respond to the risks they face and why they respond the way they do so as to get a better understanding of where the problem lies and how they can build resilience. This led to the development of this study that whose purpose was to investigate how and why MSMEs in Kenya respond to risks the way they do which was explored using sensemaking theory. This was done through an in depth analysis of the risk management process, sensemaking and sensegiving capabilities of an MSME in the manufacturing industry after which suggestion were given as to how the company can build resilience.

1.2 Problem Statement

MSMEs constitute many of the companies in all the industries, as shown in Figure 1 above, however, the MSME sector in Kenya only contributes about 18% of GDP (Manufacturers 2005). Improvement in the performance and resilience of MSMEs would make a greater contribution not just to the unemployment level but to GDP as well. However, this is hindered by the numerous challenges they

face which threaten their very existence. Some of these risks that are common to MSMEs face include: financial risk which relates to the lack of funding or access to finance by due to factors such as lack of collateral, lack of financial history to prove credit worthiness as well as high interest rates and inflation rates; commercial risks which usually refer to fierce competition from large organisations and cheap inferior imports; Operational risks which refer to the capacity of the business in terms of skill, management and strategies employed; Regulatory and compliance risk which refers to the requirements the MSME need to meet in order to operate and finally hazard risks which is a major concern especially in terms of productivity as it refers to the environment in which the company and the employees operate with issues such as the diseases like HIV/AIDS and malaria and safety issues especially in the manufacturing industry.

‘ Many SMEs, however, have a strategic advantage over larger organisations in their ability to respond quickly to changing environments; too few though fully develop this capability to improve their resilience to major crises.’(Vargo & Seville 2011)In many cases, the MSMEs do not have the capacity to counter these challenges, both in terms of financial capacity but also internal operational capacity which could make the difference between survival and closure. This is especially due to ineffective management and as Smit and Watkins 2012(as cited in Kagwathi et al. 2014) found that ‘few SMEs owners and managers are risk aware and they focus their risk actions on loss control programs in the areas of fire, safety, health and quality assurance.’ This is of great concern as the ability of management to be aware and identify a risk correctly, before it actually affects the company can assist in either prevention of the risk, or developing strategies to mitigate that risk. Kagwathi et al. 2014 agree with this and say that ‘the ability of management of SMEs to carefully identify the risks that their business could face and take actions accordingly to counter them will certainly lead to successful and profitable ventures and contribute to economic growth of the nation,’ thus build resilience.

There is available research on the risks faced by SMEs and strategies they use to mitigate these risks in Kenya. However, there is insufficient literature on how and why they respond to risks the way they do in terms of the actual risk management process that leads up to the strategies that they use to manage these risks. This research was designed to investigate how and why MSMEs in Kenya respond to risk the way they do and how they can build resilience. This was done by sensemaking by exploring the sensemaking and sensegiving capabilities of a single case study.

1.3 Purpose and Significance of the Research

This study’s aim was to find out how MSMEs respond to risk and why they respond to risk the way they do and in doing so, find ways in which the MSMEs can build resilience. This was done by looking at the sensemaking and sensegiving capabilities of an SME in the manufacturing industry that has been operating for a couple of years but has faced and continues to face numerous challenges. The purpose

is therefore to explore the sensemaking and sensegiving capabilities of MSMEs, using a single case study, so to understand how MSMEs respond to risk and why they response to risks the way they do.

The findings of this research will highlight risk management processes that MSMEs can use in order to enhance resilience and in so doing ensure that they can survive through difficult times. This is much needed, especially in developing countries where MSMEs provide the highest number of employment opportunities, yet some do not even get to operate for more than a year. This leaves the employees at a disadvantage as they are left without a source of income at a time when unemployment levels are high yet many of them have families to support. Therefore this research aims to identify where the MSMEs are going wrong in their risk management, sense making and sense giving, identify possible solutions through matching with tested theories and empirical views and coming up with recommendations that they can implement to improve their resilience.

1.4 Research Questions and Scope

The overarching research question for this project is: How and why do MSMEs in Kenya respond to risks and build resilience to these risks? To explore this question, I used sensemaking theory. The research used a single case study and the objective was to investigate the sensemaking and sensegiving capabilities of the MSME in responding to risks. The research focused on an MSME in the manufacturing sector in Kenya.

1.4.1 Sub Research Questions

- 1. How do MSMEs respond to the risks they are exposed to?*

The questions focused on understanding the risks that these MSMEs are exposed to and the process they go through in responding to these risks. In answering this question, the researcher initially identified the risks that are prevalent to the chosen company. Once these risks were identified and discussed, the researcher discussed the Risk management strategies employed by the company as well as its sense making and sense giving capabilities.

- 2. Why do the MSMEs respond to risks the way they do?*

This question sought to find out the reasoning behind the strategies and processes the company uses in responding to their risks. This question was important as it would provide some explanation as to why the company is where it is today and performing as it currently is.

- 3. How can the MSMEs better manage risks and therefore build resilience*

This question highlighted areas in which the company's risk management processes, sense making and sense giving capabilities were lacking. This was done by pattern- matching the observed findings from the data collected to the expected pattern- which is the sensemaking and sensegiving theory discussed in the literature review. The researcher was then able to draw conclusions and give recommendations for the company that could then be used to improve the risk management process employed by the company and in so doing enhance their resilience.

1.5 Research Assumptions

The research assumed that the responses received from the participants were honest and were not manipulated in any way so as to misrepresent the true state of the organisation. This was important as the reliability and validity of the research depended on the findings of the study.

2 CHAPTER 2: LITERATURE REVIEW

2.0 Introduction

This chapter reviews existing literature that will assist in understanding the relevance of the study, revealing the research gaps and achieving the research objectives set out. It will summarise the different descriptions of MSMEs and their importance in the economy, risks faced by MSMEs and risk management processes. The chapter focuses on sense making and sense giving in organisations highlighting some conceptual and empirical views then finally looks at crisis management.

2.1 Micro, Small and Medium Enterprises (MSMEs)

2.1.1 Definition of MSME

The term MSME has been widely defined with the definitions varying by author, sector, region and even country. However, the definitions focus on the firm's total assets, number of employees and the total turnover. The general consensus is that they are firms that employ fewer than 250 people.

The European Commission focuses on the number of employees in its definition of MSME's. It defines a micro enterprise as one with 0 – 9 employees, small enterprise as one with 10 – 99 employees and medium enterprise with 100 – 499 employees.

The South African 'National Small Business Act 1996 gives various classifications on MSME in South Africa. Table 1 below summarises the definitions for the various enterprise categories:

Table 1: Definitions of SMMEs given in the National Small Business Act

Enterprise Size	Number of Employees	Annual Turnover (in South African rand)	Gross Assets, Excluding Fixed Property
Medium	Fewer than 100 to 200, depending on industry	Less than R4 million to R50 million, depending upon industry	Less than R2 million to R18 million, depending on industry
Small	Fewer than 50	Less than R2 million to R25 million, depending on industry	Less than R2 million to R4.5 million, depending on industry
Very Small	Fewer than 10 to 20, depending on industry	Less than R200 000 to R500 000, depending on industry	Less than R150 000 to R500 000, depending on Industry
Micro	Fewer than 5	Less than R150 000	Less than R100 000

Source: (Falkena et al 2001 cited in Abor & Quartey 2010 p. 222)

The MSME bill of 2009 provides descriptions for MSMEs in Kenya which are based on number of employees and company turnover. It distinguishes enterprises in the manufacturing sector as they are usually both capital and labour intensive and therefore considers the investment in plant and machinery as well as the registered capital. (Manufacturers 2005). Table 2 below shows the Kenyan MSME definition:

Table 2: Kenyan MSME definition

ENTITY (Trade, service, industry or business activity)	NO. OF EMPLOYEES/PEOPLE	ANNUAL TURNOVER LIMIT	INVESTMENT IN PLANT AND MACHINERY + REGISTERED CAPITAL	EQUIPMENT INVESTMENT + REGISTERED CAPITAL
Micro enterprise	Less than 10 people	Not exceeding Ksh. 500,000	Not exceeding Ksh. 10M	Not exceeding Ksh. 5M
Small enterprise	More than 10 but less than 50	Between Ksh. 500,000 to Ksh. 5M	More than 10M but less than 50M	More than 5M but less than 20M
Medium Enterprise	More than 50 but less than 100	Between Ksh. 5M to 800M	<i>Not specified in the draft bill</i>	<i>Not specified in the draft bill</i>
Micro, Small and Medium (MSME)	Not less than 100			

Source: (Manufacturers 2005 , p. 2)

According to (Abor 2011), *Survivalist* enterprises are those whose income generated is less than the minimum income standard or the poverty line, is considered pre-entrepreneurial, and includes hawkers, vendors and subsistence farmers. *Micro enterprises'* turnover is less than the VAT registrations limit (that is R150, 000), they usually lack formality in terms of registration and employ no more than 5 people. They include, for example, spaza shops, minibus taxis and household industries. *Very Small* enterprise are enterprises employing fewer than 10 paid employees, except mining, electricity, manufacturing and construction sectors, in which the figure is 20 employees. These enterprises operate in the formal market and have access to technology. *Small enterprises* have an upper limit of 50 employees, are generally more established than very small enterprises and exhibit more complex business practices. *Medium enterprises* have a maximum number of employees is 100, or 200 for mining, electricity, manufacturing and construction sectors. These enterprises are often characterised by the decentralisation of power to an additional management layer. MSMEs can also be categorised as urban and rural as they both have distinguishing characteristics. Those in urban areas tend to be more formal and would most likely be registered. There are also unorganised firms in the urban areas that tend to be one-person businesses who are mostly artisans. In the rural areas, the businesses are mostly informal and revolve around agriculture. (Abor & Quartey 2010)

2.1.2 Organisational Structure in MSMEs

Many MSMEs are either one-person operated or family owned with very few employees therefore lack complex internal organisational structure. There is usually no separation between ownership and management and therefore the owner-manager (OM) would be the decision maker. This can be seen

as a positive factor as it means that decisions in the organisation are made quickly and therefore cut down on the lag brought about by consultation when faced with a risk or an opportunity. However, Jones & Macpherson 2006 suggests that by not having formal organisational structures, SMEs cannot fully convey new knowledge to everyone in the organisation. They also find it difficult to attract high calibre staff as there are no defined roles thus no potential for growth in the organisation, lower pay and little or no benefits.

Ghobadian & Gallear 1996 find that SMEs usually have a flat organisation structure with one manager at the strategic apex. This means that the manager interacts more with the other employees and even the customers thus creating a flexible work environment, improving interpersonal relationships and leads to better strategic decision making as they are aware of the needs of the firm and its employees. This, however, differs to the hierarchical nature of the organisation structure in large organisations with several layers of managers. This means that the top managers are not as engaged with the other employees and the actual running of the business. This sometimes leads to strategic decision making that is unsuitable for the firm. "top managers, in large organisations, are far removed from the point of delivery. Thus, they are likely to lack deep understanding of operational issues, processes, customers' needs and quality difficulties.....Moreover, they lack visibility and face difficulties in organising effective communications and providing leadership by example."(Ghobadian & Gallear 1996)

Weick 1993 gives these five criteria for a simple organisation: 'coordination by direct supervision, strategy planned at the top, little formalised behaviour, organic structure and the person in charge tending to formulate plans intuitively, meaning the plans are generally a direct extension of his own personality.' This describes most entrepreneurial firms or MSMEs especially in developing countries.

2.2 Risk

Businesses face different types of risks in their daily operations. Chapman & Cooper's 1983 study (as cited in Verbano & Venturini, 2013) describe risk as "the possibility of economic or financial losses or gains, as a consequence of the uncertainty associated with pursuing a course of action. When a risk materialises, it can cause significant damage to the running of a business and could be the difference between a going concern and shutting down. Risks can be classified as systematic or unsystematic. Systematic risks are those risks that cannot be diversified, are present in the market and affect all businesses be it small or large. These include interest rates and inflation. Unsystematic risks are those risks that are specific to the business and can be diversified. They are related to the business and its operations. The three main types of risks according to (Global Risk Alliance Pty Ltd 2005) are:

Opportunity- based risk

“There are two main aspects of opportunity- based risks: risks associated with not taking an opportunity and those associated with taking an opportunity. The latter is a conscious decision to accept identified risk associated with an opportunity and then to implement processes to minimise any negative impacts and maximise gains.”Therefore this is the risk that you take on an opportunity or risk, for example by expanding the business. This then leads to either greater financial gain or even greater loss especially if the current business has to supplement the new business for a long time, which might eventually lead to closure of the entire business. It could also refer to the risk of not taking up the opportunity to expand which leaves room for a competitor to come in and take up the opportunity leading to a negative impact on the business.

Uncertainty- based risk

This is the risk that some unexpected event will occur that has not been accounted for which could be difficult to manage and therefore lead to huge losses.“Uncertainty- based risks are: unknown or extremely difficult to quantify; catastrophic or disastrous in nature; associated with negative outcomes; and not possible to control or influence.” (Global Risk Alliance Pty Ltd 2005).These can be also be referred to as force majeure when dealing with risk related to nature such as floods, earthquakes, tsunamis etc. Acts of Terrorism which is very prevalent in today’s world would also fall into this type of risk. These can be referred to as systematic risks as they would affect all businesses in the country.

Hazard –based risk

Hazard-based risk is the “risk associated with a source of potential harm or a situation with the potential to cause harm. This is the most common one.”(Global Risk Alliance Pty Ltd 2005).These could be referred to as socio-ecological risks as they mostly refer to social and environmental hazards. According to Global Risk Alliance Pty Ltd, these include: *Physical hazards*- including noise, temperature or other environmental factors ;*Chemical hazards*- including storage and/ or use of flammable, poisonous, toxic or carcinogenic chemicals; *Biological hazards*- including viruses, bacteria, fungi and other hazardous organisms; *Ergonomic hazards including poor workspace design, layout or activity and equipment usage*; *Psychological hazards- that may result in physical or psychological harm, including bullying, sexual discrimination, workload or mismatch of job specification to employee capability*. The above hazards refer to the environment the business is operating in and the state of the work force.

2.2.1 Categories of risk

There are different categories of unsystematic risk and they include:

Table 3: Categories of Risk

Financial	<i>This category includes cash flow, budgetary requirements, tax obligations, creditor and debtor management, remuneration and other general account management concerns.</i>
Organisational	<i>This relates to the internal requirements of a business, extending to the cultural, structural and people issues associated with the effective operation of the business</i>
Compliance/legal	<i>This category includes compliance with legal requirements such as legislation, regulations, standards, codes of practice and contractual requirements. This category also extends to compliance with additional ‘rules’ such as policies, procedures or expectations, which may be set by contracts, customers or the social environment.</i>
Operational	<i>This covers the planning, operational activities, resources(including people) and support required within the operations of a business that result in the successful development and delivery of a product or service</i>
Commercial	<i>This category includes the risks associated with market placement, business growth, diversification and commercial success. This relates to the commercial viability of a product or service, and extends through the establishment to retention and then growth of a customer base.</i>
Safety	<i>This category includes the safety of everyone associated with the business. This extends from individual safety, to workplace safety, public safety and to the safety and appropriateness of products or services delivered by the business.</i>
Strategic	<i>This includes the planning, scoping and resourcing requirements for the establishment, sustaining and/or growth of the business</i>
Equipment	<i>This extends to the equipment utilised for the operations and conduct of the business. It includes the general operations of the equipment, maintenance, appropriateness, depreciation, safety and upgrade</i>
Security	<i>This includes the overall security of the business premises, assets and people, and extends to security of information, intellectual property and technology</i>
Reputation	<i>This entails the threat to the reputation of the business due to the conduct of the entity as a whole, the viability of the product or service, or the conduct of employees or other individuals associated with the business</i>
Service delivery	<i>This relates to the delivery of services, including the quality and appropriateness of service provided, or the manner in which a product is delivered, including customer interaction and after-sales service.</i>
Project	<i>This includes the management of equipment, finances, resources, technology, timeframes and people associated with the management projects. It extends to the internal operational projects, projects relating to business development, and external projects such as those undertaken for clients</i>
Stakeholder Management	<i>This category related to the management of stakeholders and includes identifying, establishing and maintaining an appropriate relationship. This includes both internal and external stakeholders</i>
Technology	<i>This includes the implementation, management, maintenance and upgrades associated with technology. This extends to recognising the need for and the cost benefit associated with technology as part of a business development strategy.</i>

Source: Table adopted from (Global Risk Alliance Pty Ltd 2005)

2.2.2 Common risks faced by MSME's

Hazard based risks are the most common risks affecting MSME's especially in Kenya. The current environmental changes that have been occurring all over the world have had great impacts on the agricultural sector which is the backbone of many African countries including Kenya. Diseases such as HIV/ AIDS and Malaria have been a major concern in many industries as it causes loss of productivity. This also relates to safety procedures within the manufacturing industry where ensuring the safety of employees especially when dealing with machinery and chemicals is very important.

Financial Risks ranks as one of the biggest risks faced by most MSME's. Firstly, small businesses rarely have sufficient funding to function efficiently and struggle to meet their expenses from month to month. This is largely because SME's have a difficult time accessing finance from banks and financial institutions. Banks and financial institutions are reluctant to lend to MSMEs as their chances of default are very high. This is especially true for young SMEs as their chance of failure in the first few years is very high. This therefore prevents SMEs from expanding as fast as they would like to. Recently, many financial institutions have been established with the aim of making it easier for SME's to access funds especially through relationship lending. However, many business owners are not aware of these opportunities, do not have the collateral or find the interest rates too high. Secondly, interest rate fluctuations and inflation also pose great risk to MSMEs especially when it comes to borrowing. Lastly, poor creditor and debtor management also affects MSMEs negatively as they often do not have the expertise to balance and manage receivables and payables. They sell to their customers on credit but do not collect in good time.

Operational risk is also a huge hindrance to the growth and development of MSMEs. Skilled workers with specific business expertise are an important factor in establishing and running a business. However, MSMEs struggle to attract and retain skilled workers due to the lack of sufficient benefits, non-competitive salaries and limited professional growth opportunities. This then leaves the running of the business to the OM who in many instances is also not highly educated or skilled thus leading to inefficient operational strategies which then affect the bottom line of the business. This then brings about strategic risk as inappropriate strategies might be employed or put in place. This affects the planning capabilities of the business which increases inefficiency and failure rate. Furthermore, most MSME's are sole proprietorships or partnerships which usually depend on their founders for continuity and should anything happen to the proprietor, the business would be forced to shut down.

Regulatory and Compliance risk is prevalent especially in developing countries where the requirements are either too stringent for the entrepreneurs or too expensive, change frequently and require immediate compliance or lack of proper regulatory structures in the MSME industry. Raghavan 2005 found that 'regulatory issues and unskilled employees collectively constitute nearly 45 to 50 percent of the problems encountered by SMEs'. This has however improved in the recent past with

proper regulation structures put in place, relaxed regulatory requirements and help centres put in place to assist entrepreneurs. For example in Kenya, the Kenya Vision 2030 which is a strategic plan for economic development in the period 2008 -2030 included many key initiatives specific to MSMEs for example the creation of MSME industrial parks and streamlining the microfinance industry that mainly serves the MSMEs.

Commercial risk is brought about mainly by fierce competition from large companies and cheap imported goods. MSMEs face tough competition from larger organisations and multinationals in the same industry with more resources, experience, expertise and technology. They have low margins due to the high input costs they bear yet they have to keep their prices low in order to be competitive in the market. MSMEs also fail to take up opportunities in their market or to expand when need be mostly due to insufficient funding. Fluctuation of prices also affects MSMEs especially in industries where the Government regulates the price levels. Lastly, technological risk is a major concern to MSMEs due to the tremendous technological advances made every day in the production of goods and provision of services. Many MSMEs cannot keep with these advances due to inefficient capital to acquire equipment, lack of skilled employees to operate and even lack of funds to properly maintain and upgrade the equipment and technology. This therefore reduces their efficiency and ability to fully utilise the available resources.

2.3 Risk Management

Risk management is one of the most important aspects to consider when running a business. This is because the risks have the potential to cripple one's business. Risk management involves 'knowing how to identify risks, attribute a value and a priority scale, design actions and mechanisms to minimise risk, and continuously monitor them.' (Verbano & Venturini 2013). It is a particularly costly process which explains why most MSME's do not take up risk management practices. However risk management is important in especially MSMEs as they do not have the resources to respond to threats or even opportunities as fast as large organisations.(Verbano & Venturini 2013)

Risk Management is not about preventing risk or not taking any risks at all but it is rather 'to ensure that the risks are consciously taken with complete knowledge and clear understanding so that it can be measure to help in mitigation.'(Panigrahi 2012). It should be done pro actively, throughout the business and its activities and by everyone in the business. 'It is an ongoing process that can help improve operations, prioritise resources, ensure regulatory compliance, achieve performance targets, improve financial stability and ultimately, prevent loss/damage to the entity'(Raghavan 2005) , all of which are important for the survival and growth of MSMEs.

2.3.1 General Risk Management Process

Risk management is an ongoing process and involves several elements that should be implemented sequentially. A summary of these elements are presented in the Figure 3 below. According to the diagram, the first step as suggested by Panigrahi 2012 is to identify the risk. This is important as it will determine who will manage it and how it will be managed. One would need to establish some risk criteria which would be used as benchmarks for acceptable and unacceptable levels of risk. These would then spur the necessary action. When identifying risks, it is important to look back and examine some of the risks that the entity has encountered in the past and also examine what risks it could face in the future. In identifying risks prospectively, a SWOT analysis, where the stakeholders of the organisation discuss the strengths; weaknesses; threats and opportunities, would be best. (Global Risk Alliance Pty Ltd 2005)

Figure 3: General Risk Management Process



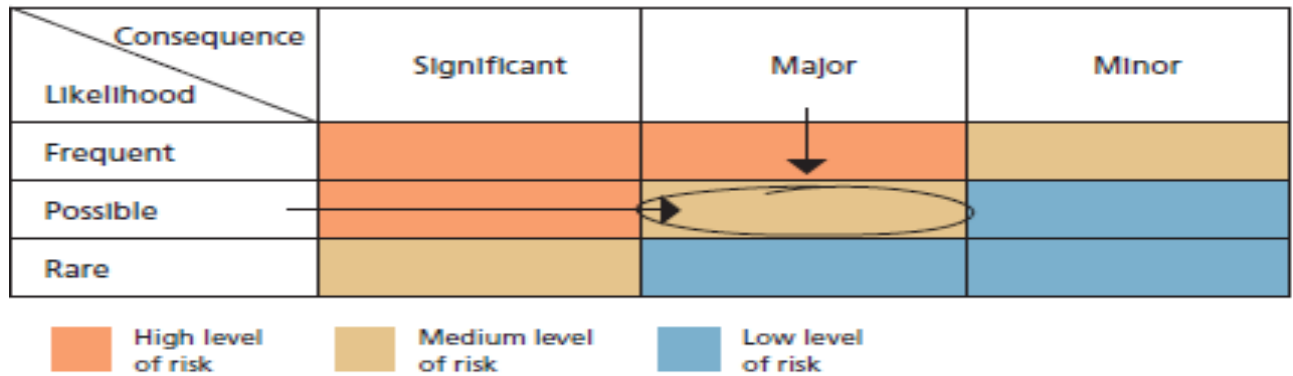
Source: (Panigrahi 2012 p. 12)

The identified risks would then be analysed and assessed. A rating system should be established where their likelihood of occurring and their impact are prioritised. A Risk analysis matrix can be used to prioritise the risks and thus their actions. Likelihood of occurrence can be rated as either 'Frequent', 'possible', 'rare' or 'very likely', 'moderately likely' and 'very unlikely'. The impact could either be 'significant', 'major' or 'minor' (Global Risk Alliance Pty Ltd 2005, Panigrahi 2012). A sample risk analysis matrix is shown in Figure 4 below.

Prioritise the risk and create a plan of action for the frequent and possible risks with the highest impact. Once the plan is in place and has been implemented, it then follows that it needs to be monitored to ensure the action plan is still suitable to control or mitigate the particular risk. Once the risk does occur, then those responsible would measure and control it based on the plan of action laid

out during the risk management process. The most important element that should occur throughout the risk management process is communication. It will assist in highlighting what the risk is, who should be responsible for managing the risk and how to manage the risk. The stakeholders get to provide some input and therefore feel valued while ensuring that everyone in the organisation is well versed with the risks, risk identification criteria and plan of action.

Figure 4: Risk Analysis Matrix



Source: (Global Risk Alliance Pty Ltd 2005 Figure 3.4 p. 31)

2.3.2 Sense Making and Sense giving

In large organisations and SME's alike, sense making is an important process especially when dealing with unexpected risks. As the name suggests, it involves making accurate sense of the situation, categorising the risk accurately and finding the best way to prevent the risk from materialising or mitigating it once it does occur. It is mainly carried out by top management. The decisions made by top management are then passed down the organisation structure to the other employees so that everyone is on the same page with regards to any changes that occur and what is required of them. This describes what is meant by sense giving. Linda Rouleau says 'Sensemaking has to do with the way managers understand, interpret, and create sense for themselves based on the information surrounding the strategic change. Sensegiving is concerned with their attempts to influence the outcome, to communicate their thoughts about the change to others, and to gain their support'(Rouleau 2005)

2.3.2.1 Conceptual view of Sensemaking and Sensegiving

Enactment Theory

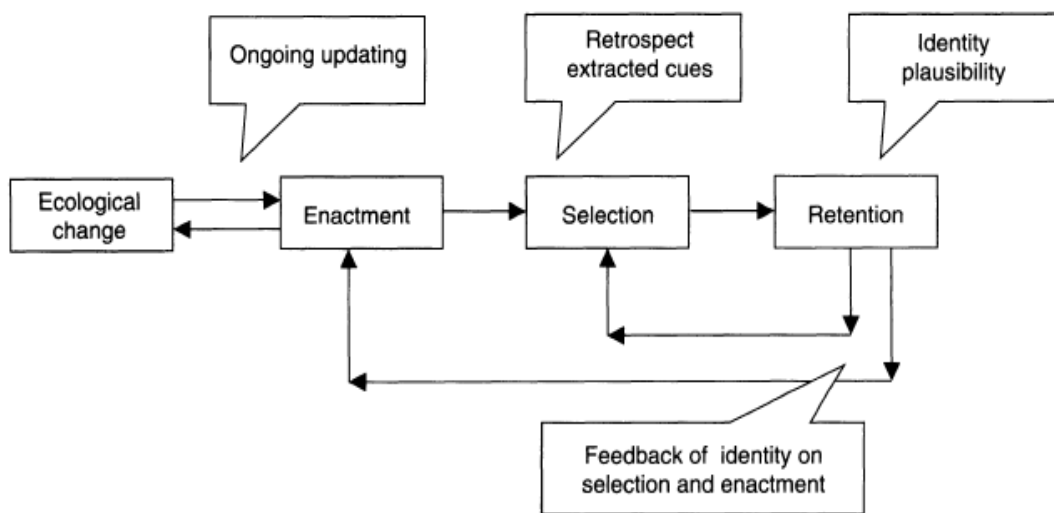
The enactment theory proposes that:

'sensemaking can be treated as reciprocal exchange between actors (Enactment) and their environments (Ecological change) that are made meaningful (Selection) and preserved (Retention). However these exchanges will continue only if the preserved content is both believed (positive causal linkage) and doubted (negative causal linkage) in future enacting and selecting. Only with ambivalent use of previous knowledge are systems able to both benefit from lessons learnt and to update either their actions or meanings in ways that adapt to changes in the system and its context'(Weick et al. 2005).

This highlights that sense making involves a meaningful understanding of the risk/change in combination with past knowledge that was gained from tackling similar challenges; a strategy is selected to deal with the change and systems changed or improved to prevent recurrence of the same risk. This is then documented or retained so as to assist in future decision making. Figure 5 below shows the enactment-selection-retention cycle linked to the Enactment theory.

Figure 5: Enactment-Selection-Retention Cycle

The Relationship Among Enactment, Organizing, and Sensemaking



Source: (Weick et al. 2005, Figure 1, p. 414)

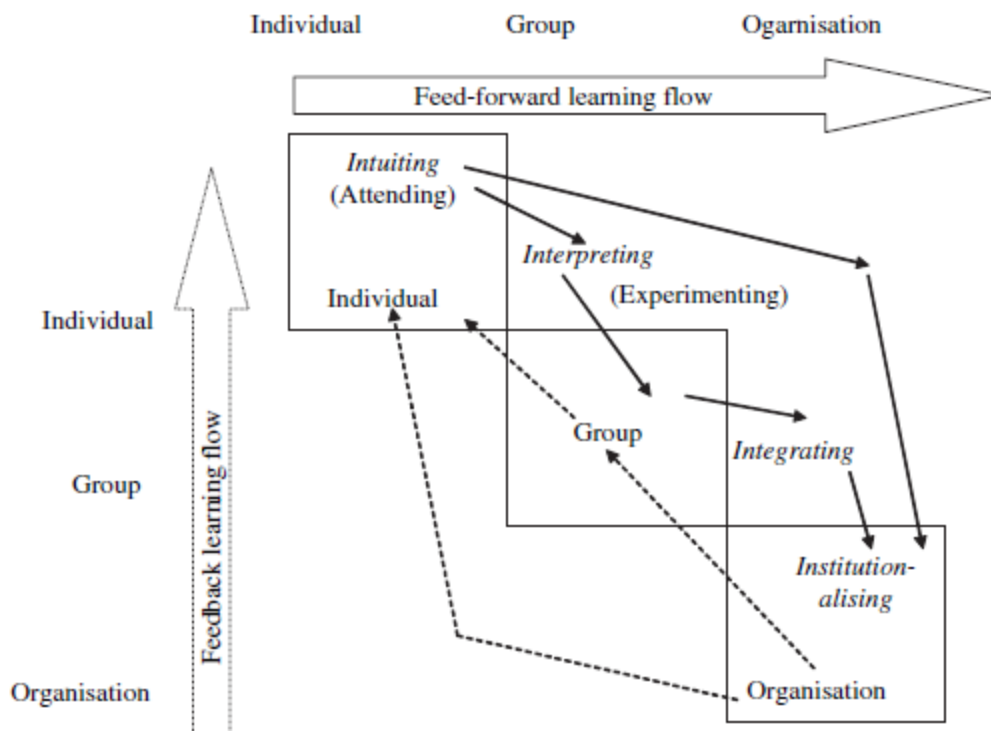
4I Framework

In this framework, Crossan et al (cited in Jones & Macpherson 2006) refer to sense making and sense giving as organisational learning(OL) and says ' OL is viewed as a process of incorporating thought and action shaped by the institutional mechanisms that are the basis of every established organisation.' Crossan et al (cited in Jones & Macpherson 2006)define the four social and psychological micro-processes which link learning at individual, group and organisational levels in the following manner:

'Intuiting is the pre-conscious recognition of the pattern and/ or possibilities inherent in a personal stream of experience. *Interpreting* is the explaining of an insight or idea, to oneself or others. *Integrating* is the process of developing shared understanding and coordinated action through mutual adjustment. Dialogue and joint action are crucial to the development of shared understanding. *Institutionalising* is the process of ensuring that actions become routinized. Tasks are defined, action specified and organisational mechanism established to ensure that certain actions occur. Institutionalising is the process of embedding individual and group learning into the organisation's systems, structures, procedures and strategy.'

The 4I learning framework brings together individual thinking with group discussion which then lead to strategies that are implemented in the organisation thus OL. The top management/ CEO anticipates a particular risk and tries to understand its implications; he/she then communicates with other decision makers in the organisation where they brain-storm on the best way to prevent or mitigate the risk; this is then communicated the rest of the organisation, and any changes are made from feedback received from the employees and eventually implemented and integrated into the organisation’s processes. Finally the strategy is documented and retained and feedback is then given to the top management who monitor the changes, and use the retained information for future decision making. Crossan et al (cited in Jones & Macpherson 2006) ‘posit that, while learning may start with individuals, for organisational learning to occur, new knowledge must be interpreted, distributed and institutionalised in organisational routines, systems and structures.’ This framework is illustrated in Figure 6 below:

Figure 6: The 4I Learning Framework



The 4I Learning Framework

Source: (Jones & Macpherson 2006)

2.3.2.2 Empirical View of Sensemaking and Sensegiving

According to Karl Weick (Weick 1988), people create the environments that constrain them. Weick describes sense making as making sense of a situation and enacting/thinking up a situation or the most sensible explanation/cause of the problem.. Weick goes on to say that ‘People often do not know what

the right action is until they take some action and see what happens. Actions determine the situation ,'(Weick 1988) therefore Sense making occurs as one deals with the problems at hand and takes certain actions which may or may not solve the problem.

Once the situation has been dealt with and the outcome is known, it brings about learning opportunities for the parties involved and assists in future decision making. It highlights which actions work and which ones do not when faced with that particular problem. This is referred to in the article as retrospective sensemaking. 'The explorer cannot know what he is facing until he faces it, and then looks back over the episode to sort out what happened, a sequence that involves retrospective sensemaking'(Weick 1988). It is therefore important to go back and assess the situation, reflecting on what happened, how the situation was handled, what the outcome was and what could have been done differently. This then leads to the development of a 'cause-map' which would be the reference point in future for steps or actions to take when faced with that risk or situation. Weick and Bougon (1986 as cited in Weick 1988, p. 307)say 'The external residuum of enacted changes is summarised internally by people in the form of a plausible map by which observed actions produced observed consequences. Since the summary map contains if- then assertions, it is called a cause map and is the source of expectations for future action.'

Crossan et al (cited in Jones & Macpherson 2006) echo this and say 'strategic renewal requires that knowledge is imbedded in routines, systems and structures so that it can be distributed throughout the organisation'. This allows individuals to then identify or label a particular risk or situation and then use the cause map to solve the problem. 'It means the cause map affects the construction of new experience through the mechanism of expectations and it means that cause maps affect the interpretation of old experience through the mechanism of labelling'(Weick 1988). Once a problem has been identified through sense making, labelling becomes important to assist in dealing with similar risks/problems in future. 'Labelling works through a strategy of differentiation and simple location, identification and classification, regularising and routinization the intractable or obdurate into a form that is more amenable to functional deployment'(Weick et al. 2005). However, this can be limiting especially when the risk or situation is incorrectly identified or labelled and decisions taken based on that. Labelling of risks is of utmost importance as it determines the response or how the risk is managed.

Weick also highlights the importance of understanding trigger events which he describes as 'a specific event that is identifiable in time and place and traceable to specific man-made causes' (Weick 1988). These triggered events go on to become bigger problems or crises which can be prevented if they are understood and identified early enough and managed well. Usually a crisis starts from a small problem that escalates due to people's actions, reactions and mistakes. Mitroff, Shrivastava and Udwadia (1987 as cited in Weick 1988, p.308) brings up the aspect of proactive crisis management and 'develops

specifically the activities of pre-assessment, prevention, preparation and coping.’ This means that all employees need to be pro active and on the lookout for trigger events so as to curb any risks before they morph into crises. How the trigger event is dealt with initially will determine the eventual result of the situation.

In Vargo & Seville 2011 proactive crisis management is combined with creating cause maps and refer to it as situation awareness which they describe as ‘a continuous extraction of environmental information, integration of this information with previous knowledge to form a coherent mental picture, and the use of that picture in directing further perception and anticipating future events’ (Dominguez 1994 as cited in Vargo & Seville 2011 p 5625)

The organisational structure then comes into play. First of all, having defined roles for all the employees is important so that they are aware of their responsibilities. The employees, whether at the top or bottom of the hierarchy, need to feel that their input is valued and they can grow in the organisation. The top management are tasked with formulating strategies; mid level employees implement the strategies while the lower level employees do the ground work. The strategies that are implemented need to be well informed so as to be as effective as possible and ensure the business succeeds. The lower level employees deal with day to day activities of the organisation and are therefore in a better place to contribute to and inform the said strategies. Weick refers to this as capacity and says ‘Capacity can also affect crisis management by the way in which it is distributed in a hierarchy.... operators need to be able to take independent and creative action because they are closest to the system,.....The danger in centralisation and contraction is that there may be a reduction in the level of competence directed at the problem... the person in authority is not necessarily the most competent person to deal with a crisis’ (Weick 1988). This allows the lower level employees to be more committed to their jobs and thus are more likely to pick up on trigger events thus prevent risks from materialising or mitigating the effects.

Weick also highlights the importance of having trained top management as this will ensure that the assumptions made in determining risks and how to mitigate them are well informed from their education and past experiences. It is also important to have staff start from the bottom and work their way up so as to build on institutional memory. The organisation should also ensure it is providing enough benefits to increase staff retention. However, as Crossan et al (1999 as cited in Jones & Macpherson 2006, p. 156) agrees that human capital is important however ‘ to understand the processes of organisational renewal, managers must consider how to transfer individual knowledge to the collective level. Learning at an organisational level depends both on developing personal knowledge and skills (human capital), and on having effective systems for knowledge sharing (social capital).’ It is best to have well trained and experienced management but the employees and firm will not grow to its full potential if they cannot effectively transfer the knowledge.

2.4 Crisis Management

'Crisis are characterised by low probability/ high consequence events that threaten the most fundamental goals of an organisation'(Weick 1988). In Kenya, Small and Medium Enterprises (SME's) are not resilient enough to deal with many of the risks they face should they occur. They do not have the resources, capabilities and training to handle risks or crises as compared to large organisations. Crisis management can be referred to as 'the discipline of preparing the resources and organisational structures necessary to respond effectively in the face of a crisis and recover effectively in the aftermath. It is about building the capability to identify imminent threats to the organisation and designing a plan for addressing those threats.'(Vargo & Seville 2011)

SME's tend to repair the damage once the risk has occurred rather than try to prevent it or reduce its intensity should it be inevitable. According to (Weick 1988) 'crisis management can mean quick action that deflects the triggering event as it unfolds rather than delayed action that mops up after the triggering event has run its course.' Dealing with a risk before it has reached crisis level is the best way to ensure survival. This entails having sufficient capacity and trained workers who have sufficient institutional memory/knowledge to pick up on any deviations from the norm or any trigger events. SMEs also tend to deal and manage risks that they have already experienced and do not think of putting measures in place of unlikely events that could actually put them out of business(Vargo & Seville 2011) These risks include Financial crises, floods, infectious diseases such as SARS and EBOLA.

2.5 Resilience

Resilience is the 'ability of an organisation to not only survive but to thrive, both in good times and in the face of adversity' (Seville 2009 as cited in Vargo & Seville 2011 p.5621). Good leadership is one of the things can ensure a company is resilient in the face of adversity. The company could have a very good crisis management plan that if it is not properly implemented and enforced when the need arises would cause even greater damage to the company. The leaders need to be able to foresee any possible threats or notice trigger events, formulate management plans that they communicate to the rest of the organisation in a way that they can all understand and therefore be on the same page (Vargo & Seville 2011). The leader also needs to have a strong management team that is well educated and with each of them having defined roles and capacity to act on risks when need be. 'Successful firms are also characterised by an empowered senior management team, with delegated authority to implement strategy and where execution triggers are identified and planned for alongside functional responsibilities.

Less successful and less resilient firms are more characterised by autocratic and centralised decision hierarchies'(Bourgeois an Eisenhardt 1988 as cited in Vargo & Seville 2011 p. 5624).A company can

also build resilience by always being alert in noticing trigger events that lead can lead to a crisis as mentioned earlier in section 2.3.2.2. 'Proactive organisations are more resilient organisations and are on the lookout for early warning signals and are more likely to have tested response and recovery plans in place' (Vargo & Seville 2011). Vargo & Seville 2011 identifies a number of resilience types based on adaptability and planning and they are:

'Latent resilience: An organisation with low levels of planning and low adaptability where their resilience is undeveloped and thus substantial opportunities for improvement; Planned resilience: An organisation with high level of planning but low levels of adaptability and thus well structured but somewhat inflexible, often characteristic of highly structured, large or risk prone organisations and industries; Ad hoc resilience: An organisation with high levels of adaptability but low levels of planning, and thus highly agile but unsystematic in its approach, often characteristic of small, dynamic entrepreneurial or emerging organisations and industries; Dynamic resilience: An organisation with levels of planning and high levels of adaptability, thus highly resilient.'

The type of resilience will determine whether the company can survive after a crisis. Latent resilient companies would likely not survive, planned and ad hoc might survive depending on their strategies but the most resilient and most likely to survive are those that have dynamic resilience (Vargo & Seville 2011).

2.6 Summary

The importance of MSMEs in the economy of many developing countries has been highlighted throughout this literature review. With a specific focus on Kenya, MSMEs have led to a great decrease in unemployment and contributed to GDP however they face numerous risks and challenges including lack of access to credit, cheap imports, inadequate skills and technology and entry barriers. MSMEs however cannot manage risks as well as large organisations do due to lack of resources and expertise. Risk management is a costly affair that several steps that have to be adhered to in order for the risk to be mitigated. These steps include risk identification; risk assessment and analysis; developing a plan of action; implement and monitor; measure and control. Communication is key throughout the process.

In managing the risks, it is important for those responsible for risk management to make sense of the situation so as to identify it correctly and find the best strategy to mitigate it. It is also important for them to effectively pass on that information and the strategies to the other employees through sense giving. This can be taken as a form of organisational learning where cause maps are created that details the risks identified, what caused them and how to handle them for future reference. The importance of understanding trigger events is highlighted as they tend to develop to larger problems and everyone in the organisation should always be on the look- out.

Effective risk and crisis management builds resilience thus ensuring survival of the MSMEs. Many of the risk studies on MSMEs focus on which risks affect the businesses and the challenges they face. There is very little on how MSMEs manage the risks, and on why they handle the risks they face the way they do especially in Kenya. This study seeks to fill the research gap as well as determine how the MSMEs can better manage risks and build resilience.

3 CHAPTER 3: RESEARCH METHODOLOGY

3.0 Introduction

This chapter covers the research design and methodology used to conduct the study in order to achieve the objective set out and to answer the following research questions: *How does the MSME respond to the risks it is exposed to? Why does the MSME respond to risks the way it does? How can the MSME better manage risks and therefore enhance resilience.* It covers the research approach; data collection tools used; sampling; data analysis methods; reliability and validity; and limitations of the study.

3.1 Research Approach and Strategy

Research Approach refers to the plan one intends to follow in conducting their research. 'Research approaches are plans and the procedures that span the steps from broad assumptions to detailed methods of data collection, analysis and interpretation' (Creswell 2014). This research utilised an exploratory single case study approach. There are several approaches that can be used which include and are not limited to: *Narrative research* where the researcher collects information by asking several people to tell their story; *Phenomenological research* where the researcher enquires about a particular phenomenon by documenting the stories of those who experienced it; *Grounded theory* where the researcher derives a theory of a process from the views of those involved in the research; *Ethnography* where the researcher studies the behaviour of a group of people usually through observation over a period of time and lastly *Case Studies* where the researcher studies either a single or multiple case in depth (Creswell 2014). Case Study research refers to 'a research strategy, an empirical inquiry that investigates a phenomenon within its real life context' (Yin as cited in Tripathy 2008, p. 6). According to Yin (2003 as cited in Baxter & Jack 2008, p.2):

'a case study design should be considered when: (a) the focus of the study is to answer "how" and "why" questions; (b) you cannot manipulate the behaviour of those involved in the study; (c) you want to cover contextual conditions because you believe they are relevant to the phenomenon under study; or (d) the boundaries are not clear between the phenomenon and context.'

Furthermore, Case studies can either be single-case or multiple-case studies. Yin (1994 as cited in Tripathy 2008, p 8) suggested 'Single-case studies are used to confirm or challenge a theory, or to represent a unique or existing case.'

This research aimed to find out how MSMEs respond to the risks they are exposed to and why they respond the way they do. This was done by an in depth analysis of the risks associated with single company, its risk management process and finally matching its sensemaking and sensegiving capabilities to those of the sensemaking and sensegiving theories and empirical views discussed in

Chapter 2. Finally, conclusions were drawn as to how the company responds to risk and why it responds the way it does and suggestions to how the company can build resilience were provided based on areas where the observed pattern did not match the expected pattern. A single holistic case study approach was therefore suitable, with the company serving as the unit of analysis. The case study approach allowed for the in depth study of the company and the use of multiple data sources which enhanced the credibility of the study. This might not be representative of the manufacturing sector or MSME industry in Kenya and highly susceptible to bias by the researcher (St Rosemary Educational Institution 2014). Critics of this research approach claim that ‘samples are small and not necessarily representative of the broader population, so it is difficult to know how far we can generalise the results, the findings lack rigour and it is difficult to tell how far the findings are biased by the researcher’s own opinions’ (Bricki & Green 2007). However, the use of several theories and empirical views to explore the research question would allow for analytical generalisation whereby they can be applied to other MSMEs in further research (Stuart et al. 2002).

There are three common types of case study research which include explanatory, exploratory and descriptive research. Exploratory case study is ‘used to explore those situations in which the intervention being evaluated has no clear, single set of outcomes’ (Yin 2003 as cited in Baxter & Jack 2008, p. 548). The main objective of this research was to investigate how MSMEs respond to risk and why they respond the way they do. The outcome of the risk management strategies used and reasoning behind those strategies were not clear prior to this study and was therefore explored using sensemaking theory. This is therefore led to the use of an exploratory, single- case study research approach.

Research studies can also either be either be quantitative, qualitative or mixed. Qualitative research studies are usually ‘concerned with subjective assessment of attitudes, opinions and behaviour’ (Kothari 2004). Qualitative studies also tend to answer the questions “how” and “why” (Bricki & Green 2007). Therefore since this study sought to find out how the MSME responds to risk, why it responds the way it does and to understand the motives behind certain human behaviour, a qualitative study was appropriate in the pursuit to answering the research questions posed. Qualitative data analysis methods will also be used and will be discussed in detail in the data analysis section. One of the main benefits of using the qualitative approach is that it enables the researcher to gain further insight into the problem, which he/she might not have considered, through the use of open-ended questions. ‘Open ended questions have the ability to evoke responses that are: meaningful and culturally salient to the participant, unanticipated by the researcher, rich and explanatory in nature’ (Collector & Module 2011).

A research strategy is a plan that specifies how the research will be conducted and is sometimes referred to as research design. The research design process is shown in Figure 7 below, and it involves defining the research questions, which then inform the methods of data collection used, how the data

is analysed and eventually reported. The first step of the design process is to design the research questions. In this research study, the research questions were formulated by considering what the researcher can contribute in the field of study after careful review of the literature available on sense making and sense giving and looking for research gaps. The review of literature revealed that most of the information available on MSMEs revolved around their importance to the economy and their lack of resilience to the risks and challenges they face especially in developing countries. However, not much information was available on how they actually respond to risk and why they respond to risk the way they do so as to offer some solutions towards building resilience. This was the gap the researcher chose to attempt to fill by creating theories or explanations as to how they respond to risk, why they respond to risk the way they do and using the sensemaking theories and empirical views highlighted in the literature to provide recommendations to the MSMEs that would assist in building resilience.

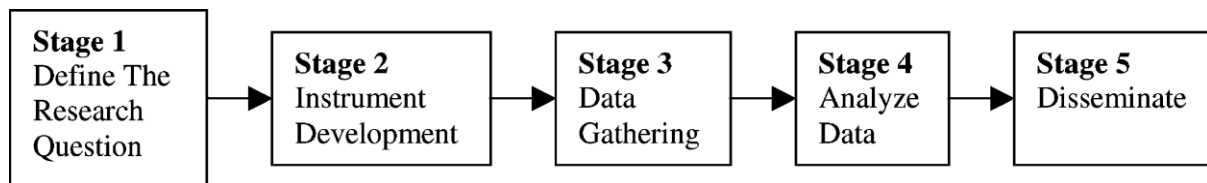
Using the research questions and the literature review as a guide, a questionnaire was developed that would aid in collecting information. This will be discussed further in the data collection section. A pilot study was conducted so as to determine the viability of the research approach. The initial approach was to conduct a multiple case study research looking at MSMEs in the agriculture, agro processing and manufacturing industries. Through personal contacts, the researcher was directed to a bank that deals with MSMEs. The researcher arranged to meet the head of department of the MSME section and after a successful meeting, was provided with a number of companies and their contact details, with a reference so as to assist with the response rate. The researcher then went on to contact the companies that were mostly in the agriculture sector and were run by the founder who consented to fill in the questionnaire which was then sent via email. A cover letter was also provided informing the participants that their participation was voluntary. The response rate was very low and of those who provided information, the information was very limited and they were not willing to co-operate any further.

The researcher then went on to contact other companies in the manufacturing industry and was directed to a manufacturing company called Doric Industries Ltd by a personal contact. The researcher contacted the founder who had been informed before hand to expect the call therefore reducing the non-response bias experienced initially. The researcher explained the purpose of the research and that it could assist in exposing any vulnerability in their risk management, give suggestions on improvement and in so doing improve their resilience. The founder gave written consent and was willing to assist by providing information that would aid in achieving the research objective. The other companies contacted were not willing to co-operate fully and to provide the necessary information which would hinder the research process. This led to the decision to use the single-case approach. Yin (1989 as cited in Stuart et al. 2002, p.425) 'suggests that the only legitimate change to a study after conducting pilot visits would be to alter the selection of the sites visited'. The organisation that was picked was therefore willing to provide the required information from various sources which also went

to improving the credibility of the study. ‘Donald T. Campbellargued that the single case study design could provide for a strong test of a theory if an entire set of expectations deducted from that theory(which together would constitute an “expected pattern”) could be shown to be true in that case’ (Hak & Dul 2009). This goes to show that a single case study would be best to test the theories in Chapter 2 as they are compared against the sense making and sense giving capabilities of the company and if they do match then the company should be resilient enough but if do not then that will highlight areas in which the company could improve. The company is an indigenous manufacturing MSME in Nairobi, Kenya that has been in operation for several years therefore it fit the criteria identified for the research.

This led to defining the research approach and questions to fit a single case, introducing other data collection methods such as interviews and internet research so as to get as much information as possible as well as to ensure the credibility of the research. The researcher then went on to gather data through questionnaires that were handed out by the founder to several people in the company, a key informant interview and through internet research which provided more information about the company and industry in general. The researcher then assessed their sense making and sense giving capabilities, reviewing them according to the theories set out in the study. This highlighted areas in which the company was doing well in terms of risk management and areas where they can improve so as to build resilience.

Figure 7: The research design process



Source (Stuart et al. 2002, Figure 1, p.420)

3.2 Data Collection, Choice of Data and Ethics

Data collection is the process of acquiring the data which is to be analysed in order to answer the research questions. There are two types of data; (1) primary data which is collected first hand from the participants and include methods such as questionnaires and interviews in qualitative research (2) secondary data which is collected from other sources other than the actual participants. It could be from previous research that was conducted, internet sources or documentation and archival records. This study made use of both primary and secondary data where primary data was collected through the use of research questionnaire and a key informant interview method and secondary data was collected through internet sources.

3.2.1 Internet Sources

Research was conducted on the internet to find background information on the manufacturing industry, MSME sector and the company in general. Information from government websites and documents, newspaper articles available online, competitor information and other articles of interest were used to gain more insight into the industry and the company. The company website also provided invaluable information on the products it produces, its mission and values.

3.2.2 Questionnaire

Questionnaires consist of a set of questions, administered to the participants of a study, that could either be closed questions, open-ended or both and are filled out by the interviewer as the participants answer the questions or self administered. Self administered questionnaires 'are cheaper, don't require the presence of the researcher, can be used for large numbers, avoid interview bias and are quick and easy to code and analyse' (Emerald Group Publishing, n.d.). The researcher chose to use questionnaires as data collection method so as to reach more people who are not available for an interview, reduce the expense of conducting the research exercise and allow the participants to take their time in going through the questions so as to get honest and well thought out responses.

The research questionnaire used in this study was developed through an in depth understanding of the propositions discussed in the literature review and by linking those to the research questions so as to ensure the questions were relevant. The questions, which can be found in Appendix A, were mostly closed-ended where the participants were to check the boxes that best matched their response. Some of the questions required the respondent to expound their answers. It was divided into four sections. The first section provided background information on the company. The next three sections contained questions that were designed to directly respond to the three research questions in relation to the theories and views that were specified in chapter 2.

A cover letter was sent alongside the questionnaire informing the participants what the research was about and what it aims to achieve, that their participation was voluntary and that any information they provided would be confidential and not be used in any other publications. The cover letter and questionnaire were sent via email to the founder who then distributed it to several people within the company to fill in so as to get different perspectives on the issues at hand from different levels and sections in the company. They were therefore self-administered and the filled in questionnaires were then returned to the researcher for analysis.

3.2.3 Interview

Interviews as a data collection method involve an in depth discussion with relevant parties, where the interviewer directs the conversation and the other/s can provide useful information that would assist in answering the research questions. Some interview types include: *Structured* interviews where the

interviewer asks closed ended questions which in most cases are used for quantitative research and do not inspire in-depth answers from the respondent therefore could leave out some important points especially if the questions are not well structured; *Semi-structured* interviews consist of mostly open ended questions, are used for qualitative research and the results are transcribed and coded to provide useful information for the research; *Key Informant* interviews involve deliberately choosing a participant who has expert knowledge on the issues at a hand and can provide relevant information. (Emerald Group Publishing, n.d.)

This case study mainly used the key informant interview technique to collect primary data. The main purpose of using the interview method was to gain further insight into the sense making and sense giving capabilities of the company and to highlight important information that would not have been brought out by the questionnaires. The founder directed the researcher to the accountant who is involved in all decision making processes and therefore best placed to provide information about sense making and sense giving within the company, risks they face and the strategies they use to mitigate those risks. The researcher formulated some questions that would guide the interview. The interview would therefore be semi-structured in nature with the researcher using the responses of the interviewee to further direct the interview. The researcher contacted the interviewee beforehand to inform them of what the interview will be about and to set up a date and time to conduct the interview. This was done to ensure the interviewee had sufficient time to prepare so as to give as much information as possible and also that they will be available without any disruptions.

The interview was conducted telephonically and interviewee was informed that the interview would be recorded. It involved open-ended questions, which are included in Appendix B, that were directed towards the informant who then gave in depth responses. The interview was recorded and transcribed after the interview which ensured the interview was not too long and the interviewer could fully focus on the responses given by the respondent.

3.2.4 Ethics

Research Ethics is a very important consideration especially when conducting a qualitative study. This being a single case study, written consent to include the organisation in the study was received from the founder. The participants were informed that their participation was voluntary and they could back out at any point, that the feedback and results of the case study were only to be used for the purpose of this study and not for publication and that confidentiality would be of the utmost importance. The participants were also given a brief overview of the study as well as the research questions so as to make an informed decision regarding their participation. This information was provided mainly through the cover letter that accompanied the questionnaire and verbally at the onset of the recorded interview.

The participants of the questionnaire were anonymous to the researcher however a cover letter was provided together with the questionnaire informing them that their participation was confidential and any information provided would not be for publication. Verbal consent was received from the key informant during the interview which was conducted telephonically and was recorded.

3.3 Sampling

Sampling is an important element in any research study as it helps in determining the credibility of the study (Bricki & Green 2007). The two main types of sampling techniques are: *Probability* sampling, where every particular individual in a population has a chance of being picked for the study and includes methods such as random sampling, cluster, stratified and systematic sampling which in many cases are used in research studies following a quantitative or mixed research approach; *Non-Probability* Sampling where not everyone in a population stands a chance of being picked for the study and is more focused on certain individuals/organisations or groups in a population (Emerald Group Publishing, n.d.) . Non-probability sampling is mainly used in qualitative research as it is 'purposive. This means participants are selected because they are likely to generate useful data for the project' (Bricki & Green 2007).

Non probability Sampling methods were therefore used in this study as this is a qualitative research, which required a purposive sample in order to answer the research questions. This is especially important as this is an inductive research whose aim is to develop a theory or explanation as to how MSMEs respond to risks and why they respond the way they do by exploring their sensemaking and sensegiving capabilities, using a single-case study. By doing, the researcher will be able to determine ways in which the SME can build resilience and the feedback provided to the company can directly assist it in improving their strategies. This required access to a lot of information about the company and to their employees. The particular sampling method that was used was *snowball sampling* where one 'locates one or two key individuals, and then ask them to name other likely informants' (Bricki & Green 2007) .This method was used initially when the researcher approached the bank for contacts in the specified industry then later when the researcher was directed towards Doric Industries Ltd which is the company used in this study. Snow-ball sampling was also used in data the actual data collection as the founder directed the researcher towards the key informant who was best placed to provide the information required for the research. The selection of Doric industries was also done through theoretical sampling which Eisenhardt & Graebner 2007 say means 'cases are selected because they are particularly suitable for illuminating and extending relationships and logic among constructs' as it is an indigenous manufacturing MSME in Kenya that has been experiencing numerous risks and challenges therefore fit the criteria for the study. It was also chosen through theoretical sampling because of the unusual access given by the founder to the researcher which had been a problem with other companies. Yin 1994(as cited in Eisenhardt & Graebner 2007) says single cases in theoretical

'are chosen because they are usually revelatory, extreme exemplars, or opportunities for unusual access.'

3.3.1 Doric Industries Ltd

Table 4: Doric Industries Ltd



Doric Industries Ltd is a Kenyan Company specializing in manufacturing, marketing and distribution of shoe care, personal care, and home care products. Our wide range of products include

- Ric Shoe Polish
- Ric shoe Creams
- Ric Suede cleaners
- Ric leather dyes
- Methylated spirits
- Calla hand & body lotion
- Lex Candles
- Washing Detergents and Disinfectant

Ric Shoe Polish is our flagship brand and we are committed to innovating superior shoe and leather care products

The advanced formula used in the manufacture of Ric Range of Quality products means that unlike other shoe care products in the market, our range does not crack or dry up and has colour consistency.

Ric Quality products are purposely designed to Shine, Waterproof, Protect, Nourish and Restore shoes and other leather products, even under the most adverse weather conditions

Ric Quality products target the trend setters and conservative shoe wearers who appreciate the essence of good appearance presentation.

Mission

To provide our clients across this region with superior goods and services at the most competitive prices. This is by adapting international standards to local situations. We do this by using local knowledge and our extensive experience to provide world class solutions to our customers.

Vision

Doric Industries Ltd aspires to be the premier indigenous company that delivers its promises smartly every time across Eastern Africa and beyond

Source: (Doric Industries Ltd, 2014)

Doric Industries Ltd is a limited liability manufacturing company based in Nairobi Kenya that has been in operation for more than 18 years. Ric shoe polish is their signature brand, product and highest earner. Despite facing stiff competition from cheap imports and other locally manufactured shoe polish, it comes in second in the shoe polish market with a 6% market share after KIWI shoe polish which is an international brand that commands 75% of the market. This research will therefore focus on the production of Ric shoe polish.

3.4 Data Analysis Methods

Data Analysis involves organising and transforming the data collected into useful information, with the use of suitable analysis methods, so as to enable the researcher to draw conclusions and answer the research questions. Rowley (2002, p 24 as cited in Emerald Group Publishing, n.d.):

‘proposes the following principles for a good case study analysis: The analysis makes use of all the relevant evidence; considers all the major rival interpretations, and explores each of them in turn; should address the most significant aspect of the case study and should draw on the researcher’s prior expert knowledge in the area of the case study, but in an unbiased and objective manner.’

The first step taken in analysing the data was developing a general strategy that guided the process, ensured that the analysis was in line with the research objective and would provide relevant information required to answer the research questions. The strategy that was used throughout this research was to ‘rely on the study’s theoretical propositions’ (Emerald Group Publishing, n.d.). The theories informed the research approach, research design and even data collection methods and therefore it was sensible to use the same strategy in analysing the data. The primary data that was collected through interviews was then transcribed. Transcribing involved putting the recorded material collected through interview into written form. All the responses from the interviews and questionnaires were then tabulated and compared with the theories and procedures discussed in Chapter 2 through a qualitative analysis method called pattern matching.

3.4.1 Pattern Matching

This study is qualitative in nature therefore calls for qualitative analysis methods. Qualitative analysis methods include pattern matching, explanation building, time-series analysis, logic models and cross case synthesis among others. Yin (2009 as cited in Emerald Group Publishing, n.d.) describes pattern matching as ‘comparing a predicted pattern with one revealed by the outcome of the case study’, and as ‘one of the most desirable’ methods. A comprehensive description of pattern matching is found in Hak & Dul 2009 which states:

‘Pattern matching is comparing two patterns in order to determine whether they match (i.e, that they are the same) or do not match (i.e, that they differ). Pattern matching is the core procedure of theory testing with cases. Testing consists of matching an “observed pattern”(a pattern of measured values) with an “expected pattern”(a hypothesis), and deciding whether these patterns match (resulting in a confirmation

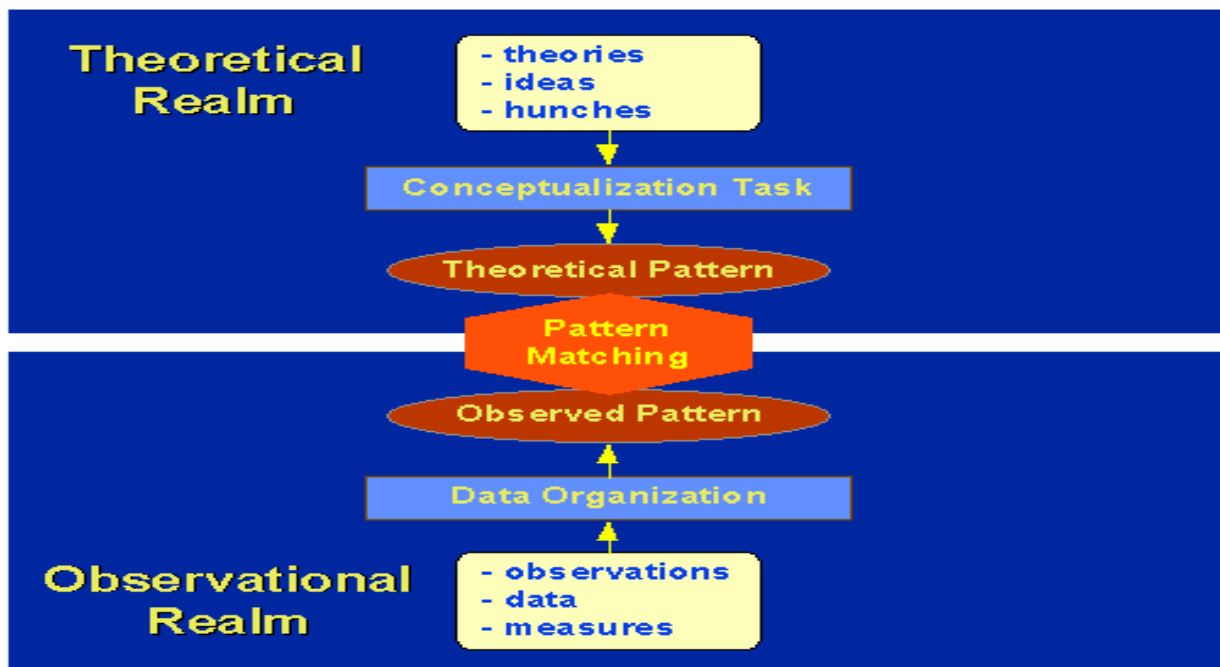
of the hypothesis) or do not match (resulting in a disconfirmation). Essential to pattern matching (as opposed to pattern recognition, which is a procedure by which theory is built) is that the expected pattern is precisely specified before the matching takes place.'

As per the description above and the nature of this research study, pattern matching was the most appropriate method to analyse the data collected and organised. The theories and patterns laid out in Chapter 2 constitute the expected pattern and the data collected the observed pattern. As shown in Figure 8 below, the theories are conceptualised and laid out into a theoretical pattern and the data collected is organised to create a pattern after which the pattern matching takes place.

Matching the conceptual and observed patterns highlighted areas where the organisation has sound sense making and sense giving capabilities and risk management strategies in place and where the two did not match highlighted areas in which the organisation needs to improve in order to build resilience. This would then ensure that the research objective is met and research questions answered.

Pattern matching as a data analysis tool also proved to be quite challenging. It was difficult for the researcher to determine how to present the expected data and match it with the observed data. Almutairi et al. 2014 agree with this and say 'it is conceptually and practically challenging to implement this technique in case-study research. There is little guidance from published literature that explains how to apply pattern matching techniques to bring the diverse results together...'

Figure 8: Pattern Matching Structure



Source: (Trochim, 2006)

3.5 Research Reliability and Validity

Reliability and validity tests are carried out on qualitative research designs in order to determine the quality and credibility of the study. The researcher therefore has to prove reliability, construct validity, internal validity and external validity.

3.5.1 Reliability

Reliability is achieved if the procedures followed in the case study can be replicated by another researcher who will then arrive at the same conclusions. This is important as it 'minimises errors and biases in the study'(Sage 1979). Reliability can be improved by developing a case study protocol and maintaining a case study database among other things. The case study protocol should include a brief overview of the purpose of the research, how the research is to be conducted, the research questions (Emerald Group Publishing, n.d.). This study developed a case- study protocol which included well defined research questions, documentation of all steps, a cover letter detailing all the above, questionnaire and consent obtained from all relevant parties. Given the above and that this is a single-case study; replication of the research would be possible.

3.5.2 Validity

Validity includes three tests which are construct validity, internal validity and external validity. *Construct validity* 'is the extent to which we establish correct operational measures for the concepts being studied' (Kidder and Judd, 1986 as cited in Emerald Group Publishing, n.d.). Construct validity can be proved by triangulation, be it theory triangulation where several theories are included in the study or methodological triangulation where multiple data collection methods are used(Stuart et al. 2002). This case study used questionnaires and interviews for data collection and specified two theories in Chapter 2- the enactment theory and the 4L framework and empirical views thus allowing for both theory and methodological triangulation.

Internal Validity 'is the extent to which we can establish a causal relationship, whereby certain conditions are shown to lead to other conditions ,as distinguished from spurious relationships' (Stuart et al. 2002). This case study uses pattern matching as its main data analysis tool and seeks to match the theories and empirical views in Chapter 2 to the observed data so as to answer the research questions. Yin 2009(as cited in Almutairi et al. 2014 p.240) further emphasises this by implying that ' In case-study research, pattern-matching techniques are designed to enhance the rigor of the study; if the empirically-found patterns match the predicted ones, the findings can contribute to and strengthen the internal validity of the study, and result in the confirmation of the hypotheses/propositions.' As per the findings and conclusions of the study, Doric's RM processes and

sensemaking and sensegiving capabilities closely matched those identifies in Chapter 2 and the company has been operation for more than 18 years in a fairly tumultuous environment which goes to show that good sensemaking and sensegiving capabilities to in fact build resilience.

External Validity, which is 'the extent to which it is possible to generalise from the findings of the case study' (Emerald Group Publishing, n.d.), is hard to prove in case study research and especially single cases. However, generalisation can be viewed in two ways. Firstly, there is statistical generalisation where statistical methods are used to make inferences about a population based on the data collected from a sample and analytical generalisation which uses a purposive sample and theories included in the research design whose patterns can be replicated on similar cases using pattern matching. (Stuart et al. 2002) This study uses criterion sampling which is a form of purposive sampling and the theoretical and empirical patterns established in Chapter 2 can be matched with data collected from similar cases and in this way ensuring generalisation.

3.6 Limitations

Case study research is mostly viewed as not being both rigorous and representative (Crowe et al. 2011). This is especially true for single-case studies which in this case may not be representative of either the MSME industry or the manufacturing sector as a whole. . However, this can be addressed by designing the research in a way that ensures reliability and validity. This was done by using several data collection methods in this research and the data analysed through pattern matching with theory and empirical propositions that had been discussed beforehand therefore allowing for analytical generalisation.

The response rate from the questionnaires was very low as most of those approached by the researcher were not willing to provide the necessary information. They were informed that it was a voluntary process and therefore opted not to proceed. This prompted the change of the research design from a multiple-case study to a single-case study.

The study findings we limited to the information provided by the participants of the questionnaire and interview and what the research obtained through internet sources. The research is also limited by the reliability of the theories and empirical views and that of the data analysis method.

4 Chapter 4: Research Findings, Analysis and Discussion

The objective of this study is to investigate the sense making and sense giving capabilities of MSMEs in responding to risks with the focus being on an MSME in the manufacturing industry in Kenya, in order to establish how the MSMEs can build resilience. This involves answering the following research questions: *How does the MSME respond to the risks it is exposed to? ; Why does it respond to risks the way it does? ; How can the MSME better manage risks and therefore build resilience?* In order to answer those questions, an appropriate MSME was identified, data was gathered through questionnaires, interviews and internet sources, which the researcher will now present, analyse and discuss in this chapter through pattern-matching with the theories and empirical views discussed in Chapter 2.

The findings will be presented in the same order that the literature review in chapter 2 was laid out so as to follow a systematic order in the pattern- matching process a stated below:

- a) Classifying the chosen company as either a micro, small or medium enterprise using the definitions identified in section 2.1.1
- b) Describe the organisational structure of the company and discuss it in relation to section 2.1.2
- c) Classify and discuss the risks identified by the participants and through internet sources and relate them to those discussed in section 2.2
- d) Describe the RM process of the company and match it to the process in section 2.3 with a specific focus on section 2.3.2- sense making and sense giving therefore answering the questions- how does the MSME handle risks. The reasoning behind why the MSME handles risks the way it does will then be discussed.
- e) Discuss the company's crisis management capabilities

Almutairi et al. (2014) identify the first step of pattern matching as stating the proposition. The overall proposition of this study is that proper sense making and sense giving capabilities, coupled with RM processes and strategies, will ensure that the company is resilient to most of the risks it will encounter. Yin 2003(as cited in Almutairi et al. 2014 p. 242) says that 'the aim is not about confirming or disputing the proposition itself; it is more about building explanations on whether and why the patterns are matched or not, which eventually results in greater validity and supporting or modifying the theory or conceptual framework underpinning the study.' The aim of this chapter is therefore to match the capabilities and processes of the company to the ones in Chapter 2, where they do match will validate the theories and give explanations and discuss why they do not match in areas that do not.

4.1 Classification of Doric Industries Ltd

Doric Industries Limited is a manufacturing company in Kenya and according to information gathered from the questionnaire; it has more than 50 employees but less than 100 and an annual turnover of over KSH 50 million.

According to the European Commission definition stated in section 2.1.1, Doric would be classified as a small enterprise given that it has between 10- 99 employees. The South African classification of MSME would place Doric in the medium category because it has fewer than 100 employees but also because the annual turnover of the company is within the range of ZAR 4 million to ZAR 50 million (using an exchange rate of ZAR 1= KSH 8- Doric Annual turnover would translate to greater than ZAR 4 million). Using the Kenyan definition of MSMEs, Doric would be classified as a medium enterprise because it has more than 50 employees but less than 100 and has an annual turnover greater than KSH 50 million which is between KSH 5million to 800million range given for medium enterprises in the definition in section 2.1.1 as per the definition. The Kenyan definition however sets apart the manufacturing industry with additional criteria in identifying whether a firm is a micro; small or medium enterprise, which are 1) investment in plant and machinery+ registered capital and 2) Equipment investment +registered capital. However the researcher did not receive sufficient information to classify it in those terms and the bill does not specify the figures for the medium enterprise as shown in Table 2.

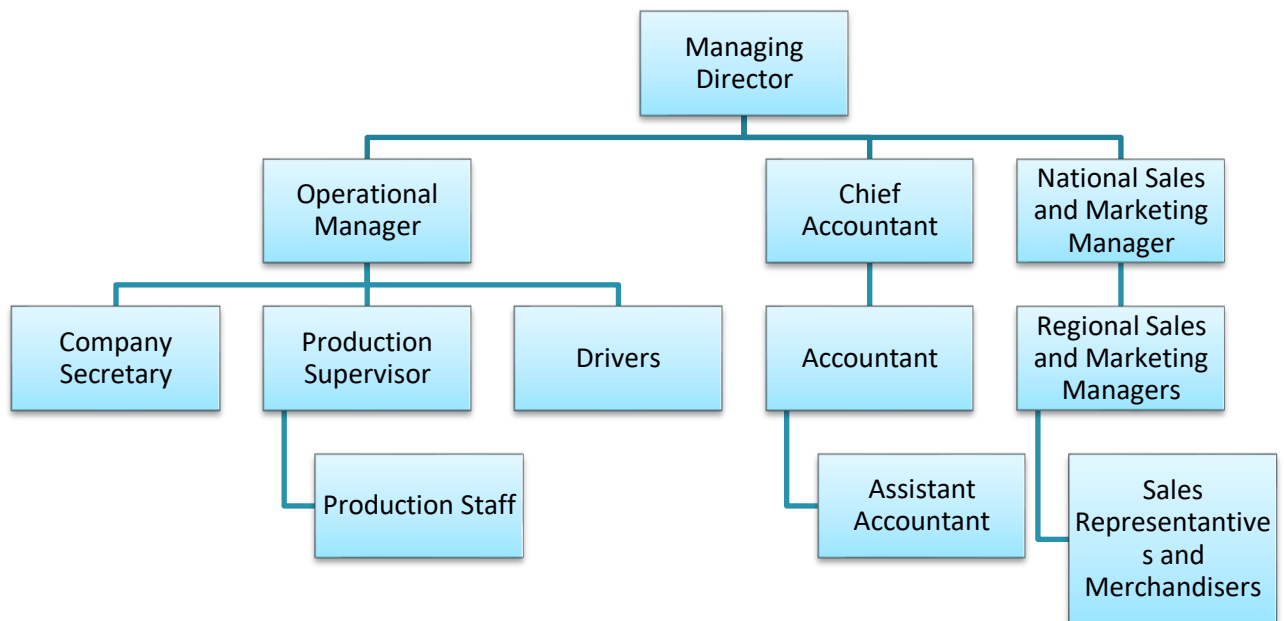
The definitions identified in Abor 2011 would also classify Doric Industries as a medium enterprise as it has a less than 100 employees -where the maximum provided for the manufacturing industry is 200 - and also has an additional management layer thus a decentralised management system which is discussed and illustrated in section 4.2 below. The company is an urban MSME as it is based in Nairobi, although it does operate nationally through its sales representatives and merchandisers. Therefore, Doric Industries Ltd can be conclusively classified as an urban medium enterprise.

4.2 Organisational Structure

Organisation structure of Doric Industries Ltd comprises of three managerial layers and other employees. The managing director is the overall leader who is then assisted by three heads of department who are the operation manager, chief accountant and national sales and marketing manager. The operational manager is in charge of the day to day operations of production and the factory and has the company secretary; production supervisor who overlooks the production staff and the drivers who are responsible for delivering the products. The chief accountant oversees the accountant and assistant accountant. The national sales and marketing manager oversees and works

hand in hand with the regional sales and marketing managers, sales representatives and merchandisers. The organisational structure is illustrated below in Figure 9 below:

Figure 9: Organisational Structure- Doric Industries Ltd



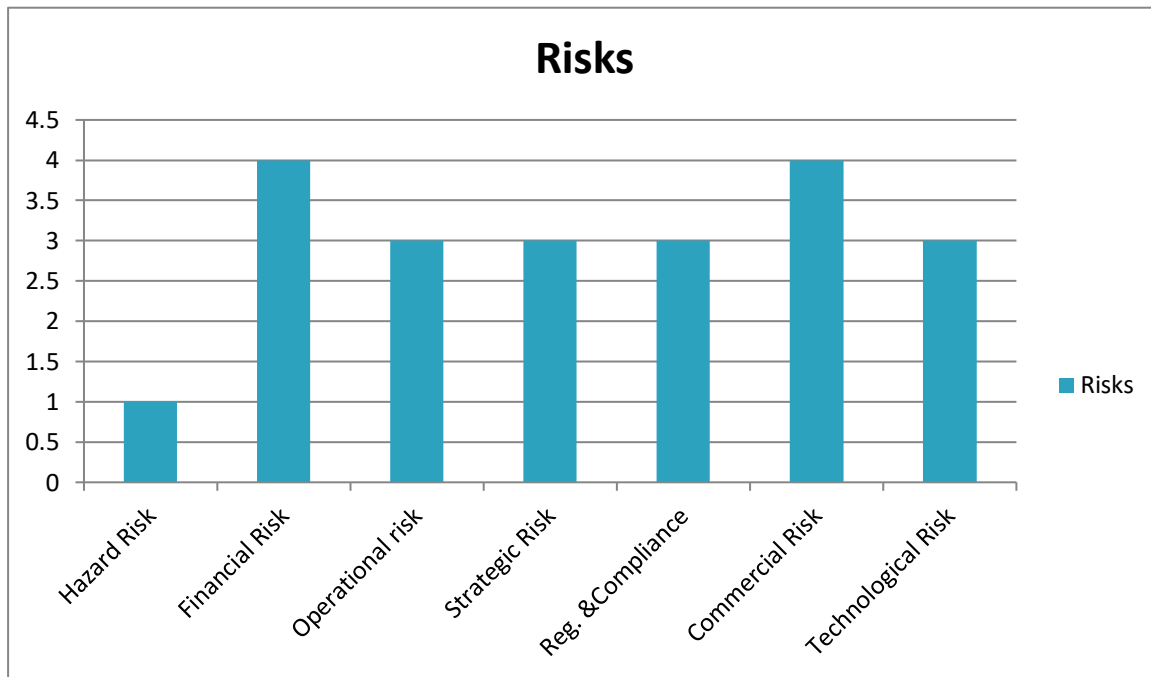
The literature review in chapter 2 describes the organisation structure of most MSMEs as being flat, with one manager at the apex who interacts with the other employees and customers, and flexible work environment within the company. Doric does not have a flat organisation structure as illustrated in Figure 9 above although it is not as complex as large organisations. The managing director is at the apex and works closely with the other managers, who engage the other employees. However, the managing director does not personally engage all the lower level employees especially the drivers, sales representatives and merchandisers yet they are the ones who are on the ground and are fully aware of what the situation is like in the market and with the customers. The sales representatives and production staff report to their department heads, who then report to the MD therefore miscommunication between the lower level employees and department heads could lead to formulation of strategies that are not suitable for a particular risk or for the company in general.

In addition to this, Doric has been in operation for more than 18 years, has grown and the structure has evolved from a more simplistic and informal structure to a more formal structure as it is today, especially with the increase in employees. There is direct supervision, and strategy is planned at the top. In addition to this, strategies are not only formulated intuitively by the GM but discussed by all the department heads before implementation. Therefore, it cannot be classified as a simple organisation.

4.3 Risks faced Doric Industries

The most common risks faced by MSMEs were identified in chapter 2 as hazard risk, financial risk, operational risk, strategic risk, regulatory and compliance risk, commercial risk, and technological risk. These were included in the questionnaires, discussed in the interview and researched on the internet. The risks were ranked, with 1 being least prevalent and 5 being most prevalent- in the order in which they affect the company as shown in the questionnaire- Appendix A, Question 2. The results indicated that the most prevalent risks are commercial and financial risks, followed by operational. Strategic, regulatory and compliance and technological which were ranked as moderate risks and the least was hazard risk. This is illustrated in the Figure 10 below.

FIGURE 10: RANKING OF DORIC'S RISKS



The most prevalent risk that was identified through all the data collection methods was commercial risk. This includes competition from other companies and cheap imports, high input costs, and fluctuation of prices. Doric Industries Ltd faces stiff competition, firstly from its largest competitor KIWI shoe polish. KIWI has the largest market share and is an international brand that is so well known that many people often use the name to refer to any shoe polish product and not just the particular brand (Standard Media Group, 2013). Other indigenous manufacturers producing similar products at

lower prices are also coming up every other day. The biggest issue that was raised when it comes to competition however is the increase in inferior counterfeit products. Counterfeit products from countries such as China have flooded the markets at very low prices and sometimes bear the same brand name as the original companies. Even KIWI is not immune to these products, 'in Uganda and some other countries roughly half the "kiwi" for sale is fake, cutting Sara Lee's shoe polish sales by about 20% across the continent' (Business Week, 2008). This comes at a time when many people are feeling the economic pressure and are looking for cheaper products. Euromonitor International (as quoted in Standard Media Group, 2011) observed that 'The proliferation of counterfeit polishes will take its toll on value sales as many low-income consumers continue to look for cheaper prices in informal channels. ' This has led to a reduction in margins over the years therefore Doric has to constantly keep an eye on the market and on the prices. The low prices offered by competitors pose a big risk to the company as it has to try to maintain a price that is not too high for the consumers and at the same time not too low so as to bring about a loss. In addition to the competition and lower margins, the input costs are very high and keep rising every year. This further causes a strain on the company in its effort to produce high quality products at the lowest price. Doric has tried to mitigate this risk by using strategies such as price reductions and promotions which increase the visibility of the product as well as entice buyers. Doric industries Ltd has also diversified in order to reduce risks. It has done so through its products with products ranging from beauty products to methylated spirits and washing detergents as show in Table4 and markets.

Commercial risk was followed closely by financial risk which is identified in Chapter 2 as one of the biggest risks faced by MSME. Doric Industries Ltd has been in operation for more than 18 years and therefore in that time it has built strong relationships with its financiers and suppliers; has assets such as machinery that can be used as security and a financial history that can be used to determine the company's creditworthiness. This therefore means that it is not as difficult for the company to access finance. However the high interest rates in the financial industry currently as well as inflation rates represent a systematic risk that not only affects Doric but the MSME and manufacturing industry as a whole.

Operational risk; strategic risk; regulatory and compliance risk and technological risk were each ranked as a moderate risk to the company. Operational risk related to the operations of the business, the staffing and business continuity. Chapter 2 identifies staffing as one of the biggest operational risks. Doric has managed to attract staff with experience and expertise especially in management where most have professional qualifications. The high unemployment rate also contributes to the retention of staff in many companies as it is not as easy to find a new job. The company is a limited liability company therefore is assured of business continuity should anything happen to the MD or managers. Strategic risk comes about when those responsible for developing and implementing strategies are not qualified or well informed. In Doric Industries Ltd, strategies are developed by the MD and the

department heads using information provided mostly by the national sales representatives and other employees. Therefore the risk does come about if the wrong information is provided or if it is misinterpreted by management thus inappropriate strategies are implemented.

Regulatory and Compliance risk is common risk in developing countries as mentioned in Chapter 2. Doric is an established company therefore has managed to comply with many of the regulatory and compliance requirements. The biggest issue arises when regulatory requirements change which might involve changes in the organisation or heavy financial investment. Technological risk is a major concern especially in the manufacturing industry which involves heavy investment in machinery. Doric tries to keep up with the technology involved in its industry however any changes that are to be made are in the medium term or long term.

The risk that was given the least importance is hazard risk, although this might be considered an important risk in the manufacturing industry given that they constantly work with chemicals and machinery. Hazard risks also include risks such as fire. Doric has implemented safety procedures and protocols for its employees and those who visit their factory so as to minimise the chances of any accidents occurring. It also has insurance that covers risks such as fire. This therefore reduces the likelihood of this risk materialising and even if it does it is not to the extent that can cause huge damage or loss to the company.

4.4 Risk Management

This section will detail Doric's RM process, which forms the observed RM process from information obtained from the questionnaires and key informant interview. This will be followed by matching the observed RM to the expected processes which are the theories and empirical views in section 2.3. It will also reveal and discuss why the company manages risk the way it does.

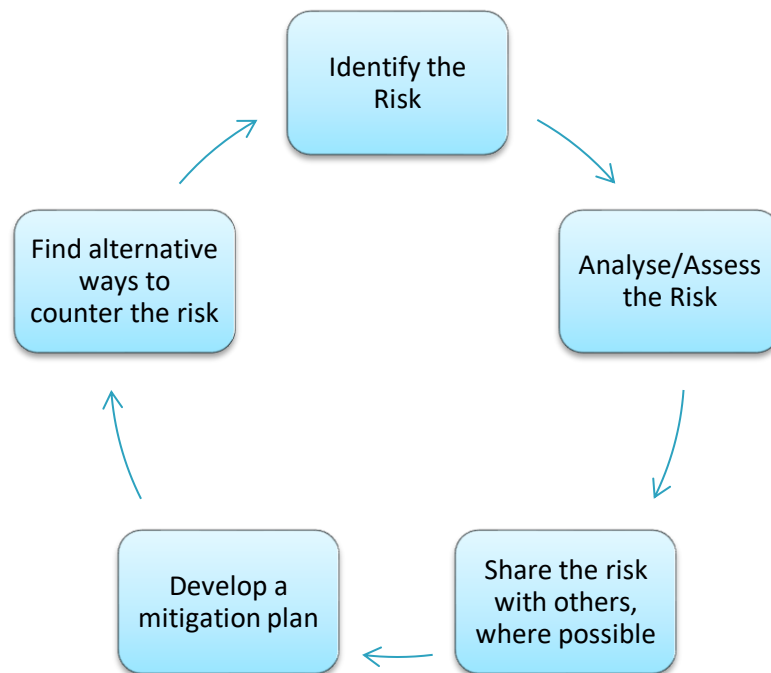
4.4.1 Doric's Risk Management Process

The company does assess risk and it does so retrospectively and prospectively. This means that those responsible look back at past risks that affected the company and how they handled them as well as considering any possible future risks that may come up and use that information to formulate strategies for the running of the business. The company assesses all the risks identified in section 4.3- Commercial, Financial, Operational, Regulatory, Strategic and Technological- with a specific focus on commercial risk which is their biggest concern.

The questionnaires, which had closed-ended questions which the participants were to select the most relevant option, revealed that there are designated employees who are responsible for risk

identification with some participants indicating that the MD and HODs are responsible. However the interview with the accountant revealed that risk identification is not only left to the MD and HODs but is mainly done by the company sales representatives who are located all over Kenya. They have their ear on the ground and therefore are best placed to inform the company of any changes in the market or provide consumer feedback. Any situation that comes up is reported to the HOD who informs the rest of the management team which then meets to discuss the best way to handle the problem. In the meeting, the HODs consider what the issue/risk is, what the situation is at the moment, what has been done before to handle similar risks and what else they can do to counter-attack. The issue that arises most is pricing and therefore they always keep checking on that and consider options such as price reduction and promotions. Once a risk is identified, they analyse or assess the risk, share the risk with others if possible, develop a mitigation plan and find alternative ways to counter the risk should the mitigation plan selected not be as effective. This is illustrated in Figure 11 below:

Figure 11: Doric Risk Management Cycle



The MD and HODs are responsible for the assessment, sharing of the risk, developing a mitigation plan and alternative methods. The company uses SWOT analysis as an RM strategy where they consider what the strengths of the business are, the weaknesses and their opportunities and threats. The strategies and plans that are developed are then communicated to the rest of the employees by both meetings and via email. They are also documented and archived for reference by the employees and also management when reviewing the risk or using the information to assist in developing new strategies. The risk and implemented plans are monitored by management every 3 months. The company also has reserves or money set aside to handle any unexpected risks that come up.

The questionnaires and interview revealed that the reason they manage risk the way they do is because of experience. The key informant stated that the reason behind this is that the company will always face risks and if the strategy the company had used before worked, the same will work when faced with a similar situation. The management team is highly qualified and most of them have professional qualifications. The company does have continuous training programs for management and the employees and they all have defined roles therefore know their duties and what is expected of them.

4.4.2 Matching the observed RM process to the expected RM process

This section will match the observed patterns described in section 4.4.1 to the expected patterns discussed in section 2.3 which include the general risk management process and sense making and sense giving.

4.4.2.1 General Risk Management Process

The general risk management process is described as an ongoing process which involves identifying the risk; assessing and analysing the risk; plan action; monitor and implement, measure and control. The cycle and process that is described in section 2.3.1 is very similar to the process used in Doric Industries Ltd. The first step identified in the general RM process is to identify the risk, which involves determining risk criteria which serve as benchmarks for acceptable and unacceptable risk. In order to do so, a retrospective and prospective look at risks is important as well as a SWOT analysis to know exactly what the company's strengths, weaknesses, opportunities and threats are. The information collected did not reveal whether Doric Industries Ltd has stipulated risk criteria which establish acceptable and unacceptable levels of risk however the company does assess risk both retrospectively and prospectively and use SWOT analysis in developing RM strategies.

Risks identified are then analysed and assessed and a rating system is developed where the likelihood of occurring and their impact is prioritised, preferably by using a risk analysis matrix. This will help identify which risks pose an immediate threat and therefore need urgent action and which ones can be dealt with in the medium term or long term. Doric does not specifically use a risk analysis matrix and prioritising of risks is not deliberately done however the one risk they do prioritise and monitor consistently is commercial risk. They also do not properly assess the impact of the risks which could mean that some risks could be underestimated.

A plan of action is then developed to deal with the most frequent and possible risk with the highest impact which is then implemented and monitored. When the risk does occur then the responsible party measures and control it. Doric follows the same procedure in terms of developing a plan of

action, implementing and monitoring. However, where it does fall short is in the measuring of the risk which is linked to determining impact as earlier stated.

4.4.2.2 *Sense making and Sense giving*

Sense making has been described as the act of the MD or top management anticipating and interpreting a particular risk and its impact and determining the best way to deal with the risk. Sense giving involves effectively communicating this information to the rest of the organisation so as to get everyone on board with the strategy. This section will determine the sense making and sense giving capabilities of Doric Industries Lt d by looking at how they have and are handling the current risk they are facing- which is manufacturers developing similar products to what they produce and selling them at a lower price than their products- and matching them against the enactment theory, 4I theory and the empirical views described in section 2.3.2.

Enactment theory

The enactment theory brings out the essence of sense making. This is because, as illustrated in Figure 5, it portrays the basic steps that should be involved in sense making. This starts with understanding the ecological change and using that understanding together with knowledge gained from handling similar situations in the past, to develop and select strategies that will be used to mitigate the risk. These strategies are then retained for future use in the RM process and are constantly updated with any new information. This therefore creates a routine to be followed by the company should it face the same risk, it is constantly updated with any new information and the strategy changed when necessary. (Weick et al. 2005)

The sales representatives at Doric constantly relay price and product information to their HODs. This represents the risk. The HODs, especially the regional and national sales and marketing managers, consider the information provided and how it can impact the company thus making sense of the situation. They then look at what strategies they have used in the past, whether it is promotions or price reduction, and consider if they are a good fit for the situation at hand. If so, they go ahead and implement the strategy. This is then documented so as to assist in future decision making. Therefore the observed pattern is a close match to the expected pattern when considering the enactment theory and Doric's RM process, however adjustments need to be made to the strategy before implementation as many times risks may appear be similar but are not the same in every aspect.

4I Framework

The 4I framework highlights four crucial steps that are involved in sense making and sense giving. The 4 I's stand for Intuiting, Interpreting, Integrating and Institutionalising. Intuiting is the first step which is where the top management anticipate a risk where they pick up a pattern or trigger event. This is followed by *Interpreting*, where the head tries to make sense of the situation and relays it to the management team. They then convene and discuss their different perspectives and views and in so doing develop the best strategy to handle the situation which refers to *Integrating*. *Institutionalising* follows where everyone is made aware of the situation, the strategies are communicated, and each person's role in dealing with the risk is defined. This also includes the process of implementing the strategy where it becomes part of the organisations routine and contributes towards organisational learning. The framework shown in Figure 6 also highlights a feed- forward and feedback learning flow. The feed- forward flow refers to what is highlighted above with information flowing from the head to the managers then throughout the organisation. The feed- back flow however refers to a bottom- up flow of information. The employees, for example, give feedback to the managers on the strategies that have been implemented- how and if they are working- who then inform the head and the strategies are adjusted where necessary so as to be a good fit for the organisation. Therefore the individual (head), the group (management team) and the organisation (other employees) are linked throughout the process as illustrated in Figure 6. Crossan et al(as cited in Jones & Macpherson 2006)

The questionnaires administered and interview conducted highlighted that the information flow with regards to competitors and price changes in Doric Industries Ltd mostly starts from the organisation going up to the MD. The MD then *interprets* the risk and relays the information to all the HODs. *Integrating*- They then meet to discuss the situation; discuss what they have done before when faced with the same challenges and what they can do going forward. *Institutionalising*-The decisions are then communicated to the rest of the organisation, implemented and routinized. The sales representatives then give feedback on whether the implemented change improved the situation after which changes can be made to the strategy if necessary. Doric's flow of information in terms of price/commercial risk is therefore feedback -> feed-forward -> feedback. This therefore shows that their sense making and sense giving capabilities match those highlighted in the 4 I framework; however the information originates from a different source, creating an additional flow of information (feedback) which strengthens their sensemaking and sensegiving as the information originates from those on the ground who are best placed to pick up on any issues regarding price.

Empirical views of sense making and sense giving

The empirical views of sensemaking and sensegiving do not specifically describe a framework or sense making and sense giving theory. The views highlight particular aspects that should be involved in a

company's RM process and general operations that enhance sense making and sense giving and in so doing assist the company build resilience. There are seven important issues which will be discussed in this section and matched to the procedures in Doric's RM process revealed by the questionnaires and interviews. These include: Retrospective sensemaking; development of cause-maps; labelling of risks, trigger events and pro active crisis management, situation awareness, organisation structure and effective communication.

Retrospective sense making involves using past experiences in RM to guide the current decisions and strategies. This involves looking back at a particular situation, how it was handled, what the result was and finding out if there are better ways that could have been used to deal with the situation. This will inform future actions taken when dealing with similar risks. Retrospective sensemaking is a core part of Doric's RM process. The MD and HODs look back at what strategies they used when dealing with issues such as competition, how they worked and if it would be a good fit in the current situation. Determining the cause of a risk; Documenting and retaining all strategy development processes and those that are eventually implemented is an important parts of the RM process. This enables retrospective sensemaking as it ensures the information on previous challenges and strategies are available and also ensures that the whole organisation has access to the information should they need it. These resources are what are then referred to as cause- maps which the management and employees can then refer to when faced with similar risks and find information on how they can handle the problem. Doric Industries Ltd does document and retain all RM processes and decisions taken therefore ensuring that the information is available for use when making decisions especially about risks or challenges they have faced previously.

Labelling is an significant aspect of the RM process as this determines the action to be taken in order to mitigate the risk. This follows developing of cause- maps as the risks experienced are given labels. These assist everyone in the organisation to use the cause-maps to understand a risk and the strategy to use. Understanding and being able to pick up on trigger events is also very important(Weick 1988). This is because they indicate the onset of a bigger risk that could eventually develop into a crisis. This requires that all employees in the company practise proactive crisis management and always be on the look-out for potential risks(Vargo & Seville 2011). The company can then develop plans to prevent the risks or mitigate the effects should it not be able to stop the risk from materialising. Cause-maps, labelling, trigger events and proactive crisis management when used simultaneously can be referred to as situation awareness (Vargo & Seville 2011)as the company is constantly assessing the market, industry and company looking for trigger events, using current information and previous experiences documented in cause-maps to determine strategies to use in handling a particular risk.

The management team in Doric Industries label risks whenever they occur and after determining the cause of the risk/problem. They then document the process and the strategy implemented in cause-

maps. This allows the employees and management to easily refer to strategies, when faced with a risks that has been identified as being similar through the label, and determine how the risk can be handled. The sales representatives who are located all over Kenya are always on the look-out for trigger events especially when it comes to competitors and their products. They ensure that they are in tune with what is going on in the market and the customers' needs, which they then report back to management for the necessary action. This then creates situation awareness in the company.

The organisational structure and hierarchy of the company plays a major role in sense making and sense giving. All the roles within the organisation need to be defined and all those holding the positions should know exactly what their responsibilities are. The lower level employees need to have a say in the RM process and also be able to act on any risks that they think require urgent action, as long as they have the necessary expertise to do so. In addition to this, it is highlighted that it is important to have employees start at the bottom of the structure, possibly going through all the departments at some point, to get a feel of what they do and work their way up the corporate ladder. This is done to allow the employees to understand the operations of the company more intimately which will enhance their abilities to pick up triggers. The top management of the company also need to be well educated or experienced so as to ensure that the strategies developed are well informed. (Weick 1988)

The organisation structure of Doric Industries Ltd, which is illustrated in Figure 9, consists of different positions with defined roles and from the information collected from the questionnaires and interview, everyone in the company is aware of their duty and responsibilities. The lower level employees give feedback to management whenever they notice any trigger events or any potential risks. However they do not have the capacity to act on the risk without informing management and waiting for a response on how to handle the situation. They also do not currently have a system where new employees go through a rotational program so as to understand how the business works more intimately. The employees are recruited straight into particular positions and this reduces the chances of them picking up on events that may affect the business especially if they do not occur in their area. On the other hand, the top management within the company are well educated and have professional qualifications as well as experience and therefore are well placed to develop strategies that are suitable for risks that occur and the company in general.

Lastly, Communication is one of the most important factors in sense making, sense giving and RM. The company needs to ensure that all their employees and especially managers have good communication skills. The managers relay the strategies to employees and are responsible for making sure they are implemented correctly which can only occur once the employees have understood what needs to be done Crossan et al(1999 as cited in Jones & Macpherson 2006). There also have to be proper communication channels set up. It also refers to how the managers relate with the employees in order

to ensure that the employees feel comfortable which encourages staff retention. Doric Industries Ltd does have proper communication channels through which the managers and employees engage. They have regular meeting in which strategies are discussed and any issues affecting the business and the employees are discussed. They communicate via email so as to ensure that every one has the necessary information pertinent to them. The employees are also encouraged to report any issues to the HODs so that the necessary actions are taken.

4.5 Crisis Management

Crisis management involves being in a position to respond effectively should any unexpected challenges or risks occur. This requires that the organisation have sufficient resources set aside and have structures in place to deal with such instances(Vargo & Seville 2011). It also entails that the company have situation awareness. Doric Industries Ltd has funds set aside as reserves to handle any unexpected risks that do occur and this was confirmed by the accountant during the interview. The company uses SWOT analysis and assess risk prospectively to try and anticipate any possible risks that may occur. They also have structures in place to deal with any unexpected and unforeseen event such as insurance to cover the risk of fire. Situation awareness, which is discussed in section 4.4 above, is also an important factor which is mostly brought about by the feedback from the sales representatives, placed all over the country, who interact with distributors and customers.

5 Research Conclusions

The overall proposition of this study was identified in section 4 as being that proper sense making and sense giving capabilities coupled with RM strategies will ensure that the company is resilient to most of the risks it will encounter. This was investigated through the in depth study of the sense making and sense giving capabilities and RM processes of Doric Industries Ltd and matching them to the theories and empirical views discussed in Chapter 2. This would aid in answering the three research questions which were: 1) *how does the MSME respond to the risks it is exposed to?* ; 2) *Why does it respond to risks the way it does?* ; 3) *How can the MSME better manage risks and therefore build resilience?* The conclusions in this section represent a summary of Chapter 4- Findings, Analysis and Discussion. They also summarise the answers to the first two questions which are discussed in more detail in Chapter 4.

Doric Industries Ltd was classified as a medium enterprise when matched against the different definitions described in chapter 2 as it has fewer than 100 employees and annual turnover of over KSH 50 million. The company has several managerial layers in its organisational structure and therefore the MD does not get to engage with many of the lower level employees. Its most prevalent risk is commercial risk followed closely by financial risk while operational, strategic technological and regulatory risk are moderately ranked and then lastly is hazard risk. In answering the questions the risk that was considered was commercial risk.

How does the MSME respond to the risks it is exposed to?

Doric faces several risks that include: commercial risk which mostly includes competition from other manufacturing firms and it mainly deals with this through price reduction and promotions. It has also diversified its products so as to reduce the reliance its polish products; operational risks are mitigated by ensuring the company hires competent staff which then contributes to mitigating strategic risk. Technological risk and regulatory risks are mitigated through planning and ensuring reserves are available for any unexpected changes and finally hazard risks are mainly mitigated through insurance.

The risk management process that is followed by Doric includes identifying the risk; assessing and analysing the risk; sharing the risk with others where possible; developing a mitigation plan and finding alternative ways to counter the risk. The company's RM process introduces two steps that should be included in a good RM process. These are 1) sharing the risk where possible- this is important as it enables the company to pass on the burden to those who are better placed to mitigate the risk. This could be its suppliers, distributors or even customers 2) find alternative ways to counter the risk- the

strategy developed and implemented to manage the risk identifies could not always be the right strategy. Weick 1988 agrees with this and says 'people often do not know what the right action is until they have taken some action and see what happens.' It is therefore important to formulate alternative plans during strategy meetings so as to have a plan B ready in case the first one does not work. However, Doric's RM process does not include the stipulation of risk criteria which establish acceptable and unacceptable level of risk which is an important consideration in the process. It also does not measure the risk and have a rating system which prioritises risk. The company's RM process matched that of the general RM process identified in section 2.3.1 in most aspects which indicates that Doric Industries has a good RM process in place.

The observed sense making pattern of Doric matched the pattern of the enactment theory discussed in section 2.3.2.1. This indicated that the company has well established sense making capabilities. The 4 I framework which was an observed pattern includes four steps which are intuiting, interpreting, integrating and institutionalising which matched the observed sense making and sensegiving pattern in Doric Ltd. The framework described the flow of information to start from the head/MD then to the managers followed by the rest of the organisation representing a feed- forward flow then the feedback flow which involves the employees giving feedback to managers and managers to the head on the strategies implements. Doric essentially has a feed-forward and feedback flow of information, however the information mostly originated from the employees (sales representatives) thus initiating a feedback-. Feed-forward - > feedback flow of information. Feed-forward first from included both sensemaking and sensegiving . This further indicates that Doric has good sensemaking and sensegiving capabilities.

Retrospective sensemaking is part of Doric's RM process with the managers reflecting on their past actions to inform their current decision making process and strategies. The company develops cause-maps by documenting and retaining all risks encounters and strategies used to counter this risk which aids in sense making. The company's management team also label risks appropriately. The company has situational awareness which is fostered specifically by the sales representatives of the company located all over the country who pick up on trigger event and inform management of any impending risks.

Doric's employees have well defined roles and therefore are aware of their duties and responsibilities. The top management are well educated and have good experience which ensures that the strategies employed are sound and are a good fit for the situation. The lower level employees can give feedback on strategies and risks but do not have the capacity to act on an urgent risk without first informing their HOD which might slow down the RM process and could cause the risk to escalate. The company also does not have a rotational program for new employees so that each one is aware of what goes on in each department making it easier to pick up on trigger events.

The communication channels within Doric are well developed as they have regular meeting to discuss strategy and other issues, not just with top management, but with all the employees. Information is also sent to employees via email ensuring that everyone has personal access to the information. The HODs are also accessible to the lower level employees to discuss any issues.

Lastly, Doric uses SWOT analysis and prospective risk assessment to anticipate any risks they may incur in the future. It also has structures and strategies developed that would be implemented should the risks materialise. However, the company has funds set aside as reserves to deal with any uncertainties or unexpected risks that come about.

Why does it respond to risks the way it does?

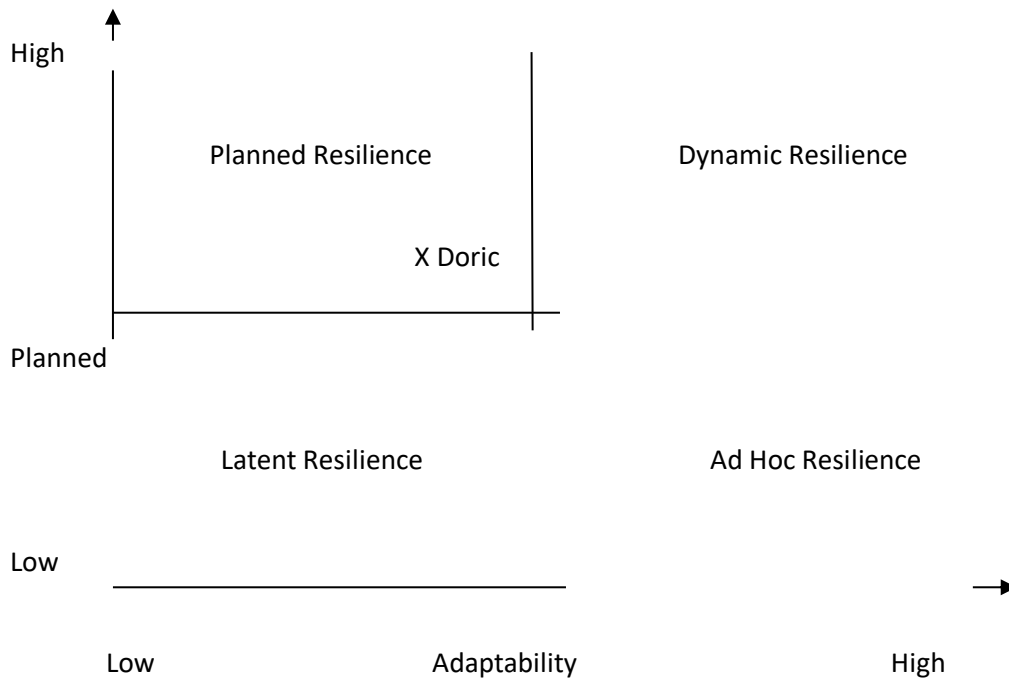
The findings indicate that the company responds to the risk they are facing by using the experience it has gained from dealing with similar risks in the past. The risk managers assume that if the strategy worked before then the same will work in a similar situation. However, no two risk encountered are exactly the same and therefore a one-size-fits-all approach would not be suitable for all risks that fall under the same label. Spillan and Hough 2003(as cited in Vargo & Seville 2011) agree with this and ‘found that SMEs focus predominantly in those types of crises they have experienced before, underestimating the risk of events they have no prior experience of.’

In conclusion, Doric has been in operation for more than 18 years and has risen to have the second largest market share in the shoe polish industry after an international brand that has been in operation for decades. It’s annual turnover is over KSH 50 million which is no mean feat given that it is an indigenous medium sized firm that faces strong competition not just from large organisations but from other local manufacturers that come up frequently producing similar products and most of all the cheap inferior imports that have been flooding the Kenyan market. It has therefore been resilient enough to survive despite the numerous challenges and this can be attributed to the good RM processes and sense making and sense giving capabilities that have been highlighted in this study.

Based on the findings and the types of resilience identified in section 2.5, Doric can be described as having planned resilience which is described in Vargo & Seville (2011) as ‘An organisation with high level of planning but low levels of adaptability and thus well structured but somewhat inflexible, often characteristic of highly structured, large or risk prone organisations and industries.’ Although Doric is not a large organisation, the company and the industry as a whole are prone to numerous risks especially cheaper imports. It is also quite inflexible when it comes to price as despite the fact that it tries to keep the prices as low as possible, it still has to cover its high production costs and at least make a profit. Figure 12 below illustrates a resilience model that is adapted from Vargo & Seville (2011) which plots the four different types of resilience based on the planning involved and the

adaptability. The researcher has gone on to illustrate where Doric would roughly fall on the scale. The ideal situation would be if the company was to fall under dynamic resilience(which involves high adaptability and high planning) therefore some recommendations on how Doric can better manage their risks and therefore enhance resilience is described in section 6.1.

Figure 12: Resilience Model



Source: Adopted from (Vargo & Seville 2011)

6 Recommendations and Future Research

6.1 Recommendations

This section seeks to answer the third research question- *how can the MSME better manage risk and therefore enhance resilience?*- by giving recommendations to Doric that seek to improve their RM based on gaps and mismatches established in the findings. These recommendations are:

- a) Doric should measure and not just identify risk in order to better establish the impact the particular risk would have on the company
- b) It should also develop risk criteria, which follows from measurement of risk, which serve as a benchmark for acceptable and unacceptable risk.
- c) The company should develop a rating system which prioritises the risk in the order in of impact and likelihood of occurrence. A risk analysis matrix as described in section 2.3.1 and illustrated in figure 4 can be used.
- d) The lower level employees should have the capacity to act on urgent risks, that pose an immediate threat and that have been documented on the cause maps, without having to report to the HOD first and waiting for a response. The risk could escalate in the time taken in decision making, which was preventable.
- e) Doric should develop a rotational program that allows new employees to shadow in all the different departments for some time before finally taking up their position. This allows the employees to be aware of all that goes on in the business which will in turn make them more sensitive to trigger events.
- f) The Doric management team should not assume that strategies that have worked previously will automatically work on similar risks. Risks may appear to be similar in nature however some might have aspects that differentiate them from the previous one.

6.2 Future Research

This research focused on a single MSME in the manufacturing industry in Kenya. The same patterns can be applied to other MSMEs in the manufacturing industry and other industries within Kenya and other countries. This would assist in investigating their sensemaking and sensegiving capabilities, determining where their RM processes fall short and from that give recommendations on how they can build and enhance their resilience.

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APPENDICES

Appendix A

Questionnaire

NB: Please use the TAB key to move through the questionnaire.

1. Background Information

Demographic

- I. Name of Founder (Optional):

- II. Age of Founder:

- III. Gender of Founder:

Organisation

- I. Name of business (Optional)

- II. Industry
 - Manufacturing
 - Agro-processing
 - Agriculture
- III. Period of Operation:

- IV. Location of business:

- V. Please describe the structure of your organisation

- VI. Total Number of Employees:
- <10 people
 - More than 10 but less than 50
 - More than 50 but less than 100
 - Not less than 100
- VII. Annual Turnover:
- Not exceeding KSH. 10M
 - More than 10M but less than 50 M
 - >50 M
- VIII. Investment in Plant and Machinery + Registered Capital:

2. Risks

Which risks are most prevalent in your organisation? Please specify

On a scale of 1-5, 1 being the least and 5 being the most, how would you rank the following risks that affect you firm?

Risk	1	2	3	4	5
Hazard Risk e. g physical(environmental factors), biological(viruses); ergonomic(workspace)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Financial Risk e. g access to finance; debtor and creditor management; interest rates; inflation	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Operational Risk e. g expertise; business continuity	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Strategic Risk e. g reputation of the business	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Regulatory and Compliance e. g stringent requirements; cost	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Commercial Risk e. g competition; high input costs; low margins; prices	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Technological Risk e. g expensive, rapidly changing technology	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

3. Response to Risks

I. Do you Assess Risk?

YES

NO

If so, do you do it;

Looking back at past risks that have affected the entity

Looking forward considering risks that might affect the business

Both

II. Which risk category do you assess?

Financial Risk

Operational Risk

Regulatory Risk

Strategic Risk

Commercial Risk

Technological Risk

All the Above

III. Who is responsible for risk identification?

Owner

Managers

Designated employees or department (please specify)

Everyone in the organisation

- No one
- Other (Please Specify)

IV. Describe the process you take to respond to the risk you mentioned in question 2

V. Who is Responsible for Assessment, Analysing and creating a Plan of Action?

- Owner
- Managers
- Designated employees or department (please specify)
- Everyone in the organisation
- No one
- Other (Please Specify)

VI. What risk management strategies do you use?

E.g SWOT Analysis, Observation of Trigger Events using checklists, Experience, Risk Management Companies, No risk management strategies used

Please Specify

VII. Are the risk management strategies you have mentioned above included into day to day activities and saved for future use?

- YES NO

VIII. Why do you respond to risks the way that you do?

- Resources i.e availability or lack thereof

Please Explain

Expertise i.e educated on risk management strategies

Please Explain

Experience i.e it has worked before

Please Explain

Other

Please Specify

4. How to build Resilience

I. Do you monitor and access risks frequently?

YES NO

If so, how often?

Monthly Every 3 months

Every 6 months Every Year

Other (Please Specify)

II. Are there funds set aside for Risk Management?

YES NO

III. Do you have any training programs for employees?

YES NO

IV. Highest level of education of management

Secondary Undergraduate

Post Graduate Professional Qualifications

None

Other (Please Specify)

V. Are the risk management strategies distributed to the rest of organisation?

YES NO

If so, how?

Email Notice board

Meetings One on One

Other (Please Specify)

VI. Do you promote from within?

YES NO

Appendix B

Interview Questions

1. Please describe a risk that you have faced recently or a strategic change that has been implemented.

2. How did you go about handling the situation?
3. Do all employees have the capacity to pick up on a risk/ trigger event and act on it?
4. Do all employees have defined roles and are they aware of what they are?
5. Do you have consistent training programs?
6. Do you promote from within?
7. Do you have trainee programmes whereby one can start from a lower level within the organisation and work their way up. E.g a trainee engineer who goes through a rotational program throughout the company before becoming a full engineer.
8. How do you communicate any information to the all the employees?
9. Do you have resources set aside to handle any unexpected risks or changes that come up?