

Internal Factors Affecting the Performance of Businesses of Retirees in Kakamega Municipality

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Abstract

Venturing into business is thought to play an important role in one's life since it is an alternative form of self employment. Retirees venture into business as a source of extra income and also for keeping themselves busy in retirement. As a result of the on-going restructuring of public corporations in Kenya and normal retirement, retirees from these institutions have ventured into business. However, in spite of efforts from various stakeholders to enhance success of the retirees' businesses, most of them have been performing poorly. According to the Retirement Benefits Authority (RBA) most businesses started by retirees fail within the first three years. The main objective of the study was to determine internal factors affecting the performance of business projects of retirees. The population of this study comprised of the retirees from the finance and communication sector of the larger public corporations operating in Kakamega municipality for a five year period ranging from 2007 to 2011. The study used a sample size of 52 retirees, who were picked from a population of 130 through stratified sampling technique. The study used a descriptive survey of the retirees and used both primary and secondary data. The data collected was analyzed using descriptive statistics and presented in form of tables and frequency distributions. This study revealed that the major factors affecting performance of retirees' businesses include financial stability, physical and mental strength, entrepreneurial skills and family base which accounted for significant failure of businesses of retirees of finance and communication sector of the larger public corporations in Kakamega municipality. It was also revealed that many retirees lacked proper human relations skills to motivate and retain internal customers as well as maintain consistently satisfied customers. The study recommended that retirees in business should endeavour to attend trainings/seminars to improve their business and financial management skills. Further, the study recommended the enactment of a compulsory pre-retirement training on financial and business management for employees with at least five years to retirement. The researcher suggested that a similar study be done focusing on external factors affecting business performance and also focus on retirees in the private sector.

Key Words: *Internal variables and External variables*

1.1 Background to the Study

Employees leave their formal employment through various ways, the main one being normal retirement. Retirement is a condition of disengagement from a formal employment due to attainment of the statutory retirement age or attainment of a specific objective (Kibera, 1996). The on-going economic reforms in most developing economies have resulted in many employees opting for early retirement (John & Claudio, 1998).

In Kenya, many employees have left formal employment through attaining their normal retirement age and also due to the economic reforms (Nzomo, 1995). Being a condition of disengagement, retirement leads to the stoppage of regular income in terms of wages and salaries; which makes some of the retirees to be more financially vulnerable, and significantly needy (Ondiege, 1996). It is out of the need for sustained income flow that many retirees get new engagements in personal businesses so as to continue to generate some regular incomes.

According to available data from the Retirement Benefits Authority, which also carries out pre-retirement trainings for members of Retirement Benefits Schemes in Kenya, most of these retirees go into business (RBA, 2006). As the retirees go out of the employment into self-initiated business projects, it is hoped that the business returns will continue to flow and sustain them for a longer period.

However, studies done by (Koontz, 2005; Karingiti, 1999; Ondiege, 1996; Kibera, 1996) on this show that, majority of retirees who venture into new business projects, a greater percentage of these business projects fail in the first few years. Generally, only a small percentage of such new business projects survive in the long run (Ondiege, 1996). This backdrop raises significant questions which may be viewed in general and also investigated specifically, as may be relevant to each business.

Whereas success of every business is identified in line with the unique operational elements of each business; the extent of their contribution to performance is determined and their impact singled out individually and collectively (Odundo, 2003). However, it is important to note that starting ones own business is not all the time an avoidable monster. In fact it grants the owners the authority to be their own bosses; which they were denied when they were still serving their employment terms and this is psychologically satisfying (Karingiti, 1999).

However, key entrepreneurial tenets are necessary if these business projects started by retirees are to survive to sustainable levels (Nzomo, 1995). Starting a business and its success requires some innate qualities that would create a sustainable blend between the entrepreneur and the internal and external variables (Benjamin, 2004). Physical and emotional stamina to run a business, planning and research motivation and family link and support cannot be overemphasized as significant contributors to business success (Kibera, 1996).

Public corporations have had unique characteristics that define their operations until the introduction of structural adjustments programmes in 1996; where service quality, cost controls and improved employability became the overriding factors of privatization (Karingiti, 1999). It is notable that many of the public corporations employees did not have pre-employment specialization or professional selection, as most of them were direct school leavers (Karingiti, 1999).

The performance of public corporations has not been keenly monitored and the issue of performance contracting is a new phenomenon whereby most of public corporation employees find it difficult to cope (Ondiege 1996). Generally, public corporations have been characterized by failure and most of their employees associated with the same (Kibera, 1996). It would be interesting to find out if the tenets of failing management of public corporations would by implication be transferred to the businesses of their retirees, would there be a correlation between their foundational upbringing and their investments in retirement?

Furthermore, the public corporations have in the past paid their employees better than other public sector workers in the civil service; and as such were not exposed to the rigorous financial stress. The innovative ability was therefore not well developed to diversify their ability to cope with job search (Karingiti, 1999)

Retirement of public corporations workers often comes without ample preparation on investment entry skills that would be essential after their retirement (Damaris, 2008; Nzomo 1995). Many retirees therefore have least entrepreneurial talents and skills; but must strive to invest their retirement benefits in further income generating projects, for continued financial survival (Kibera, 1996).

It is also estimated that 60% of the retirees venture into small and medium scale businesses of diverse products; common ones being service and small scale oriented retailing (Oketch, 1995). The study was dedicated to retirees from finance and communication sector of the public corporations operating business projects in Kakamega municipality.

Kakamega municipality is the administrative and commercial capital of Kakamega County. It is located within Lurambi Division of Kakamega Central District. As a commercial center, Kakamega municipality has attracted a steady influx of people from all over East Africa most of whom are engaged in big and small businesses.

According to the Kakamega Central District strategic plan of 2005 to 2010, it has a population of over 603,000 (KCDSP, 2005). The major economic activities of Kakamega town include businesses in service industries and agriculture (KCDSP, 2005).

There are several factors favoring business in this municipality. One of the major factors is its location; centrally between Mumias Sugar Company, West Kenya sugar factory, Butali Sugar factory and Mudete tea factory (KCDSP, 2005). The town is served with both air and road transport, with at least a flight to Nairobi on a daily basis. Education wise, Kakamega municipality is sufficiently favored with several institutions of higher learning. Major public universities namely; Masinde Muliro University of Science and technology, University of Nairobi, Kenyatta University and Mt. Kenya University already have opened campuses within the town center (KCDSP, 2005).

From the commercial perspective, Kakamega municipality still has expansive opportunity for investment such as in the housing industry. Another point to note is the presence of numerous NGO's in the Kakamega municipality. The NGO's provide job opportunities, and ready market for most essential commodities locally available. The presence of research institution like KARI cannot be underestimated in terms of its economic contributions to the life of the town residents (KCDSP, 2005).

1.2: Statement of the research problem

Venturing into business projects is thought to play an important role in transforming one's life. This is because some members of the society who run successful business projects are equally successful in their lifestyle (Nyakundi, 2009). Apart from being a source of government revenue, business is a major source of self employment. It is on this backdrop that retirees venture into business projects as a source of extra income and also for keeping themselves busy in retirement. In the recent past, many retirees in Kenya have ventured in business (RBA survey, 2006). In spite of efforts from various stakeholders to enhance success of the retirees' business projects, they have been performing poorly (RBA survey, 2006). According to the Retirement Benefits Authority survey of 2006, most business projects started by retirees collapse within the first three years but it still remains the most appealing option for retirees (RBA, 2006). This implies that there exists individual circumstantial variability that despite same external environment and majority of internal factors; still retirees who start same businesses on the same financial footing end up not achieving the same results (Karingiti, 1999). It is this causal element of the variability of business returns and sustainability that this study intended to find out. Therefore this study sought to determine the internal factors affecting the performance of business projects of retirees in Kakamega municipality.

1.3: Objective of the study

To determine how internal factors (firm-specific) affect the performance of businesses of retirees.

1.4: Scope and limitations

Preliminary investigations of the finance and communication sector of public corporations in Kakamega municipality indicated that for the last five years, there had been approximately 130 employees (Public corporation registry, 2011) retired on regular 55 years or so limit and special retrenchment programmes, which were part of organizational restructuring programmes. This study intended to cover the retirees who had set up businesses in various places within Kakamega municipality. These retirees were located through the local council's business registration section of the Ministry of Trade and Industry and also through the local administration.

The researcher limited the study to retirees from finance and communication sector of public corporations operating in Kakamega municipality, who had also set up business projects within the municipality. There were limited literature materials on businesses of retirees forcing the researcher to rely on few sources.

The researcher overcame the above limitations by doing extensive literature review and using a larger sample size to ensure representation of the population.

1.5: Significance of the Study

Good performance of retirees businesses will contribute more to government tax revenue. The study was also expected to help expand literature and stimulate more research in this area as well as to help policy makers regarding how to enhance performance of business of retirees.

It would also inspire workers in their middle age so that they prepare adequately for retirement while providing continuity to retirees with regard to matters related to financial management. It will also help policy makers to come up with sound policies on post-retirement life.

2.1 Effects of Internal Environmental Factors on Small Business Performance

A business internal environment plays the most significant part in charting out the direction and the unique qualities that define it from others (Aldrich, 1979). This macro environment comprises of factors which a firm can effectively use in adapting to the ever-changing external environment. Unlike the external, the internal environment factors are largely within control of the management of a business enterprise. Such factors as tangible business resources, its workers, its management, competencies, production, marketing and strategic choices are so strong conventional contributors to the effective and efficient operation of any business (Kibera, 1996).

The firm's ability to effectively provide, employ and sustain these resources depends on entrepreneur's capital base, his or her skills and ability to cope with market changes. In fact intangible resources such as location factors e.g. suitability of the present location, possibility of moving into other locations where need be and public image or reputation, are the "joining mortar between the bricks", that makes the business successful (Kibera, 1996).

Each of the internal factors whether tangible or not are significant to the success of the business, based on how each firm employs and maintains them (Nzomo, 1995). A business plant, machinery, equipment or tools for instance should be those that are cost effective in terms of their acquisition, installation, maintenance, repair and replacement. This would make an entrepreneur to retain some funds for other operational plans. These facilities are equally important for the quality and quantity of product output, market size and niche, companies / firm image and general public approval of the company's product. All these translate into sales, profit and size of a business which effectively define the business success or failure (Karingiti, 1999).

Production is yet another internal factor that affects business operation. The type of product that an entrepreneur wants to produce, the cost of production, the target group, the technology used or required in the production and the quality and quantity of output are very important determinants of the success of any firm. If not monitored properly, then the ability to estimate and meet the market demand and sustain market size is slim (Karingiti, 1999).

Distribution as an internal factor is vital in deciding the extent to which the firm's product can reach (Kibera, 1996). Appropriate distribution channels are those which respond to the firm's financial base, market demand, size and diversity and also product requirement. Keen attention should therefore be paid to the distribution channel the firm proposes to use based on the above listed controls (Ondiege, 1996).

It may be a disastrous venture when the distributional issues are not well weighted against the expected returns. Human resource, workers or labour elements are prime determinants of the organizations success, right from inception, management and marketing (Ondiege, 1996). The role of workers in painting an image of a firm to the public is so critical that if not well managed, then no matter what the firm sells the customers would just shy away from the business to its own detriment (Ondiege, 1996).

There are certain factors that can only be attributable to the entrepreneur which directly affect business and these include for instance birth order, whether first or last born, relationship with parents, parental occupation, age and the general beliefs and values (Fry, 1990). The social pressure on the eldest child in the family can motivate him to be an entrepreneur.

In most societies the first born usually takes all responsibilities but this may not necessarily determine successful entrepreneurship (Fry, 1990). Relationship with parents e.g. father or mother may also affect the making of an entrepreneur if for instance parents make children to be dependent they inhibit the entrepreneurship ability of the children.

It may be significant if parents instill measures for independency and responsibility and need for achievement. This in turn might influence the child's entrepreneurship development and make them to be very ambitious (Bennet, 1998).

Parental occupation can also influence the child as in most cases a child tries to ape what the parents do (Fry, 1990). Thus a parent acts as role model. Successful entrepreneurship results from creativity and innovation that constantly scan the environment for opportunities. Creativity diminishes with age.

Research has it that if one's creativity forty years ago was 100%, now it could be 1 % (Cole, 2004). Younger people have more energy and are likely to achieve higher than the older ages.

The best entrepreneurial age is between 20 and 55 years beyond which there may be no creativity at all (Cole, 2004). Gender-society dictates what women cannot do, what men can do and sometimes suppresses entrepreneurship ambition (Kibera, 1996).

Although education is not a prerequisite for entrepreneurship, it opens up the mind to scan the environment and identify the gaps and opportunities to be exploited (Koontz, 2005). He further notes that technical and managerial skills also add more to entrepreneurship.

On the other hand education could inhibit entrepreneurship. How? Highly educated people tend to be rigid and in most cases would like to do some thorough analysis before accepting new ideas (Koontz, 2005). In most cases they may resist new venture. Training helps to improve performance and is very crucial at the growth stage of an enterprise (Odundo, 2003). Retirees venturing into business must take this into account.

The entrepreneurial process involves identifying and evaluating opportunities, developing a business plan, determining the required resources and generally managing the enterprise (Owino, 1997). Entrepreneurship is the last among the factors of production which include land, capital and labour (Arvil, 1993). Poor management can lead to failure of an enterprise. For instance, Steve Jobs, the young man who founded APPLE Computers, was eased out of the business because of poor management. He later went back into the business and was absorbed as a mere employee just to tap his original idea (Cole, 2004).

Retirees businesses usually fall into small scale business category that could be defined simply as a business that is independently owned but is dominant in its field (Benjamin, 2004). Though there is no universally acceptable definition of a small scale business, In Kenya, businesses with ten or fewer workers are called micro enterprises; those with eleven to fifty workers are labeled small businesses; those with 51 to 100 workers medium sized, while those employing more than 100 workers are considered larger enterprises (Kinyanjui, 1992).

Most retirees usually start with what can be called small business usually in the informal sector and sometimes in the formal sector (Oketch, 1995). For instance; the agricultural sector, dairy farming, poultry keeping, and fruit selling In the manufacturing sector, furniture and textile while under professional services we have accountancy, medical and legal services run by retirees with skills or specialized knowledge (Kibera, 1996).

Small business suffer mortality rate significantly higher than that of larger established business (Nyakundi, 2009). In reference to Kenya, these businesses fail as a result of management incompetence, lack of experience, poor financial control, lack of strategic planning, uncontrolled growth, location of the business, lack of inventory control and inability to make an entrepreneurial transition (Kibera, 1996).

To be successful in business, a retiree must seek out and find a gap in the market which has been neglected in the past and then develop an idea which can be turned into a product that offers something to be perceived as completely different from that of the competitor. This is systematic innovation that involves a process of first assessing business environment by scanning the environment, as well as doing industry, competitive and marketing analysis (Oketch, 1995).

Political environment defines the legal aspect of engaging in business. Some government regulations protect small businesses for instance; regulations to ensure fair practices, use of government subsidies, import restrictions (import quotas, import compensations, customs drawbacks) and other measures to create conducive environment for business (Karingiti, 1999).

However, the political environment can also be a constraint when considering government policies affecting hiring, safety and paper work required complying with legal requirement before setting up a business (Karingiti, 1999). Economic factors-concerned with the nature of economic trends such as the general availability of credit amount of disposable income, interest rates, rate of inflation and growth in the overall economy. These are crucial to entrepreneur because they will affect the consumption pattern of the product in a given market.

Social factors; these include the beliefs, values and attitudes, and lifestyles as developed from cultural demographic, religious and educational background. These factors are crucial in that as the socio-cultural factors change, so too does the demand for various items e.g. clothes, books and leisure activities among others (Cole, 2004).

The type and level of technological factors also have impact on business (Armstrong, 2005). For instance, the adoption of creative technological change could suggest possibility of new products, improvement in existing products or in manufacturing and marketing needs. Businesses are increasingly affected by technological changes since such changes can create new and unexpected competitors. Small businesses are particularly vulnerable to changes in technology that could create substitutes for their product from unexpected sources (Ondiege, 1996).

According to Cohen (1990), there is need for those venturing into business to understand the nature in which the business is going to operate. The structure of the industry and the trends in that industry will help to indicate the current and future attractive of the same. Thus it is important to understand the degree of competition in that industry by analyzing the following factors: rivalry among competitors, threat of potential entrants, substitute products / services; bargaining power of customers; and the bargaining power of the suppliers (Fry, 1990). This kind of information will help the entrepreneur whether to enter the industry or not and also to know how best to position his / her business in the industry.

It is also imperative for an entrepreneur to know and understand his/her competitors whose action has a direct relevance on the business strategy adopted. He/she must understand who the competitors are their objectives and goals, their assumptions, their strategies and also anticipate what they are likely to do in time (Oketch, 1995). This would enable a business develop a superior strategy to create a competitive edge and also develop effective counteractive responses to their changes in tactics and strategies.

According to Rubery (1994) it is important for an entrepreneur to do a proper marketing analysis by developing a description from people who may buy from him / her and predict development that may affect their sale. This would help the business focus on customer needs and develop products that satisfy the same. A good marketing analysis should include demographic information and psychographic factors such as perception, motives, attitude that customers may want to satisfy (Oketch, 1995).

2.2: Conceptual Framework

In this study, the dependent variable was the business performance indicated by increase in; profits, size of stock and rate of stock turnover, expansion of business premises and the customer base. The specific factors which contribute to either progress or regression of the business constituted the independent variables and were both internal and external factors including the physical and mental strength of the retiree, his or her entrepreneurial skills, human relations skills, experience in business, financial stability and family base of the retiree, competition in the external environment, price changes, technological changes, political social factors and legal as well as cultural factors.

Both the internal and external factors interacted to influence the business management strategy that the retirees engaged in business adopted eventually determining the overall performance of these businesses. Since external variables are out of control of an individual entrepreneur, the study focused on the effect of internal variables on business performance of retirees of finance and communication sector of the larger public corporations in Kakamega municipality.

The interaction between the variables above affected the business management strategy adopted, which could be cost efficient, product or market diversification. The strategic choices that a retiree in business adopted in return reflected on the overall performance of the retiree's business, either positively or negatively.

Business firms develop firm-specific resources as they absorb inputs from the environment as a result of the firm's interactions with the external pressures from social, economic, technological and political forces in the environment.

The relationships were depicted in the schematic diagram below:

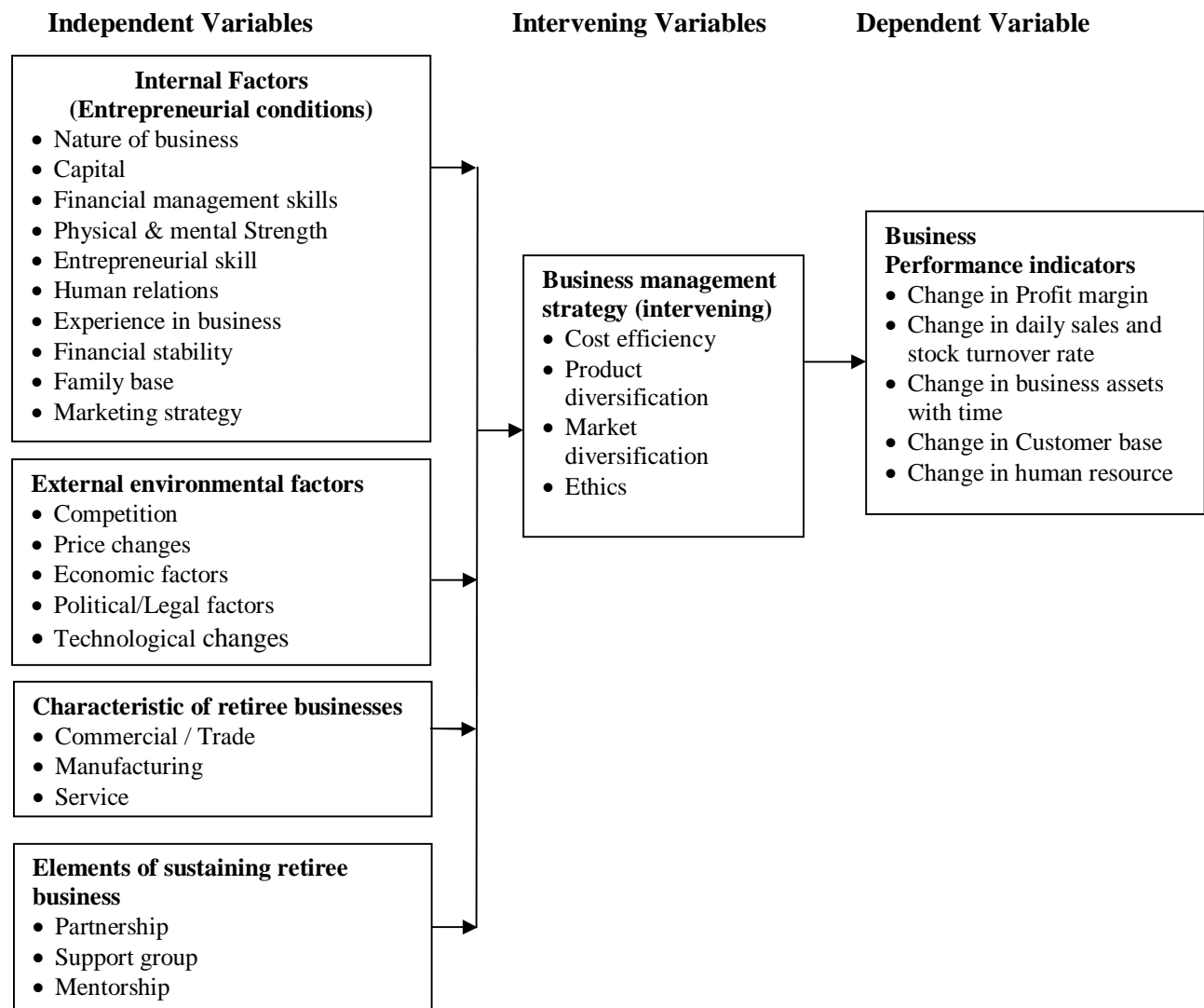


Figure 1 Relationship between, internal, external factors and business performance

Source: The author, 2012

3.1 Research Methodology

The research design for this study was the descriptive survey method. The researcher undertook to study only the retirees from finance and communication sector of the larger public corporations. In Kenya we have 43 Banks with branches across the country (CBK, 2012) and 143 communication firms offering service countrywide (CCK, 2012). In Kakamega municipality 12 of the 43 banks and 22 of the communication firms were represented (KMC, 2012). It is estimated that the number of yearly retirees from the finance and communication sector in Kakamega municipality is about 26 per annum (Corporation registry, 2007); thereby giving an average population of 130 retirees for a period of five years. A retiree was picked randomly from the entire population and identified whether he or she runs a business and then categorized whether from communication or finance sector. This gave a population of study to be 52.

Table 3.5.1: Population Sample Size

| S/NO | Stratum | Population size | Sample size (worked out) |
|--------------|---------------|-----------------|---------------------------|
| 1 | Finance | 62 | $(62/130) \times 52 = 25$ |
| 2 | Communication | 68 | $(68/130) \times 52 = 27$ |
| Total | | 130 | 52 |

Source: Personnel registry of respective corporations 2011

The Questionnaire was the main instrument used in collection of primary data for the study. Reliability and validity of the instrument was tested through the administration of the questionnaire in a pilot study. Data obtained from the research was coded, tabulated and analyzed using descriptive statistics with the aid of SPSS software version 15. The results were presented in form of tables and frequency distributions.

4.1 Research Findings Analysis and Discussions

4.2 Response Rate

Most respondents responded as evidenced by 96.15% of them, finance sector 100% and communication sector 92.59%.

Table 4.1.1: Response Rate

| Category | Sampled | Responded | % |
|---------------|---------|-----------|-------|
| Finance | 25 | 25 | 100 |
| communication | 27 | 25 | 92.59 |
| Total | 52 | 50 | 96.15 |

Source: Field data 2012

4.2: Gender

The sample of respondents included 27 females and 23 males. This revealed that 54% of the respondents were female, while 46% of the respondents were male. More females participated in the study than male. This implies that more women retirees invested in business than their male counterparts after retirement. The same trend is also witnessed sector wise; that is 52% of female retirees from the finance sector against 48% male counterparts and 56% female retirees from the communication sector against 44% male counterparts. This therefore indicates that the males either sit back after retirement to enjoy their retirement lump sum or are generally ignorant to the opportunities that retirement brings their way. This can be depicted in table 4.2.1 of gender distribution.

Table 4.2.1: Gender Distribution

| Sector | Sampled | Male | % | Female | % |
|---------------|-----------|-----------|-----------|-----------|-----------|
| Finance | 25 | 12 | 48 | 13 | 52 |
| Communication | 25 | 11 | 44 | 14 | 56 |
| Total | 50 | 23 | 46 | 27 | 54 |

Source: Field data 2012

Table 4.3.1: Age Group of Retirees in Business

| Age (Years) | Communication | Finance | Frequency (f) | Midpoint (x) | fx |
|--------------|---------------|------------|---------------|--------------|---------------|
| 40-50 | 3 | 4 | 7 | 45 | 315 |
| 50-60 | 4 | 6 | 10 | 55 | 550 |
| 60-70 | 11 | 13 | 24 | 65 | 1560 |
| 70-100 | 7 | 2 | 9 | 85 | 765 |
| Total | Σ25 | Σ25 | Σ50 | | Σ 3280 |

Source: Field data 2012

Mean age of retirees in business

$$\bar{X} = \frac{\sum fx}{\sum f} = \frac{3280}{50} = 65.6 \text{ years}$$

From table 4.3.1 it was observed that most of the retirees running businesses were aged between 60 and 70 years. This resulted into a mean age of 65.6 years. This further justifies that normal retirement coupled with retrenchment and institutional downsizing generally affects the stated age bracket. One of the reasons that may have led to low performance of retirees' businesses could be as a result of their age. At advanced age of 65 years the level of creativity would be at it's lowest.

Table 4.4.1: Highest Level of Education Attained

| Education Level | Communication | % | Finance | % | Total | % |
|-----------------|---------------|------------|-----------|------------|-----------|------------|
| Non-Formal | 0 | 0 | 0 | 0 | 0 | 0 |
| Primary | 1 | 4 | 2 | 8 | 3 | 6 |
| Secondary | 14 | 56 | 17 | 68 | 31 | 62 |
| College & Above | 10 | 40 | 6 | 24 | 16 | 32 |
| Total | 25 | 100 | 25 | 100 | 50 | 100 |

Source: Field data 2012

The results in table 4.4.1 reveal that majority of the respondents had secondary education (62%). A significant percentage (32%) possessed post secondary education and only 6% studied up to primary school level. From this table it may be assumed that public corporations do not employ people with no formal education at all. However, it is clear from the same findings that just less than 50% attained tertiary education.

4.5: The Business Activities Undertaken By Retirees

This study sought to establish the types of businesses the retirees were operating. The retirees indicated that they participated in various businesses as shown in table 4.5.1

Table 4.5.1: Business Activities Undertaken By Retirees

| Sector | Communication | % | Finance | % | Total | % |
|------------------|---------------|------------|-----------|------------|-----------|------------|
| Commercial/trade | 13 | 52 | 12 | 48 | 25 | 50 |
| Manufacturing | 0 | 0 | 0 | 0 | 0 | 0 |
| Service | 12 | 48 | 9 | 36 | 21 | 42 |
| Other | 0 | 0 | 4 | 16 | 4 | 8 |
| Total | 25 | 100 | 25 | 100 | 50 | 100 |

Source: Field data 2012

From Table 4.5.1, the study revealed that 50% of the respondents had their business established in commercial sector and 42% in service sector. None of the respondent had a business in the manufacturing sector. Since majority of the retirees in Kakamega municipality are engaged in commercial oriented businesses, they do not make much profit because they do not enjoy the advantages of being able to dictate the quality and the price of their products. The commercial traders deal in ready products which do not require further processing to receive reasonable profit margin. They are faced with unfavorable business conditions where most of the business terms are set by the manufacturers of the products and this barely leaves the commercial entrepreneur with a significant profit margin to propel business growth.

4.6: The Performance of Retirees' Businesses

The study used performance measures such as daily sales, customer base, profitability and value of business assets to analyze the performance of businesses of retirees who form the sample of this study. The following table was drawn out of the responses of 50 retirees who own businesses. The table shows the percentage changes in the performance indicators.

Table 4.6.1: Performance of Businesses of Retirees

| Performance measure | Very much Increased 1 | | Moderately Increased 2 | | Not changed 3 | | Moderately decreased 4 | | Very much decreased 5 | | Total respondents | |
|--------------------------|------------------------------|----|-------------------------------|----|----------------------|----|-------------------------------|---|------------------------------|---|-------------------|-----|
| | No | % | No | % | No | % | No | % | No | % | No | % |
| Daily sales | 8 | 16 | 32 | 64 | 10 | 20 | 0 | 0 | 0 | 0 | 50 | 100 |
| Customer base | 17 | 34 | 30 | 60 | 3 | 6 | 0 | 0 | 0 | 0 | 50 | 100 |
| Level of profits | 8 | 16 | 28 | 56 | 10 | 20 | 4 | 8 | 0 | 0 | 50 | 100 |
| Value of business assets | 2 | 4 | 17 | 34 | 31 | 64 | 0 | 0 | 0 | 0 | 50 | 100 |

Source: Field data 2012

Most of the respondents indicated that they experienced growth in the performance measures except value of business assets. Sixty-four percentage of the retirees indicated that the daily sales moderately increased, 60% indicated that the customer base moderately increased while 56% said that there was moderate increase in the profit margin.

However, majority of the respondents (64%) indicated that the size of their businesses had not changed over the period. This can be interpreted that retirees solely rely on business as an alternative source of income to keep them going, that could be the reason why they are not interested in the expansion of their business assets.

4.7: Factors Affecting the Performance of Businesses of Retirees

The study of responses from 50 retirees who own business indicated different degrees to which the various internal factors impacted on performance of business of retirees in Kakamega municipality. The following table and frequency distribution were drawn to show the effect of these factors on performance of businesses of retirees in Kakamega municipality. The respondents were asked to indicate in the questionnaire the extent to which they thought the various internal factors affected the performance of their businesses. The internal factors included were physical and mental strength, training in business management, relevant and adequate business experience, financial stability, consistently satisfied customers, employee turnover level, family base, amount of retirement lump sum and good promotional strategies.

The results were analyzed as indicated in the table below.

Table 4.7.1: Factors Affecting the Performance of Businesses of Retirees

| No | Internal variable | Not at all 1 | | To a little extent 2 | | To a moderate extent 3 | | To a great extent 4 | | To a very great extent 5 | | TOTAL | |
|----|---|--------------|----|----------------------|----|------------------------|----|---------------------|----|--------------------------|----|-------|-----|
| | | No | % | No | % | No | % | No | % | No | % | No | % |
| 1 | Physical & mental strength | 1 | 2 | 3 | 6 | 5 | 10 | 34 | 68 | 7 | 14 | 50 | 100 |
| 2 | Training in business management | 7 | 14 | 6 | 12 | 29 | 58 | 6 | 12 | 0 | 0 | 50 | 100 |
| 3 | Relevant & adequate business experience | 3 | 6 | 2 | 8 | 5 | 10 | 32 | 64 | 8 | 16 | 50 | 100 |
| 4 | Consistently satisfied customers | 0 | 0 | 4 | 8 | 30 | 60 | 9 | 18 | 7 | 14 | 50 | 100 |
| 5 | Financial stability | 0 | 0 | 2 | 4 | 5 | 10 | 36 | 72 | 7 | 14 | 50 | 100 |
| 6 | Employee turn over levels | 6 | 12 | 10 | 20 | 30 | 60 | 4 | 8 | 0 | 0 | 50 | 100 |
| 7 | Family size and background | 0 | 0 | 5 | 10 | 34 | 68 | 6 | 12 | 5 | 10 | 50 | 100 |
| 8 | Amount of retirement lump sum | 10 | 20 | 28 | 56 | 6 | 12 | 4 | 8 | 2 | 4 | 50 | 100 |
| 9 | Good promotional strategies | 1 | 2 | 4 | 8 | 8 | 16 | 34 | 68 | 3 | 6 | 50 | 100 |
| 10 | Financial management skills | 0 | 0 | 4 | 8 | 29 | 58 | 12 | 24 | 5 | 10 | 50 | 100 |

Source: Field data 2012

As shown in table 4.7.1, majority of retirees in business (68%) indicated that physical and mental strength affected business performance to a great extent, while 14% were convinced that it affected business performance to a very great extent. Ten percent indicated that physical and mental strength affected business performance to a moderate extent, while 6% to a little extent. Two percent indicated that physical and mental strength does not affect business performance at all. The major internal factors influencing the performance of retiree's businesses as revealed in the study include financial stability (72%), retiree's physical and mental strength (68%), good promotional strategies (68%), retirees' family base or size and background (68%) and having relevant and adequate business experience (64%). All other parameters investigated here, though contributing to performance are not significant enough to singly determine retirees' business performance.

For instance employee turn over levels and consistently satisfied customers influence the performance of retirees' business to a moderate extent at 60%, while other parameters such as training in business management, having financial management skills and amount of lump sum retirement benefits, range between 56% - 58%; showing that though contributing to business performance, their impacts are singly insignificant. Most of the respondents (56%) indicated that amount of lump sum retirement benefits had little effect on their business performance.

Entrepreneurial skills were analyzed through possession of training in business management, having financial management skills, good promotional strategies and relevant and adequate business experience. According to the responses on training in business management a total of 12% (i.e. 12% + 0%) indicated that these factors affected the business performance to a very great extent respectively. A total of 26% (12% + 14%) indicated that training in business management had little effect or no effect at all on business performance. While 58% indicated that there was a moderate effect on business performance as a result of training in business management.

On financial management skills 34% (24% + 10%) respondents indicated that it affected the business performance to a great and very great extent respectively while an insignificant 8% of the respondents indicated that financial management skills affected business performance to a little extent. Entrepreneurial skills were further analyzed through the effectiveness of good promotional strategies employed by the retirees. Seventy four percent (68% + 6%) of the respondents believed that having good promotional strategies affected business performance greatly, 8% thought the effect was little while 2% ruled out any effect of the same on business performance. Effect of relevant and adequate business experience on business performance was studied. A total of 80% (64% + 16%) indicated that it affected business performance greatly while 8% indicated to a little extend and 6% of the respondent's ruled out any effect of the same on business performance.

Human relation skills were analyzed through the effect of having consistently satisfied customers and the level of employee turn over. The research revealed that at least 32% (i.e. 18% + 14%) of the respondents believed that having consistently satisfied customers contributed greatly to overall business performance. While 8% (8% + 0%) thought the same had little influence on performance. In response to employee turnover level 8% of the respondents agreed that employee turnover levels affected business performance to a great extent while 60% thought the effect was moderate whereas 20% of the respondents indicated that employees' turnover levels affected the business performance to a little extent.

Majority of the respondents (72%) indicated that the financial stability was a major factor in business performance while 4% thought that the effect was only to a little extent. Family base was analyzed in terms of family size and background. The research revealed that a large number of retirees in business, 68% agreed that the family size and background moderately influenced business performance while 22% (12% + 10%) thought it had a great impact. None of the respondents rated a family base as having no effect on business performance at all. It is worth noting that family size and background as a major factor has more to do with culture and general perceptions. Culture determines how people live, socialize and above all feel for each other. In a situation where culture dictates a certain level of responsibility, it becomes imperative for those who are perceived to have to be more sensitive to the plight of others. This has a devastating effect on business principles as it negates the notion of strict financial discipline.

4.8: Business Start up Capital

Table 4.8.1: Frequency Distribution of Business Start Up Capital for Retirees

| Capital | Communication | % | Finance | % | Total | % |
|-------------------|---------------|------------|-----------|------------|-----------|------------|
| Less than 100,000 | 8 | 32 | 4 | 16 | 12 | 24 |
| 100,000-300,000 | 12 | 48 | 21 | 84 | 33 | 66 |
| 300,000-500,000 | 5 | 20 | 0 | 0 | 5 | 10 |
| Over 500,000 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total | 25 | 100 | 25 | 100 | 50 | 100 |

Source: Field data 2012

The findings from table 4.8.1 reveal that most of the businesses (66%) started with start-up capital of Kshs 100,000 – 300,000 while 24% with a start-up capital of less than Kshs 100,000. It is also revealed that a small proportion (10%) of the respondents invested more than Kshs 300,000 in starting up businesses. This could be interpreted that most of the retirees took time with the lump sum retirement benefits sorting out other social issues before settling in business which might have contributed to low capital start ups.

4.9: Current Net Worth of the Business

Table 4.9.1: Frequency Distribution of Retiree's Current Business Net-Worth

| Capital | Communication | % | Finance | % | Total | % |
|-------------------|---------------|------------|-----------|------------|-----------|------------|
| Less than 100,000 | 18 | 72 | 13 | 52 | 31 | 62 |
| 100,000-300,000 | 3 | 12 | 7 | 28 | 10 | 20 |
| 300,000-500,000 | 3 | 12 | 4 | 16 | 7 | 14 |
| Over 500,000 | 1 | 4 | 1 | 4 | 2 | 4 |
| Total | 25 | 100 | 25 | 100 | 50 | 100 |

Source: Field data 2012

Table 4.9.1 reveals a drop in the current net worth of the businesses of retirees. While the start up capital modal class was Kshs 100,000 to Kshs 300,000 the current business net worth is less than Kshs 100,000 for 62% of the respondents. There is an evidence of disparity between the range of the initial capital and the current net worth. This provides a rather poor distinction in terms of level of performance. For example, at the start of business majority of the respondents indicated using between Kshs 100,000 and 300,000. But as the business progressed overtime, there was a tremendous decline in the net worth. This seemingly was due to the factors indicated in table 4.7.1. This reduction of capitalization over the years forms a basis of the interpretation and recommendations. Either, there was overdependence on the businesses to an extent that they make excess drawings, or there was inefficient management which leads to losses, or there was inability of the retirees in business to analyze the performance so as to determine whether they had made profits or losses and to take the necessary remedies.

4.10: Interpretation and Discussion of Results

The study was meant to establish the business characteristics or activities undertaken by the retirees, the performance of their businesses in terms of change in daily sale, profit margin, and business assets value and to determine the internal factors affecting the performance of their businesses. This could be attributed to several factors including but not limited to seeking means of income following the interruption of the previous regular source as a result of retirement or retrenchment; means of being relevant in terms of productivity; or simply as a means to deal with boredom. It was established that 50% of the retirees engage in trading (commercial) activities while 42% engage in service industry (table 4.5.1).

There is also an evidence of retirees preferring commercial/trade as opposed to manufacturing. This could be attributed to several factors as well. One of such factors could be the enormous capital required for setting up a manufacturing firm or business as clearly reflected in table 4.8.1 where the modal initial start up capital was between Kshs 100,000 and 300,000. It appears the retirees venture in business with moderate levels of start up capital. However, this is far below the capital requirement for starting a manufacturing firm. In manufacturing there is also the challenge of meeting specific product quality standards while in the commercial/trade one deals with already finished and certified products without rigor of quality control. There are also several legal hiccups that must be dealt with at the initial stages.

The results also revealed that there was an increase in all performance indicators except the value of business assets (table 4.6.1). However, the results revealed a general drop in the level of performance of retirees' businesses as indicated on the drop in their current business worth (table 4.10.1). Sixty two percent of the respondents had their current business worth less than Kshs 100,000 as opposed to the start up capital (table 4.9.1) where majority invested between Kshs 100,000 to Kshs 300,000. The general drop in business worth indicated some weakness in the management of the business as indicated by factors affecting the performance of businesses of retirees (table 4.7.1)

The objective of the study was to determine the internal factors affecting the performance of retirees' businesses. This is analyzed in table 4.7.1 where the majority of the respondents identified the major factors affecting business performance as: financial stability; physical and mental strength; family base; consistently satisfied customers; and good promotional strategies. However it could be pointed out that lack of training in business management could have contributed to the poor performance. Training in business is important for preparing an entrepreneur to deal with real challenges within the business field.

With regard to family size there is a lot that need to be addressed. In the African cultural context, family web cannot be restricted to nucleus unit comprising the parents and their children. The concept of a family in Africa is determined by several social considerations.

Everyone who is connected to the retiree seems to have a claim on the latter's benefits. Due to strong family ties, even the retirees are made to believe that part of their obligation is to take care of their disadvantaged relatives however distant they are. The entire business enterprise is put into jeopardy the very moment the retirees feel compelled to shoulder financial responsibilities of their relatives rather than their own families. Should a problem occur the focus will be on the retirees business for support. This is a problem of culture and that can be dealt with through education for attitudinal change. With regard to lack of training, the researcher is of the opinion that, even though most respondents did not give much weight to it as a major factor influencing business performance, more should be done to train all retirees on good business practice.

More than 72% of the respondents indicated that financial stability had a big influence on the performance of their businesses (table 4.7.1). Financial stability is a key factor in any economic activity. Stability ensures that a business enterprise has the capacity to meet its financial obligations. A financially stable business attracts investor confidence and may lead to further expansion. Physical and mental strength was the second major factor affecting the performance of business (68%). Mental and physical well being is important in the success of any business engagement. A good entrepreneur must be mentally and physically sound to enable an effective monitoring and supervision of the activities. Good health guarantees confidence to venture into deeper waters of business. Family size and background was the third major factor that was identified as having affected the performance of retirees businesses. Family obligations especially within the culture area could be a major inhibitive factor in enhancing prudence and strict business management ideas. Culture would demand certain responsibilities which would be counterproductive in business environment.

With regard to human relations, which were measured through the effect of consistently satisfied customers, 32% of the respondents (18% + 14%) indicated that it had a great influence on performance. An entrepreneur who is endowed with good human relations is able to identify and meet the customers' needs who in turn will inform others, hence the increase in the level of sales. Relevant business experience was highly rated in terms of influencing business performance. Training in business management was not highly rated in terms of influencing business performance. Only 12% of the respondents rated it as influencing performance to great extent (table 4.7.1).

5.1 Conclusion and Recommendations

The study revealed that the following major factors influenced the business performance of the retirees: financial stability (72%), retirees' physical and mental strength (68%) good promotional strategies (68%) retirees' family base or size and background (68%) and having consistently satisfied customers (60%). Ironically training in business management had very little impact (58%) on most respondents.

The drop in the performance of businesses of retirees in Kakamega municipality as indicated in the previous tables is a manifestation of various levels of encumbrances affecting the business sector. Factors like inadequate entrepreneurial skills, advancing in age and the size of the family and background were revealed in the study as some of the major factors influencing performance of business. It would be important for the government and other stakeholders to encourage prospective retirees to also venture into the manufacturing sector by facilitating their entry into the same. This could be done through offering preferential tax treatment to retirees or exempting them completely from taxation. The government could also offer retirees willing to venture into the manufacturing sector some special retiree subsidies.

5.2: Recommendations

The researcher recommended the following measures to be taken to improve the performance of businesses of retirees: prospective retirees must embrace retirement planning which starts with early saving for retirement, family planning so as to have the right family size and invest wisely. People must also invest in proper diet and have a good medical scheme in place so as not to adversely affect business venture in retirement. The retirees should endeavor to attend training seminars to improve their business and financial management skills. The prospective retirees should start business before retirement age to gain hand on experience and build foundation for their businesses well before retirement age.

This will allow them to start their businesses at a more active age when their creativity is high. The research also recommends the enactment of a compulsory pre-retirement training on financial and business management targeting employees with at least five years to retirement.

The study focused on internal factors affecting the performance of retirees businesses from the finance and communication sector of the large public corporation operating in Kakamega municipality leaving out retirees from the private sector. The study also did not consider the extent to which environmental (macro factors) or external variables affected the performance of retirees' businesses due to limited time and resources. External factors must be taken into account in order to fully determine and asses the factors that affect performance of retirees' businesses. In view of the fact that the private sector plays a major role in the Kenyan national economy, the researcher recommends an extensive study of factors affecting the retirees from this sector as well.

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