

Role of Non Profit Services and Business Growth:

Machira J. Mwangi (Corresponding Author)

Ph.D Student Entrepreneurship, Jomo Kenyatta University

E-mail: majmwa2009@yahoo.com

Dr Kabare Karanja (Ph.D)

senior lecturer, Jomo Kenyatta University,

School of Human Resource Development,

Department of Entrepreneurship and Procurement

E-mail: kabarekaranja@gmail.com

ABSTRACT

Start up business, be they micro, small or medium firm faces more challenges than the when entering a market and try to dislodge the already bigger and strong and established Competitor. The business sector employs more than 85% of the Kenyan population. This scenario is the same all over the world from the development developing and under developed countries. There is stiff competition between business from of all size and stages for customer and survival. Most business have turned to offering non-profit services as a strategy for survival and retain consumer as a strategy to succeed in penetrating market or retain the existing market. The purpose of the paper is to critically explore the effect of non-profit services and the business growth. It aims at looking at the nature of non profit services offered by business firms and the effects on the performance of those firms. The study employed descriptive design for primary data collection on variables contributing to the non-profit service provision. A sample of 472 respondents representing 30% of the targeted population of 1586 business firms were selected by using stratified and random sampling techniques. Primary data was collected using structured and semi structured questions, interview schedules and observation. A binary logistic regression empirical model was employed to estimate the contribution of each variable to the non profit services. The study found there were a positive impact on non profit services to business growth. These study findings reveals, there is a significant positive relationship between non profit services provision and growth of business firms .The findings demonstrates the importance of combining profit- geared services as well as non profit services for better results in achieving your growth potential.

Keywords: *business growth, non profit,profit geared,penetrating market,stiff competition.*

CHAPTER ONE

Introduction

The greatest challenge facing any government is dealing with unemployment because of the rapid growth of population. Of late, governments the over world are finding it had to provide all essentials of life to its citizens although it is their responsibility. Thus many governments in response to this problem has come up with policies of strengthening the businesses sector so that it can assist it in the creation of new jobs and economic growth.

Problem Statement

For the last five years ,from 2008, there has been a tendency of various communities in Kenya to riot, demonstrate and to some extent becoming violent in the process of trying to

prevent business organizations from operating in their area they call their environment. This has often lead to some employees of those businesses loosing their lives e.g contractors of Isiolo-Moyale road in Eastern Province of Kenya, construction of Ndakaini Dam in Murang'a County as well as Mumias Sugar Irrigation Project in Tana River Delta whereas on the other hand, there have been businesses who have been embraced well by the communities e.g. East African Breweries Ltd, Equity Bank, B.A.T Kenya Ltd etc. Kimunya ,Kenyan minister of trade (2011) This scenario being experienced in kenya is replicated in many other countries of Africa and the world all over. I e Nigeria where some foreign oil businesses there is hostilities This has left some questions needing answers why some firms face hostilities while others are embraced.

The role of the business sector in the economic growth of a country cannot be over emphasized; communities that receive services from businesses have been found to lead a better life than those which do not (Mwaniki, 2001). The successful performance of a business result from a combination of various factors which include access to credit, managerial skills, personal attributes such as internal locus of control, innovation to cope with competition, market opportunities, product promotion, knowledge on customer needs, continuous training, good infrastructure, adequate supply of raw materials and conducive business environment and cooperate social responsibility (GOK, 1999). Increased competition among the businesses has contributed to re-thinking of providing non-profit services to stimulate customer's royalty and gain competitive advantages (Anderson, 2000). The confidence that business sector is now mature, but have had limited impact on reducing poverty has prompted institution and also the government to be more open to the idea of linking profit and non profit service delivery (Siever and Paul, 2004). This study seeks to answer question such as; what are the non-profit services are offered by businesses? What is the effect of those non-financial services on the firm's growth? What problems are encountered by the businesses as they provide these services?

Purpose of the Study

The study looks at the effects of non profit services to the growth of business organizations and to suggest any recommendations necessary for improving the same , for better results to be realized for all stakeholders

LITERATURE REVIEW

Introduction

Non profit services also termed as corporate social responsibility acts as cause related marketing which is a marketing activity to draw people's attention to an issue. It provides benefit to both company and the consumers. It is beneficial to the company because it creates a positive public image and also increases itself the brand. It is part of social marketing which is used to solve social issues with an aim to affect individual behavior and the improve the welfare of the society by showing proper ways of improving living conditions in order to develop the social welfare.Watts .R.(2010) states that corporate social responsibility is the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the work force and their families as well as of the local community and the society at large .He says that corporate social responsibility is about capacity building for sustainable livelihoods which respect cultural differences and finds the business opportunities in building the skills of employees and community.

All enterprise regardless of their size operate in a large economic systems where liberalization is expected to open up market, increase business opportunities and increase competition between firms and alternative supply networks (Michael F, et al, 2008). This will require micro and small enterprise (businesses) to improve their operation efficiently and produce quality product to survive and grow.

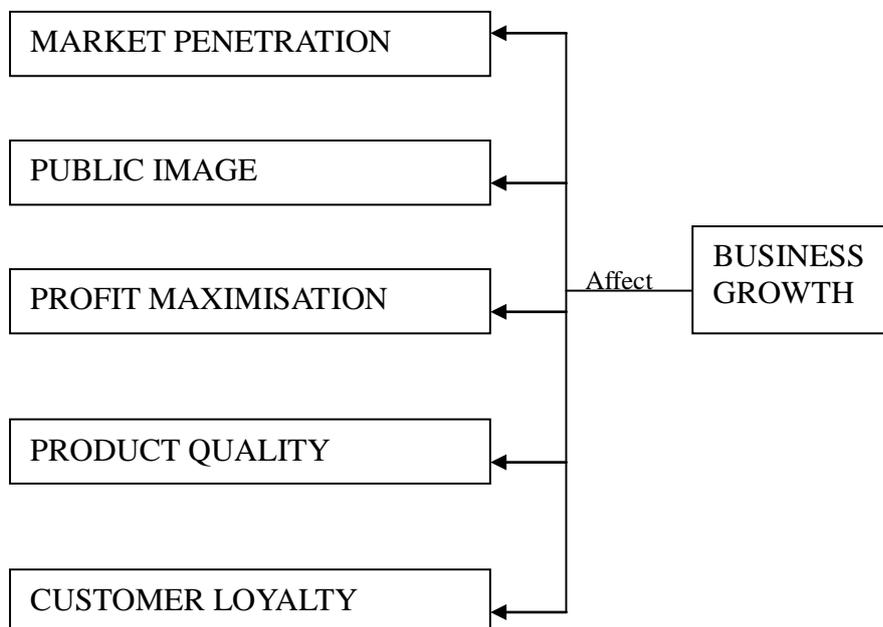
Non profit services can be provided by any business organization be it commercial, for-profit

agencies, or by institutions that are not for private-profit oriented. (ILO/UNDP, 1999). Making profits is the main motivation of these service providers. These services are demand-driven and client satisfaction plays an important role in the growth of these service providers.

The involvement of government and non-government organizations in the provision of subsidized Non profit services is prevalent in many developing countries and countries in economic transition. Few governments in industrialized countries are involved in the direct (or even indirect) provision of Non profit services (ILO/UNDP, 1999). Some N Gos are involved in these activities, but they are few and mostly deal with vulnerable groups in society.

For any business to achieve its growth potential ,it must find solutions of challenges that hinders its development. These challenges among others: penetration market, public image, profit maximization, product quality and getting royal customers. These challenges forms the variables for this study.

Conceptual Framework



The government of Kenya has recognized the potential of the business sector in employment creation and poverty reduction in its numerous policy documents. For example, GOK, (1992) provided a more comprehensive policy framework for the promotion of the sector. Further, the Economic Recovery strategy for wealth and Employment Creation, (2003) recognized the need to establish and maintain a favorable environment for the graduation of businesses into medium sized enterprises that have more capacity to produce high quality products and create sustainable employment opportunities (GOK, 2003).

Some of the important roles of business in the development of a vibrant economy include:- offering significant contribution to the economy in terms of output of goods and services. Development of a pool of skilled and semi-skilled workers who are the base for future industrial expansion, strengthening forward and backward linkages among themselves, socially, economically and geographically diverse sectors of the economy, contributing to increased participation of indigenous Kenyans in the economic activities of the country, offering excellent opportunities for entrepreneurial and managerial talent to mature, the critical shortage of which is often a great handicap to economic development and solving problems of indigenous poor community (GOK, 2003)

The constraints to the growth of business sector in Kenya can be classified as those of external to businesses and mainly affect demand for business products, and those that are internal and impede the supply of such products. The domestic policy environment is the main external impediment to the growth of businesses in Kenya (KIPPRA, 2002).

Corporate social responsibility ,however is an area that has potential to significantly boost a company's public image. It has been looked at as a means for a company to get a social license or buy-in to operate in a market and has been known to soften a market. (KIPPRA, 2002)

Access to markets and marketing information is a severe constraint to business development in Kenya. due to lack of information and high transaction costs (GOK, 2003). Social marketing has been the cure of this problem of lack of market of products. This is because most businesses when they indulge in cooperate social responsibility does so with the sole intention or aim of introducing and educating the consumers of their products and creating loyalty from them thus enhancing growth to both product and market share. Richard Watts(2007)

A healthy nation is a wealthy nation, when a business organization channel its non profit services to uplift the health services of an area then, they are trying to solve various problems which emanate from being unhealthy. Unhealthy people cannot realize their full potential due to lack of basic skills and capability of working effectively (GOK, 2003). The integration of entrepreneurial training into the country's education system, exposure of potential business entrepreneurs' modern business management skills and the creation of an environment that permits businesses to emerge and flourish has been a major challenge. Consequently, potential businesses enter this sector prepared to effectively contribute to its success, while the existing ones remain latent in their operations.(GOK, 2003). Without access to timely, simplified, reliable and relevant information on market opportunities, production technology and government regulations, businesses are unable to survive and grow in the fast-changing, increasingly globalism and highly competitive market environment (GOK, 2003). In this regard, there is this necessity of educating the community of the need of sharing information between the service deliverer and service receivers.

There are two types of business networks namely, innovation and solidarity networks. Both fulfill the function of improving firm performance by allowing information about the world to flow between members, to reduce uncertainty (Barr, 2002). He argues that the absence of business networks to lower uncertainty factors may lower entrepreneurial efficiency and negatively impact on the survival and success rate of firms. It should be evident that social capital is very important in strengthening businesses networks (Barr, 2007). Networking is an essential activity for businesses desiring to be in a position to innovate, since rich and varied information, which is the source of innovation, comes precisely from outside the businesses (Julien et al., 2008). Thus, networks are based on the detection and the sharing of rich information, allowing learning and innovation as well as the creation of a culture of regional cooperation and a feeling of belonging.

According to Ahwireng, 2001, many South African firms are progressively realizing that with increased competition, demand uncertainty, and numerous technological advances, their long-term survival depends on building partnerships with all stake holders. In fact, the intensity of rivalry and market glottalization, increasing complexity of the management role and the possibility of mutual gains from firm linkages are among the major considerations for alliance formation in that country (Abela, 1995). The objectives are to obtain new capability, defend a position, gain access to markets, reduce risks, and improve returns and to benefit from the sharing of resources (Ahwireng, 2001).

According to Perrenyi A. (2003) businesses achieve various growth rates in their different development stages. In an observed time period, both growth and the factors influencing the company may change. His growth model propose that there may be transitions between stages with different growth levels, and these transitions may be correlated with the changes in the influential factors. The role of innovation and entrepreneurial activity has been analyzed in the early stages of firm development (Kimberly (2009) while other theories have been applied to predict a probable path of firm growth. They have been used to suggest managerial skills, knowledge, attitudes and efficient ways of problem solving (Lyden 2005). It is therefore the intention of this study to further develop the understanding of the growth of businesses as influenced by inter-firms and community linkages.

The paradigms based on classical economics theory emphasized the linear nature of firm growth, based on Gibrat's law. The law incorporates two effects: (1) firm growth rate of a given period is independent of firm size and (2) the probability of a firm growth rate is industry specific phenomenon . It finds, that most empirical analysis actually rejected the independence of growth from age and size. As a matter of fact, firm growth is negatively correlated with size and age. They also suggested that size-age growth relationship should be of greater relevance for theory. Based on this argument, there is need to further investigate other firm growth relationships including the role of business linkages with the community of the surrounding area.

METHODOLOGY

The research was descriptive /diagnostic study aimed at analyzing the role of businesses in the delivery of non-profit services to the community. This Study used multi-stage cluster sampling where groups or elements having heterogeneity within each category were chosen for the study. The total sample population comprised of 472 respondents, being people in various management position in Nyeri municipality in Kenya. This was 30% of the targeted population of 1586 business . Primary data collection tools were Questionnaires ,face to face interviews and to some extent observations. Half of the businesses participated actively in providing non profit services while the other half did not bother.

The study was restricted to the role of businesses on the delivery of non profit services but did not cover profit oriented services. Only businesses with a wider customer base were targeted for interview. This was because they have a wider outreach in rural areas and are able to research a large number of different communities.

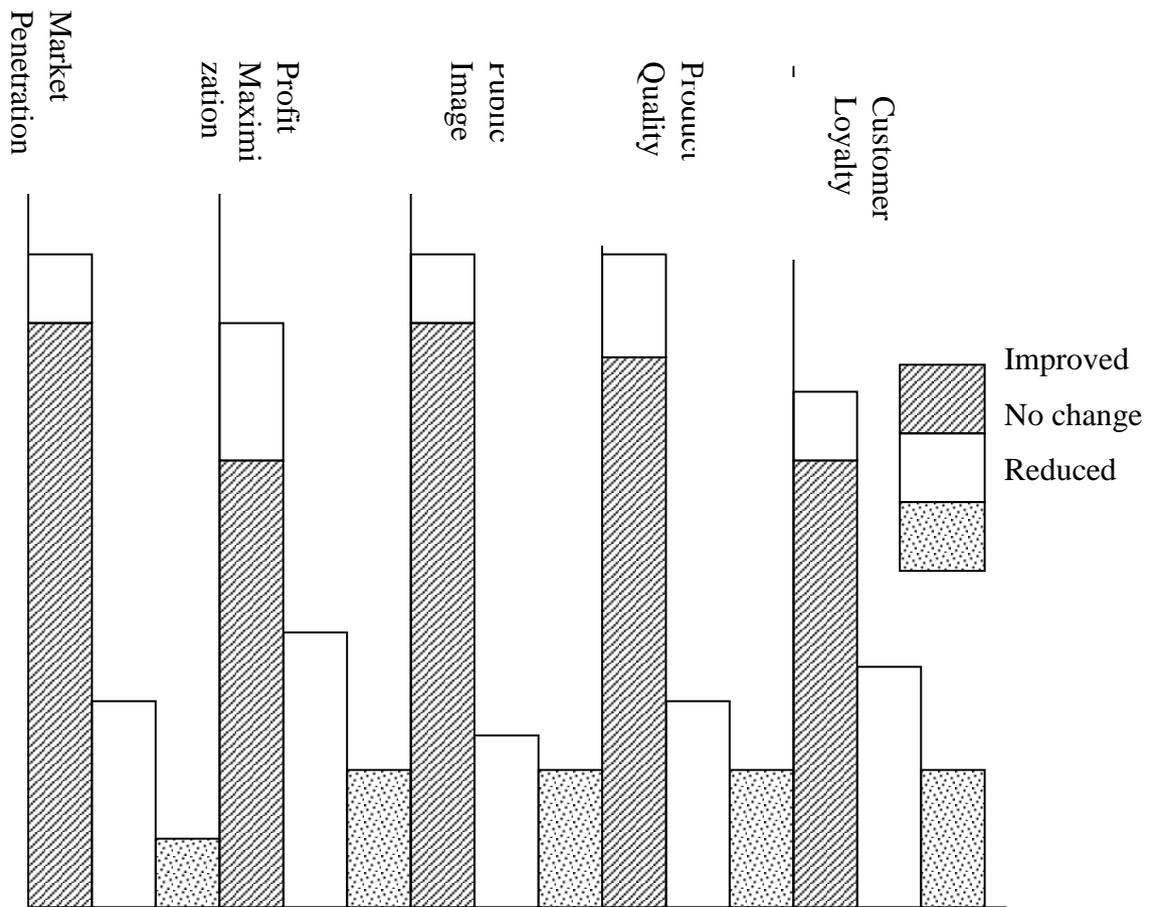
Secondary Data was collected by review of available data from Libraries Internet and Documents form the District Development office. Data was analyzed descriptively and presented in form of frequency and percentage tables. Logic model was adopted in the study and the data was analyzed based on the model variables.

Findings and Discussions

The study succeeded in attaining 98.6% response rate. Most of the respondents were offering a combination of non profit services but 70% said their non profit services were geared towards enriching communities on education issues (constructions and sponsoring of schools), 65%, provision of water for drinking and irrigation, 58% ,health care provision. 53% Communication infrastructure provision, 42% trainings peoples on business management, record keeping, business starting, marketing and customer care, 33% other trainings included farming, production skills such as yoghurt making, modern jikos making and fruit juice making.

After analysis the results were found to be as demonstrated by the chart below.

IMPACT OF NON-PROFIT SERVICES ON BUSINESS GROWTH



Source: Author, 2012

Most businesses, who dealt in non profit service delivery has seen performances of their enterprises improving, of these 67% were of the opinion that they were able to penetrate a wider market. peace and coexistence has been enhanced. 25% could not tell whether they were better off or not while the remainder said there was no change.

The majority of the community preferred business firms providing the non profit services other than the government, i. e 70%. They reasoned that businesses are able to reach more people in the rural areas and are flexible in their services delivery.

Most respondents reported improvement in most aspect of their business performance and improved relationship between the businesses and the consumers. 71.28% of the respondents experienced loyalty of their products attributing to good neighborliness .

Over 78% the respondents accepted that they don't evaluate or follow up to find the impact of these services and effects to the recipients.

The study found poor facilitation materials, lack of support from client and the government and interference from the donors to be the major problems facing their delivery of the services.

The business firms felt a need to have an independent department to handle delivery of the non financial services within their institution. It was felt that the government should create an enabling environment for business operators and create awareness over the important role played by businesses in the delivery of services to the population.

Another opinion was that, it is essential for the government to have a national policy to coordinate and supervise delivery of the services.

Financial management need to be improved through provision of non profit services and should be a demand and necessity oriented (Namusonge, 1998). In this respect the governments should come up with legislations that will ensure that businesses are properly equipped with skills to utilize fully the portion of money that they intend to use for non profit services without any hindrance and with proper guidance.

The study found that there is a positive correlation between non profit services also called corporate social responsibility and growth of business firm.

CONCLUSIONS AND RECOMMENDATIONS

The general purpose of this study was to examine the various non profit services given by business firms and their effect to the firms growth. The study established that, most companies minimized hostility and aggression from the consumers, created a good public image and loyalty and quality of their products, has improved due to information acquired from the communities. They have been able to penetrate the market at ease and Profit has also increased .

The services should be demand driven from problems faced by the receivers, to ensure need. relevancy. Service providers should be sufficiently qualified to provide good quality services. The community should have confidence and trust in the non profit services provider, and this should increase the chances of the community adopting and applying the relevant advice of the service provider.

It was felt that the a national policy from the government to help in coordinating and supervising the delivery of the services is essential. Government should encourage and regulates institutions delivering the services by offering tax incentives and improve infrastructure an avoid duplications of projects and create a favorable environment for firms to offer the services.

These services have massive impact on brand equity, they touch people in an emotional way than any other communication marketing. On the other hand if a project is poorly executed ,it can undermine a product, The service providers should equip their staff properly with the necessary skills in providing a wide range of services. It was also felt that, the businesses should work in consultations with the benefiting community to establish their needs. Another suggestion is for firms to try to outsource to undertake the non profit services to give room to the firms to concentrate on their core businesses.

The study found poor facilitation of information, lack of support from some community, government and Collaboration with other stakeholders as challenges faced by the service providers. There is need of expanding the non profit sector and engender philanthropist in society. For success to be achieved , a follow up on the projects after completion is required to make sure they served the purpose intended of solving societal inequalities. If well implemented, the non profit services will be a win ,win initiative for the business organization, government and the beneficiaries. It builds a mutually productive and sustainable business relationship between the organization and the community.

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