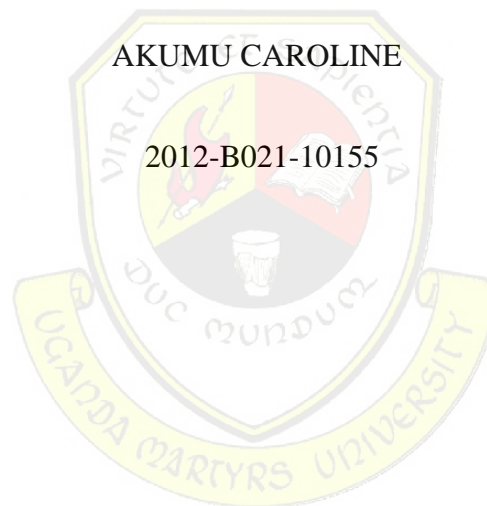


MANAGEMENT SKILLS AND THE FAILURE OF SMALL AND MEDIUM ENTERPRISES
IN UGANDA

CASE STUDY : RABONG MULTI-PURPOSE SOCIETY, TORORO

Submitted by:



APRIL, 2015

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By:

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DEDICATION

I dedicate this work to the entire family of Mr. and Mrs. Adhum of Kampala for supporting me in my studies in different ways both financially and spiritually. It is entirely because of my family that I have made it to this level. May the Almighty bless my lovely parents and brothers, sister plus all my friends for loving me dearly and supporting me to their best. I also dedicate this piece of work to my supervisor Dr. Sr. KobusingyePrisca without whose continuous support I would not have produced this dissertation. May God bless you abundantly.

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ABSTRACT

The study was aimed at finding how management skills challenge the performance of Rabong Multi-purpose scheme, and was guided by the following specific objectives; to investigate the relationship between bookkeeping and the failure of SMEs, to assess the relationship between planning and the failure of SMEs, to examine the relationship between monitoring and the failure of SMEs. The study was determined by a positive hypothesis, “There is a direct relationship between management skills and the failure of SMEs.” The researcher employed a case study design where questionnaires were used as primary tools using purposive and probability sampling techniques and document review as a secondary tool for data collection which was analyzed using descriptive analysis and results were presented in tables and graphs.

The key study findings were; Poor record keeping practices is the impediment to business growth, thus proving that there is a relationship between bookkeeping and the failure of SMEs. Lack of contingency plans meant for risks also makes a business susceptible to failure, this shows that there is a relationship between planning and the failure of SMEs. Poor monitoring practices pauses a challenge towards business growth, this means that there is a relationship between monitoring and the failure of SMEs. Generally, there is a significant relationship between management practices and the failure of SMEs.

The lack of intersection of theoretical knowledge from the classroom and practice from the ground to gain managerial skills created a gap, this study was therefore conducted to find ways of reducing it. From the study, it was concluded that management skills specifically bookkeeping, planning, and monitoring were lacking due to a number of issues that arose in those areas. Therefore, it was recommended that the company needed to carry out reforms like; employing more skilled workers, sensitizing workers on the benefits of planning, improving on the communication chain between workers and employees, among others.

The company was recommended to; hire skilled accountants and bookkeepers with regard to bookkeeping. Regarding planning, there was a need to sensitize the employees in the company on the essence of planning and holding meetings, budgetary planning should also be done periodically. Regarding monitoring practices, improving on customer care, hiring more workers, marketing their products were advised.

CHAPTER ONE

GENERAL INTRODUCTION

1.0 Introduction

Management skills for SMEs can be described as the ability of management to steer their enterprise towards their goals and objectives and then go beyond such goals and objectives (Zarook; Raman; Khanam; 2013). Management requires the technical ability, interpersonal communication relations and decision-making skills to plan, organize, lead and control resources (Drucker 1954). Management skills are important as they give one the opportunity to provide for one's company with the effectiveness needed to place one ahead of the competition. Also, management skills are necessary for an SME to, for instance, plan, organize, control and direct its operations.

Bookkeeping is defined as the process of recording data relating to accounting transactions in the accounting books (Wood 2008). According to Egbuna & Agali (2013), it was later discovered that small and medium entrepreneurs' expenses on production are high. In their quest for profit, they set high prices that end up scaring customers away. This leads to low turnover, low volume of production, and eminence of financial failure. According to Drucker as cited by Wittmeyer (2003), when it comes to monitoring, there is a considerable concentration of power in the hands of some family businesses and SME owner-founders who resist delegation. The organizational structures that prevail in many of these companies also reinforce the founders' centrality. In critique to Wittmeyer (2003), one of the best ways to manage an enterprise is by 'giving up control so as to gain control.' This means that one has to delegate people and let them be free to do work how they wish as long as they meet the required goals.

The above findings clearly show that a lot leads to be desired in terms of management practices in SMEs thus the reason for carrying out this study.

1.1 Back ground of the study

According to entrepreneurial personal story explorations that were carried out in eight Portuguese SMEs in 2002, external factors like limited access to finance, poor market conditions, inadequate staff, lack of institutional support, as well as co-operation and networking were responsible for the failure of small and medium-sized enterprises. In addition, qualitative analysis revealed that internal factors like lack of strategy and vision, low educational levels, and inadequate social capital also contributed to the failure of SMEs (Franco &Haase2002).

According to Small Business Administration (SBA 2007) in the United States of America, seven out of ten new employer establishments survive at least two years and fifty one percent survive at least five years. The factors responsible for the above statistics include; starting a business for the wrong reasons, poor management, insufficient capital, location, lack of planning, over expansion and no website for the business.

In Sub Saharan Africa, Nigeria in particular, majority of small-scale enterprises do not survive beyond five years due to the following reasons; harsh economic environment, poor access to funds,high taxes, and high operational costs. Other major reasons cited by experts and studies include; poor panning, obsessing about rapid growth, poor financial control, inexperience, poor record keeping, stiff completion and failure to accept change (Ejembi 2013).

Nationally, a study carried out in Mbarara and Bushenyi in 2006 revealed a number of reasons why small businesses fail and they were categorized into internal and external factors. The internal factors were; wrong pricing, negative cash flow, poor record keeping, domestic and

family situations, management problems, faulty product concept, inadequate control of inventory, lack of planning, and trouble among partners. The external factors were; taxation, load shedding, lack of capital, poor market, high rent charges, and delays in processing applications (Kazooba 2006).

This research focused on management skills and the failure of small and medium sized enterprises in relation to RabongMuti-purpose Society, a small manufacturing business that produces Citronelle oil. It is not a good performer as its growth rate seems to be not to be significant.

1.2 Statement of the Problem

Given the myriad of challenges faced by SMEs and the central role played by their managers who are often the owners of the business, having a skillful manager cannot be emphasized further. Some researchers like Garcia (2005), and Pansiri&Temtime (2008), have found that lack of appropriate management skills by SME owner managers is one of the main causes of failure for SMEs.

The insufficient phases of management together with the missing market for the product cause a business to collapse. Furthermore, the issue of students graduating from university armed with theoretical knowledge without practical skills on how to manage a business creates a gap. This research is therefore necessary for finding ways of reducing this gap. Only by intersecting theoretical knowledge with experience from practice to gain managerial skills can this gap be reduced (Papulová&Mokroš 2007).

1.3 Objectives of the Study

This research is based on the following objectives;

1.3.1 Broad Objective

This research tries to find out the effect of management skills on the failure of Small and Medium Enterprises in Uganda.

1.3.2. Specific Objectives

- To investigate the relationship between bookkeeping and the failure of SMEs.
- To assess the relationship between planning and the failure of SMEs.
- To examine the relationship between monitoring and the failure of SMEs.

1.4 Research Questions

- I. What is the relationship between bookkeeping and the failure of SMEs?
- II. What is the relationship between planning and the failure of SMEs?
- III. What is the relationship between monitoring and the failure of SMEs?

1.5 Research Hypotheses

- a. There is a relationship between bookkeeping and the failure of SMEs.
- b. There is a relationship between poor planning and the failure of SMEs.
- c. There is a relationship between poor monitoring practices and the failure of SMEs.

1.6 SCOPE OF THE STUDY

1.6.1 Geographical Scope

Rabong Muti-purpose Society is an agro-based manufacturing business located in Nagongera, Tororo district, it is situated along Nagongera Busolwe highway approximately 26 Km from Tororo town, and 234 Km East of Kampala City. This is further illustrated by a map in appendix 111.

1.6.2 Content

This study's independent variable is management skills while the dependent variable is the failure of SMEs. Management is the attainment of organizational goals in an effective and efficient manner through planning, organizing, leading and controlling of organizational resources (Drucker 2006), hence management skills refer to the practical knowledge as regards management. The dimensions of management that are being studied include; bookkeeping, planning and monitoring while the dimensions of the dependent variables are; market, location, and management of finances. The research also has intervening variable with its dimensions as; infrastructure, inventory control, rental charges and transport costs but these will not be studied.

1.6.3 Time Scope

Data relating to the study was got from 2011 to 2014. The two year time period provided enough information that was necessary for carrying out the research and drawing conclusions having answered the research questions and fulfilled the specific objectives.

1.7 Significance of the Study

This study aimed at finding the management skills practiced at Rabong Multi-purpose Corporative Society that are responsible for its poor growth and thus enable its management to work on its weaknesses.

The research is necessary as it is a requirement for getting a Bachelor's degree.

The research is also important for it will come in handy for policy makers and implementers to formulate and amend existing policies that will reverse the trend of SMEs and in this particular case, Rabong Muti-purpose Society.

The research will also be helpful to individuals who are interested in researching on this particular topic.

1.8 Justification of the Study

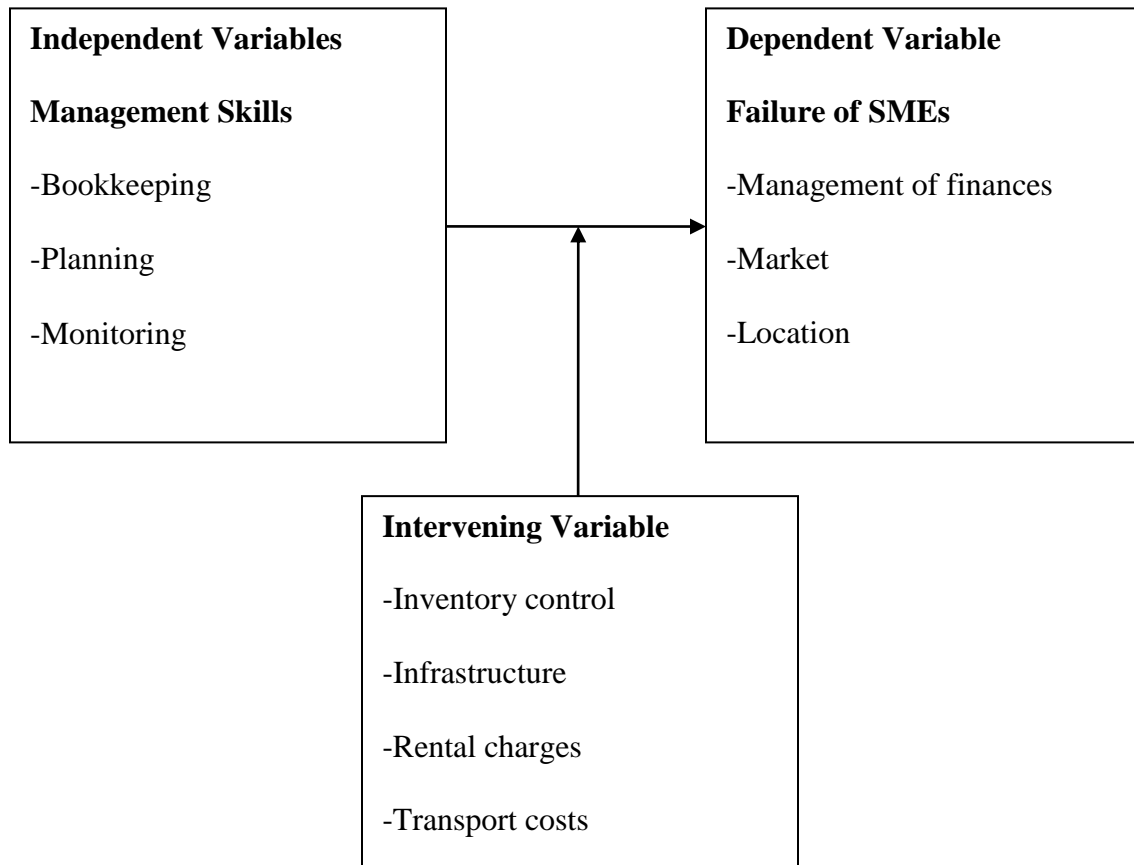
Over a long period of time, SMEs were simply neglected in the public and academic focus. Little was known about their economic and social significance like being a main driver for generating employment, promoting innovation, putting business ideas into practice, fostering regional economic integration, and maintaining social stability (ENSR 2003) as cited by Franco (2009).

Recently, more research has been done about success and growth factors of new businesses. Examples as cited by Franco (2009) include: Dowling 2003; Hemer et al. 2006 to mention but a few. In contrast, little has been done to examine the factors responsible for the failure of SMEs. A few people have done some research on the latter for example (Franco 2009; Kazooba 2006; Ejembi 2013). These authors have the following points in common: insufficient capital, poor planning, and poor management being one of the factors responsible for the failure of

SMEs. However, in critique to the above, the researchers who studied the factors responsible for failures mostly looked at the factors from the surface; hence their details are unclear and are not satisfactory to answer questions like how and why. This is an existing gap that needs to be fulfilled and hence the reason for me to look at management skills in details as regards the failure of SMEs.

1.9 Conceptual Framework

The conceptual framework shows the relationship between two variables, the independent and dependent. The Dependent variable is the failure of SMEs while the Independent variable is management skills, and the intervening variable which depends on the independent variable.



(Franco 2009; Kazooba2006;Ejembi 2013)

From the above diagram, the independent variable has bookkeeping, planning, and monitoring as its dimensions that were used to study how they influence the dependent variable. The dependent variable is measured by market, location, and management of finances, the other dimensions used to measure the failure of SMEs are included in the intervening variable and they include; infrastructure, inventory control, rental charges, and transport costs (Kazooba2006; Franco2009;Ejembi 2013). Inventory needs to be managed this can be done through bookkeeping which unfortunately is rare in SMEs hence leading to poor management of finances that end up negatively affecting the business. Infrastructure and rental charges need to be well planned for which is not the case in majority of SMEs. This affects the market as unplanned for rental charges increase costs forcing the business entity to charge high prices that attract a low customer base hence risking its failure. Transport costs are incurred by people who monitor the business activities like purchase of raw material as well as its use in the production process. Monitoring thus affects the location of a business that is, if it should be easily accessible by the supervisors or not, the problem results from SME owners who forget to take customers into consideration when considering the location of their enterprise thus leading to their failure. In summary, the conceptual framework shows how bookkeeping, planning, and monitoring are responsible for the downward trend of Rabong Multipurpose Society.

In summary, this chapter being the first, has not only introduced the dissertation but also highlighted the different aspects that this research is bound to cover. Some of these aspects include; objectives of the study, research hypotheses among others. Chapter one has also defined key aspects like SMEs, given background information on the failure of SMEs according to different regions, the statement of the problem which brings out the knowledge gap, reasons for carrying out the research, time scope, and conceptual framework for illustrating variables.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

This chapter focuses on the relevant literature on the variables of the study. The variables studied in this chapter are in the order of study objectives as stated in the first chapter. The objectives are; to investigate the relationship between bookkeeping and the failure of SMEs, to assess the relationship between planning and the failure of SMEs, and to examine the relationship between monitoring and the failure of SMEs.

From this chapter, one will be in position to know and understand how management skills focusing on the objectives above have led to the collapse of SMEs due to their poor implementation and or exclusion by the business owners.

2.1 Bookkeeping and the Failure of SMEs

Accounting can be defined as ‘the process of identifying, measuring, and communicating economic information to permit informed judgments and decisions by users of the information’. Bookkeeping is the part of accounting that is concerned with recording data. Bookkeeping is defined as the process of recording data relating to accounting transactions in the accounting books (Wood 2008). This was supplemented by Ademola et al. (2012) who mentioned that bookkeeping is the storing of information that is, financial transactions. Examples of such financial transactions include; purchases, turnover, income, and payments by an individual or entities.

According to Wood (2008), when accounting information was being recorded in the Middle Ages it sometimes simply took the form of a collection of invoices and receipts which were used by the owner to calculate the profit or loss of the business up to some point in time. This practice persists to this day in small businesses.

Wood(2008) further mentions that the primary objective of accounting is to provide information for decision-making. The information is usually financial, but can also be given in volumes, for example the number of cows in a farmer's herd. So, if a business recorded what it sold, to whom, the date it was sold, the price at which it was sold, and the date it received payment from the customer, along with similar data concerning the purchases it made, certain information could be produced summarizing what had taken place. The profitability of the business and its financial status(Wood 2008) could also be identified, at any particular point in time. It is the primary objective of accounting to take such information and alter it into a form that is useful for decision making. Other objectives of accounting include letting people and organizations know: if they are making a profit or loss, what their business is worth, what a transaction was worth to them, how much cash they have, how wealthy they are, how much they are owed, how much they owe to someone else, enough information so that they can keep a financial check on the things they do.

Record keeping (Ademola et al.2012) has become the foundation on which the totality of modern business depends. This is because without it, it will be impossible to ascertain the level of profitability and the level of business susceptibility to fraud. He further implicated that Poor record keeping management causes a business entity to function ineffectively.

Turyahebwa (2013) was in agreement with Ademola et al. (2012)'s view when he mentioned that inefficient financial management may damage business efficiency and this will continuously affect the growth of the Small and Medium enterprises.

Longenecker et al. (1997) as cited by Ademola et al. (2012) mentioned that a study of British business failure in 1992 reported, the owners identified problems in operational management as the major reasons for their failures and this included poor book and record keeping, poor debt management and under capitalization. He went on to say that most small business management decisions lack careful analysis and their financial records are at best fragmentary.

According to a qualitative research in Accounting and Management (2013) which was conducted by Orobio et al. (2013) indicate that in the absence of systems, structures and procedures, small business owner-managers intuitively plan, monitor and control their working capital. The activities undertaken include; reliance on memory and oral agreements, informal planning, assuming inventory limits, unconventional record keeping, cash flow based information management and giving credit to close associates. This implies that owner-managers do not require the same degree of sophistication employed in planning, monitoring and controlling working capital.

Taking the findings of the above into consideration, small business owner-managers are at a high risk of making incorrect calculations because the activities they undertake are not reliable. For instance one can end up forgetting the exact figures and end up making assumptions which may even end up being far from the correct figures. Wood (2008) further emphasizes that, without following the accounting procedures it is difficult to know how much money is in one's possession, how much should be spent, or whether the balance received was correct.

It has been ascertained, according to Hamish (2011) that most small-scale enterprises fail to keep proper books of account and also fail to observe basic accounting procedures. As a result, they are not able to portray the exact financial position of their businesses. This tends to impede the ability of the enterprise to obtain the much needed loans from the financial institutions and other sources for expansion and diversification. The financial statements, such as the profit and loss accounts, the balance sheet and the cash flow statement of small -scale enterprises cannot easily be prepared. Under such circumstances, annual profits cannot readily be determined.

From a study conducted in Ratnapura, Sri Lanka (2006), most of the SMEs in the study area do not maintain systematic bookkeeping procedures. Those who maintained books are also very unsystematic. About 47.5% of the total SMEs do not maintain accounts, and about 86% of entrepreneurs do not calculate profit or loss. There are problems that have resulted from not having accounts as well as having carelessly maintained accounts, and some of them are lack of knowledge on the exact amount of profits, and financial constraints. These in time make businesses susceptible to collapse. Poor bookkeeping practices in SMEs were due to lack of knowledge of the subject matter, experience and ignorance as far as the benefits of maintaining accounts are concerned. These reasons were backed by the results from the study carried out in Ratnapura (2006) which showed that few industries considered educational qualifications during the recruitment and selection processes with only 6 of the 57 industries considering the education qualification with apprenticeship training for recruitment and selection for the posts of bookkeepers and managers (Priyanath 2006).

Formal internal controls such as budgets, performance evaluation and rewards and staff recruitment operate alongside informal internal controls including beliefs systems, values and existing norms. In particular the study reports that forms of informal controls such as trust are

important in the organization where superiors in certain instances assigned responsibilities to members of their teams not on the basis of their abilities or skills but because members could be trusted. It was concluded that such informal controls could have a controlling effect and influence the formal organizational controls (Tauringana & Mangena 2013) unfortunately, small and medium sized business owners are biased towards people as nepotism is the driving factor for recruitment thus resulting into trusting workers with inappropriate skills if any, and hence leading to the failure of a business entity.

In summary, the arguments presented above prove that there is a relationship between bookkeeping as a management skill and the failure of SMEs. This management skill is insufficient due to various factors like illiteracy, hence leading to the failure of SMEs.

2.2 Planning and the Failure of SMEs

Planning (Coulter & Robbins 2007) is a management function that involves defining goals, establishing strategies for achieving those goals, and developing plans to integrate and coordinate activities.

Planning is a set of managerial activities designed to prepare the organization for the future and ensure that decisions regarding the use of people and resources to archive organizational objectives are taken (Olagunju 2004). Planning is broadly categorized into two: strategic and business planning. The former centers on settling of long-term organizational objectives, and the development and implementation of plans designed to achieve them. Rather unfortunately, strategic planning is often associated with a highly prescriptive approach to strategic management (Mintzberg 1990). In contrast to strategic planning, business planning is concerned with short-term analysis of a business, the attainment of short term goals and functional level

planning. The theories and frameworks of strategic planning are well documented in academic circles, but the practical evidence of their application is in relatively short supply (Stonehouse2002; Pemberton 2002). A plan establishes the basic objective of the firm, determines how these objectives can be attained, puts its consideration various aspects of the environment and determines the amount of resources necessary for successful implementation (Mambula2002). Small and medium entrepreneurs who set goals and objectives are relatively low in number. Business objectives are not clearly stated as there is confusion between customer satisfaction, productivity and profit maximization. In addition, only a few entrepreneurs consider their strengths and weaknesses choose the best alternative to achieve goals and make budgets on expenses and prices in planning. All these have negative effects on their performance. Unfavorable economic situations make most businesses inhibit their scope of planning and consequently expansion and growth. Most of them do not consider promising alternatives to accomplishing objectives, the alternative that will give the best chance of meeting goals at the lowest cost. They do not formulate supporting plans such as plans to purchase equipment, buy materials, hire and train workers.

According to Egbuna & Agali (2013), it was later discovered that small and medium entrepreneurs' expenses on production are high. In their quest for profit, they set high prices that end up scaring customers away to other competing goods and services. This leads to low turnover, low volume of production, financial failure and liquidation.

Similarly, a study carried out in Nigeria's small and medium entrepreneurs (2009), found out that 56.7% finance their businesses through personal savings; 15.4% finance their businesses through contribution from friends and relations, 14.4% depend on retained earnings while 13.5% depend on loans from banks. The low percentage of those who get finance from banks can be attributed

to both the fact that banks require high collateral which those entrepreneurs do not have at their disposal and high interest rates charged by banks for borrowing. Another cause is the payback period which is required by these banks that entrepreneurs cannot meet. It is agreeable that there is a limit to how much an individual can save compared to a loan from a bank, hence one can infer that low personal savings employed into the business definitely reduce the extent of planning and consequently lead to business failure (Egbuna & Agali 2013).

According to Priyanath (2006), planning of the future development of industries is very important because it shows a distinct and correct path for achieving goals of a SME. Entrepreneurs can reach their goals step by step by having proper and systematic plans. Therefore, planning is directly associated with the growth of any business. Unfortunately, as evidenced by a study he conducted in Ratnapura, Sri Lanka (2006), about 45.6% of the SMEs had not prepared any plan. Apart from the firms lacking clear and systematic future development plans, all the plans were kept in the entrepreneurs mind! Of the few who did some planning at all, majority planned only the expected cost and did not consider the expected production, profit, growth opportunities, and obstacles and how to overcome those obstacles. There are some factors responsible for weaknesses of planning in SMEs (Priyanath 2006). The main reason is the lack of managerial knowledge among small entrepreneurs. Most small entrepreneurs have insufficient; education, business experience as well as managerial experience. Consequently, most small entrepreneurs are unable to manage their business ventures properly. On the other hand, employees who have managerial knowledge and qualification were not recruited to those firms. Some entrepreneurs managed a number of industries simultaneously. Therefore they could not devote sufficient time to one industry, and hence their inability to plan the future development of the firm. Most of the managers did not prepare plans due to increased costs,

decrease in profitability and other problems. Some entrepreneurs were satisfied in the present condition of their businesses. Therefore they were not willing to make future development plans because they had a distinct market, and were satisfied by only dealing with that narrow market. According to some entrepreneurs, they do not have plans due to fear of market problems resulting from production increases. Some entrepreneurs established their firms in rented places in junctions or towns, that limited space restricted their expansion beyond the restrictions.

Management and planning are defined as two sides of the same coin meaning, they move hand in hand thus are dependant on each other. Management means the smooth running of a business according to the plan with necessary amendments for better results. However, in most SMEs in Sri Lanka as studied by Priyanath (2006), planning was found to be at an unsatisfactory level, hence the entrepreneurs were not aware of how to correct weaknesses in their entities. He further found that SMEs did not plan for future finance. They achieved targets without any monthly or annual estimation of expenditure, income and the expected profits. Evidence for future plans of finance being almost invisible in SMEs is that there were about 84.2% of SMEs in Ratnapura district, Sri Lanka that had a major weakness of not having plans for future financial management. Since the major source of income for many entrepreneurs is in the enterprise, they spent money out of the business on their private matters. Priyanath (2006) also stated that proper production planning as well as good planning for the recruitment of labour are among the deficiencies in SMEs. He went on to mention that majority of SMEs lacked proper plans for future production due to the statistics results from his study in Ratnapura which showed that 73.7% of the enterprises did not have future production plans while of the 26.3% that had such plans, some lacked organized ones. Unsystematic plans were mainly, the amount of production growth, technology employed, and the phases of growth. Again, in some situations, they had

planned the production excluding the total cost, approaching market and the sources of finance. Concerning planning for labour recruitment, a systematic selection process involves calling for applications, background investigations, and medical tests and contrary to this, most of the SMEs follow an informal process of for recruitment and selection. This was backed by the results of his study in Ratnapura district in 2006, which showed that approximately 70.2% of employees were recruited and selected on personal- biased favoritism. The most common recruitment method was seeking assistance from a friend, relative or an employee to look for suitable personnel for vacancies. This gave way for the recruitment of those who lacked qualifications. Also, about 29.8% of the SMEs readily recruited those who came searching for employment. The excess of the labour found in the economic system made the entrepreneurs task of selecting recruits easy so that they did not follow a proper recruitment process. In selection, about 43.8% of the entrepreneurs looked only for the capacity of working. Those with working capacity were later trained on the job. Another revelation from Priyanath's study of Ratnapura district in 2006, was that few industries considered the education qualifications in recruitment and selection.

Priyanath (2006) also mentioned that production management of SMEs is very weak, because production process of most industries is not systematically and formally organized. This leads to the increase of cost of the production, and also spending a long period to produce commodities. Furthermore, most entrepreneurs do not use better quality controlling procedure, planned production process and new techniques. There is no better marketing management in SMEs. No proper planning of marketing, no change of the quality and nature of the products, no better advertising system are the major deficiencies in marketing management in most SMEs. Most small entrepreneurs do not plan future financial transaction, profits and source of finance. Some maintain only cashbooks thus; financial management is neglected in SMEs. Most SMEs have

been established in inappropriate places. This may have increased the problems of management in SMEs.

According to Wang et al. (2007), considerable evidence shows that strategic planning leads to increased firm performance. Yet, the majority of SMEs do not plan and the reasons why are not well understood. For the majority of SME owners, business performance often ranks far behind intangible goals like autonomy, personal satisfaction and lifestyle. Strategic planning may therefore have little value to owner-operators driven by such motivators.

From the above, it can be seen that SMEs have poor planning skills as their plans are next to non-existent. This section has presented facts from various researchers that confirm the existence of a relationship between planning and the failure of SMEs. Basically, the poor planning skills practiced by SMEs are responsible for their failure.

2.3 Monitoring and the Failure of SMEs

According to Drucker (cited in Wittmeyer2003), there is a considerable concentration of power in the hands of some family businesses and SME owner-founders who resist delegation. The organizational structures that prevail in many of these companies also reinforce the founders' centrality. Decision making seems ad hoc and a recent study makes it clear, boards of directors of SMEs are rarely well staffed or used appropriately. Boards if any, meet too infrequently and are underpaid, reducing their incentive to become fully engaged in the lives of the companies they serve- let alone challenge management or reform the decision-making process. Boards of SMEs are usually staffed with family members and friends.

According to Gils (2005), empirical data identifies the entrepreneurs as the most important decision makers. However, to support their decision-making process in the current competitive

business environment, two thirds of the CEOs have created top management teams. CEOs and top management team executives combine their industry and functional knowledge to create the necessary firm know-how. Less than half of the firms have adopted a supervisory board. A reason for this could be the CEO's limited knowledge on the concept of governance.

Similarly, Kazooba (cited in Turyahebwa et al 2013), mentioned that SME owners seemed to manage their businesses by themselves in an attempt to reduce operational costs. From Kazooba's study of Western Uganda, there was an instance of a business person who locked up his shop for a full day whenever he went for his weekly shopping in Kampala. This practice had a negative impact of customer disloyalty hence leading to the failure of the business in the long run.

A study on 384 United States SMEs in 2007, suggests that SMEs' ownership and governance systems significantly influence the development of knowledge-based resources necessary for internationalization. 'We find a positive relationship between both the equity held by top management team members and venture capitalists and the development of these important resources. This positive association is further accentuated by the presence of independent outside directors on SMEs' boards, supporting their monitoring and enterprising roles' (Zahra, Neubaum & Naldi 2007).

Birdthistle (2008) found out that SMEs lacked systems for the monitoring of information and lack the ability to be reactive to market changes. This was after she carried out research on some SMEs in Ireland in 2008.

In conclusion to the above, the monitoring practices of majority of the SMEs are almost non-existent while the few, who carry out monitoring, do it in minimal amounts and mostly out of

convenience. These have contributed to the need for review of monitoring and awareness of its necessity short of which, SMEs will continue being prone to failure.

Generally, the variables of bookkeeping, planning, and monitoring have been shown to have a relationship with the failure of SMEs thanks to different researchers. There are facts from different research findings that elaborate the effect of the above management skills on the failure of SMEs. It can also be seen that the management skills are in short supply and hence the reason most SMEs are failing or susceptible to failure.

CHAPTER THREE

RESEARCH METHODOLOGY

3.0 Introduction

This chapter deals with the area of study which is Rabong Multi-purpose Corporative Society as well as the methods that were employed to obtain information from the respondents. It shows the methods of data collection, samples size, quality assurance, measurement of variables, data analysis and presentation, ethical issues, and study limitations.

3.1 Research Design

According to Kombo (cited inByaruhanga2014), evidence presented shows that a researcher can think about the procedures to be carried out in any study as a result of a well prepared research design. A research design mentioned by Saunders et al. (1997) as cited by Byaruhanga (2014), performs like a road map for an accomplished research work spelling out the plans and strategies to be used in the gathering of data, its processing, presentation, and analysis.

The research design was a case study, and both quantitative and qualitative approaches were employed during the research. A case study (Mugenda & Mugenda; 2003), refers to a deep investigation of an individual, group, institution or phenomenon. A case study was chosen because it was associated withadvantages; it helped in formulating relevant hypotheses along with data which was helpful in testing them. Hence, the research design enabled the generalized knowledge to get richer. It also enabled the use of different research methods. For instance in this particular research, questionnaires, document review, and letters were employed. It enabled the researcher to trace out the natural history of Rabong Multi-purpose Corporative Society and its

relationship with social factors and other factors say economic involved in its surrounding environment. The use of case study research design represented a real record of personal experiences which often escapes the attention of skilled researchers using other techniques. For example, the personal experiences for this study were mainly on the side of the customers who had to give their point of view while answering the different questions available to them.

A quantitative research approach was used due to the following reasons; it tested predictive and/or cause- effect type of hypotheses, it provided data that was descriptive. This for instance was used to capture a snapshot of the population in which it was used for the study. The approach permitted a broader study. This involved a greater number of subjects, and enhancement of the generalization of the results. Quantitative approach also enabled greater objectivity and accuracy of results. Generally, quantitative methods were designed to provide summaries of data that supported generalizations about the phenomenon under study. In order to accomplish this, quantitative research involved few variables and many cases, and employed prescribed procedures to ensure validity and reliability. Use of standards means that the research was replicated, and then analysed and compared with similar studies was made possible with the quantitative research tool. According to Kruger (2003), quantitative methods allow us to summarize vast sources of information and facilitate comparisons across categories and over time. Quantitative approach avoided personal bias. This was because the researcher kept a 'distance' from participating subjects and employed subjects unknown to them.

A qualitative research approach was also employed due to benefits like; enabling the researcher to get a more realistic and in-depth knowledge that could not be expressed in the numerical data and statistical analysis used in quantitative research, providing flexible ways to perform data collection, subsequent analysis, and interpretation of collected information, providing a holistic

view of the phenomena under investigation, ability to interact with the research subjects in their own language and on their own terms was made possible due to qualitative research approach. Finally, the research approach enabled the accumulation of knowledge of a social phenomenon that was relatively unknown and required understanding.

3.2 Area of the Study

Rabong Multi-purpose Corporative Society is an agro-based manufacturing business located in Nagongera, Tororo district; it is situated along Nagongera Busolwe highway approximately 26 Km from Tororo town, and 234 Km East of Kampala City. This business was appropriate for the study because it is not only an SME but has also been existence for more than six years despite the difficulties it has undergone to keep in operation.

3.3 Study Population

A population is the aggregate of all that conforms to a given specification (Mugenda & Mugenda 2003).

Management staff and customers of Rabong Multi-purpose Corporative Society were the population of unit of analysis and inquiry. Unfortunately, the management was made up of few people and therefore all of them were considered meaning they were not sampled. The customers on the other hand made up an overwhelming number hence they were sampled. The type of population for the study was heterogeneous.

3.4 SAMPLING PROCEDURES

3.4.1 Sample Size

The sample size used to conduct research on Rabong Multi-purpose Corporative Society was summarized in the table on the next pg;

Table 3.4.1 **Sample size**

Category	N	n
Management staff	12	12
Customers	40	40
Total		52

Based on Krejice R.V and Morgan D.W (1970)

The table above shows that a sample size of 52 respondents was used to represent the entire population of interest. The management staff was only a handful (12) hence the reason their entire population was considered while the customers were sampled because they were numerous. This sample size was arrived at using the Krejice& Morgan(1970) table.

3.4.2 Sampling Techniques

Purposive sampling technique was used on the management staff while the probability sampling technique was used on the customers of Rabong Multi-purpose Corporative Society, to carry out the research.

3.5 Data Sources

Study data was obtained from secondary sources like books, journals, newspapers and government publications. In addition, tertiary resources like abstracts, catalogues, dictionaries

among others were used. Secondary sources were used because they were aimed at a wider audience and could be accessed by many people while tertiary resources were used in the location of secondary sources of literature.

3.6 Data Collection Instruments

Data was collected using questionnaires, and interviews. Questionnaires used comprised of both closed and open-ended questions, they were used due to the following reasons; they had wide coverage compared to other statistical tools like interviews, the respondents were a permanent record that could always be referred to, they were easier to arrange and administer compared to personal interviews. Interviews were used because; they provided in-depth data compared to questionnaires, they enabled very sensitive and personal information to be extracted from the respondent by honest and personal interaction between the respondent and the interviewer, the interviewer got more information by probing questions. They yielded high response rates since it was difficult for a subject to completely refuse to answer questions or to ignore the interviewer among other advantages.

3.7 Quality Assurance

In order to ensure reliability, employ the test-retest technique was employed, here, the same instrument was administered twice to the same group of subjects and certainty was made that there was a lapse between the first and second tests and after, the scores from both testing periods were correlated. Validity was ensured by subjecting the draft tools to the review experts (Mugenda, and Mugenda,2003).

3.8 Measurement of Variables

The independent and dependent variables were measured using the nominal, and ratio scales (Mugenda & Mugenda 2003)

3.9 Data Analysis and Presentation

Table 3.9.2 Data Analysis and Presentation

Research Approach	Quantitative	Qualitative
Instruments of Data Collection	Questionnaires	Interview guide
Analysis	SPSS	Categorization
Presentation	Tables, Figures	Narratives

Source: Primary

For quantitative data, statistical packages like; descriptive statistics were used to meaningfully describe a distribution of scores using a few statistics like the mean, mode, frequency distribution. These statistics was also portrayed in the form of bar graphs, line graphs among others. Basically, quantitative data was coded, entered and analyzed in the computer using the Statistical Package for Social Sciences (SPSS 16). For qualitative data, trends, patterns and relationships were established from the information gathered.

3.10 Ethical Issues

I first obtained an introductory letter from the faculty dean of Business Administration and Management. This was presented at Rabong Multi-purpose Corporative Society formally introducing me as a student with an intention of carrying out research.

I also developed a work plan. This is a plan of action with details of various tasks that needed to be done in the whole research process and time frame for each task.

Pre-testing of the instrument was done. This was carried out to ensure that items in the instrument were stated clearly and had the same meaning to all respondents.

I also carried out field work logistics. During this time, the researcher had to be courteous, not be over inquisitive lest be looked at with suspicion.

I performed post-field logistics. This included the process of getting the completed instruments from the field to where data coding and analysis was done.

I also recognized the work of other researchers so as to avoid plagiarism.

I practiced confidentiality and privacy. Keeping information given confidentially protected the respondents. Their permission had to first be sought had the need to make information public arose.

Anonymity was also practiced. This was done by identifying individuals being protected by either using their numbers, or pseudo names. As a result, a respondent's name was not disclosed when information was shared.

3.11 Limitations of the Study

Some challenges were met during the field study, and they included the following;

There was also a limitation of time dimension. This was because a short time was provided to carry out the research. As a result, the researcher lacked enough time to establish how the different variables behaved. This was minimized by using various methods.

The researcher was challenged by the reluctance of some respondents to promptly finish the questionnaires. This was minimized by patience from the researcher.

There was also a challenge of using the wrong design. For example some people used action research instead of academic research. This was minimized by consulting widely through reading a lot of literature review.

CHAPTER FOUR

PRESENTATION AND DISCUSSION OF RESULTS

4.0 Introduction

This chapter comprises of the presentation of analysis results in form of tables and graphs. The results are both qualitative and statistical. That is, the background information of management and customers; gender, position held, age, education level, were represented using frequency tables while quantitative data were presented using frequency tables and graphs. On the other hand, qualitative data were analyzed manually using tallies.

4.1 Gender

The frequency table 4.1.3 on the next page presents the result for gender of the management team and customers of Rabong Multi-purpose Society. There were 4 female and 10 male respondents who made a total of 14 people for the management team. The male were greater than the female respondents. This was because more males were employed in managing Rabong Multi-purpose society as compared to their female counter-parts. The female and male respondents made up percentages of 29 and 71 respectively, this summed up to 100%.

For customers, male respondents formed the majority with 51% while the female respondents were the minority contributing about 48%. The males were more than female respondents because; they were more responsive during the study.

Table 4.1.3 Gender of the respondents

	CUSTOMERS		MANAGEMENT	
Details	Frequency	Percent	Frequency	Percent
Female	19	48	4	28.6
Male	20	51	10	7.1
Total	39	100	14	100.0

Source: Primary Data, 2015

4.2 Management Positions Held

This section analysed the results for the different management positions held by the respondents of Rabong Multi-purpose society. As shown in the table below, there was 1 managing director, 1 productions manager, 1 marketing manager, 10 people in other management positions, and 1 financial manager who made a total of 14 respondents. The first 3 managers including the financial manager made up 7% while the other managers made up a 71% all summing up to 100% as shown in the total row. The position held table shows that respondents in other management positions were more than those of the major specified management positions. This information is as summarized in table 4.2.4 on pg. 31;

Table 4.2.4**Management Position Held**

Details	Frequency	Percent
Managing Director	1	7.1
Productions/Operations manager	1	7.1
Marketing/Sales manager	1	7.1
Other	10	71.4
Financial/Accounts Manager	1	7.1
Total	14	100.0

Source: Primary Data, 2015

4.3 Age

This part is about the analysis of the age ranges of the management team and customers of Rabong Multi-purpose Society. For management, there were two age ranges with the maximum frequency those were 32-42 and 53 and above years both with a frequency of 4 respondents and a percentage of 29. Those two age ranges had the highest frequency probably because they were mature and had the experiences required for the proper management of the company. The lowest frequency was 1 respondent with the age range of 43-53 years who contributed 7% of the total respondents. Only 2 people were below 20 years while 3 were of the age range of 23-33 years, these comprised of percentages 14 and 21 respectively.

In regard to the customers, majority of the respondents were of the age range 21-31 years consisting of 74% while the minority age range was 53 and above years with 3%. The age range 21-31 years was the majority due to; them being more responsive, them being the majority income earners thereby making majority of the market for Citronelle products from the company.

On the other hand, the age range of 53 and above years was the minority because it was highly irresponsible. These findings are summarized in table 4.3.5 below;

Table 4.3.5 Age

Details	Management		Customers	
	Frequency	Percent	Frequency	Percent
Below 20 years	2	14.3	5	12.5
21-31 years	3	21.4	29	72.5
32-42 years	4	28.6	3	7.5
43-53 years	1	7.1	2	5.0
53 and above	4	28.6	1	2.5
Total	14	100.0	40	100.0

Source: Primary Data, 2015

4.4 Education Level

This level includes the analysis of the education level of the of the management team and customers of Rabong Multi-purpose Society had a total of 11 respondents with the highest education level being Ordinary level with a frequency of eight respondents contributing a 57%. The lowest education levels were Degree and Post Graduate which lacked any response. The table below shows that 3 respondents did not disclose their education level yet in fact, they did not fit in the education level criteria provided as they stated that they had gone as far as primary six there by making up a percentage of 21. There were two respondents whose highest education level was advanced; they made up 14% of the total population.

These findings are in line with Priyanath (2006) who conducted a study in Ratnapura and found that that few industries considered educational qualifications during the recruitment and selection processes.

With regard to customers, majority of the respondents had attained a degree consisting of 45% there by making the majority while the minority was 3% being a respondent with a diploma as the highest form of education. Degree holders made the majority of respondents because they were more responsive while Diploma holders were the minority because they were the fewest in the sample study. The above findings are further summarized in table 4.4.6 below;

Table 4.4.6 Education Level

Details		Management		Customers	
		Frequency	Percent	Frequency	Percent
Valid	O'Level	8	57.1	13	32.5
	A'Level	2	14.3	6	15.0
	Diploma	1	7.1	1	2.5
	Degree	0	0.0	18	45.0
	Post graduate	0	0.0	2	5.0
	Missing	3	21.4	-	-
Total		14	100.0	40	100

Source: Primary Data, 2015

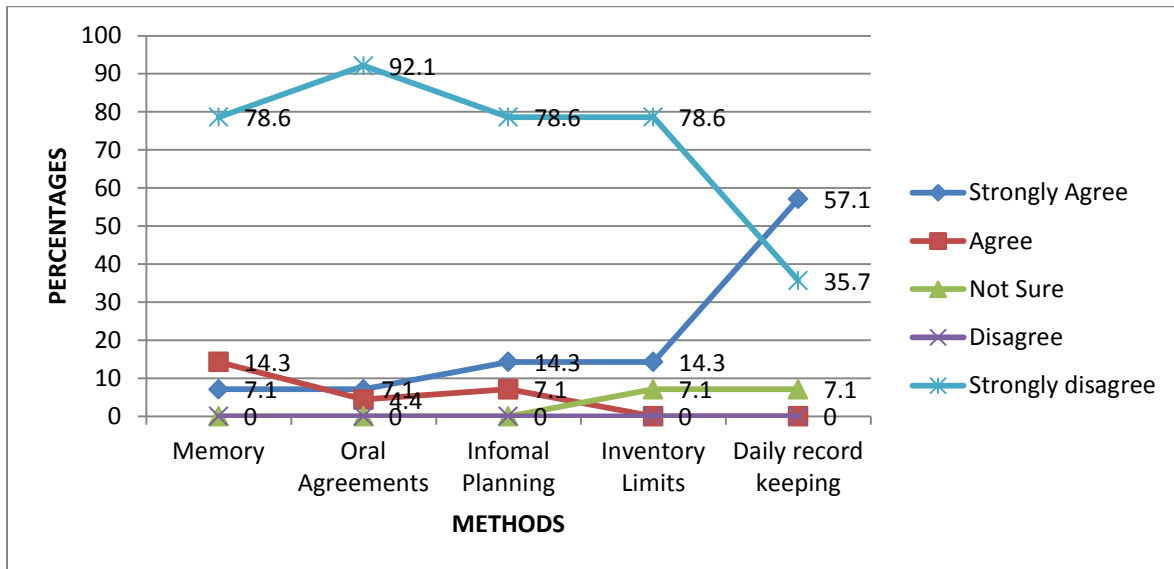
Bookkeeping and the Failure of SMEs

This objective includes the analysis of the relationship between bookkeeping and the failure of SMEs.

4.5 Monitoring and Controlling Capital

As regards to methods of monitoring and controlling of working capital, 57% of the respondents strongly agreed that they used the method of record keeping hence they made up the majority while 7% of the respondents strongly agreed hence making up the minority for the category of strongly agreed. This finding concurs with Orobia et al. (2013) who mentioned that SMEs use unconventional record keeping as one of the methods monitoring and controlling their working capital. For the option of 'Agree', the majority was 14% while the minority was 0%. 7% was the majority for the 'Not sure' option while its minority was 0%. No respondent chose the 'Disagree' option hence making the minority in general. 'Strongly disagree' had its highest as 92% while minority was 36% for oral agreements and memory methods respectively. On an overall basis, most of the respondents disagreed to the use of the methods for monitoring and controlling working capital except the one of daily recording. Unfortunately, the difference between the respondents who strongly agree and disagreed was a mere 21% which proved that the method of record keeping was poor hence making the company at a high risk of collapsing. The results are illustrated in the Fig.4.5.1 on pg 35;

Fig. 4.5.1 Working Capital Monitoring and Controlling Methods

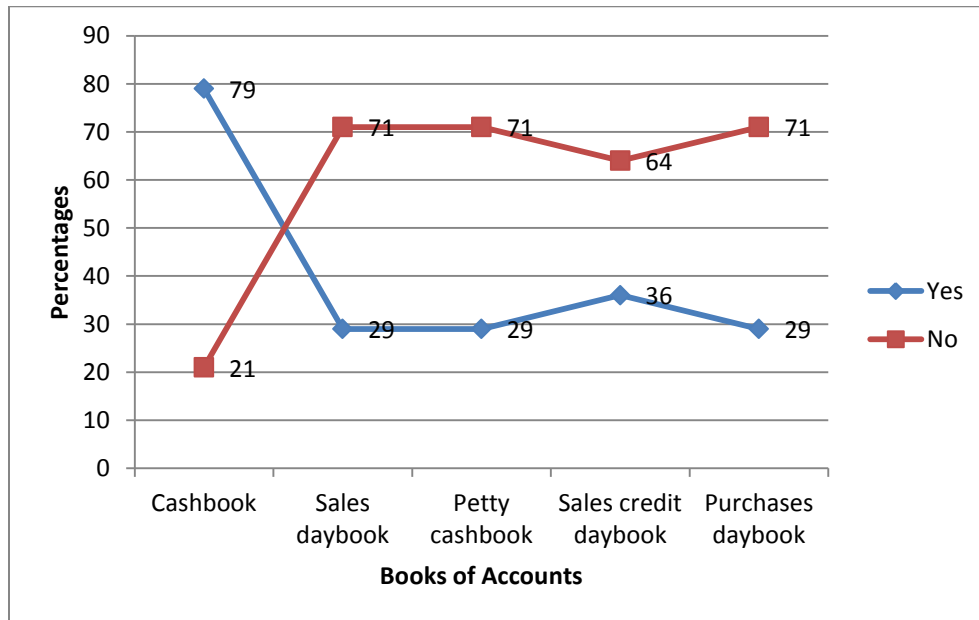


Source: Primary Data, 2015

4.6 Books of Accounts

In regards to books of accounts that were employed by Rabong Multi-purpose Society, the highest number of respondents (79%) agreed that cashbooks were used for recording daily transactions. This finding is in line with Orobia et al. (2013) who mentioned that SMEs use cash flow based information management. However, the least of the respondents agreed to the use of the petty cash book, purchases and sales daybooks and thereby contributing 29% on average. On the other hand, these books of accounts recorded the highest number of non agreeing members which was at an average of 71%. These findings concur with Priyanath (2006) who mentioned that SMEs that maintained books were very unsystematic which is one of the reasons for the failure of SMEs in Uganda. The results are further illustrated in the Figure 4.6.2 on pg 36;

Fig. 4.6.2A Bar Graph Showing Books of Accounts



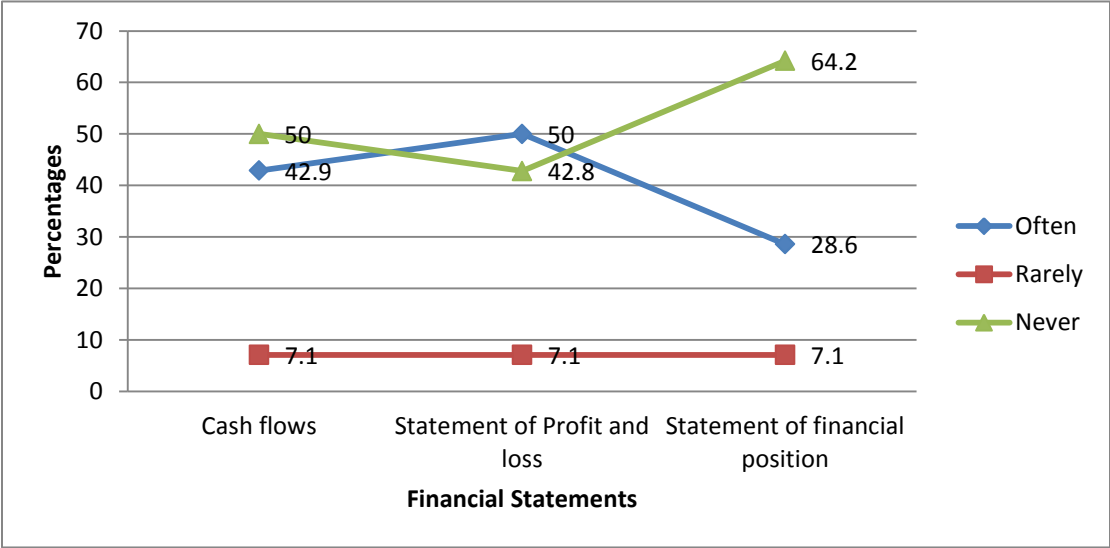
Source: Primary Data, 2015

4.7 Financial Statements

As regards to financial statements used by Rabong Multi-purpose Society, statement of cashflows had its majority as 50% of respondents admitting to them never prepared, while its minority comprised of 7% of respondents saying they were rarely prepared while the remainder was 43% of respondents who agreed that cashflows were often prepared. The statement of profit and loss had its majority of respondents of 50% agreeing to it being often prepared by the company while the least number of respondents making up 7% agreed that it was rarely prepared and the rest comprised of 43% of respondents choosing it was never prepared. For the statement of financial position, the highest number of respondents constituted of 64% who agreed to it never being prepared in the company while the minority of the respondents making up 7% of the respondents agreed that it was rarely prepared, and the remainder of 29% settled for it being prepared often. These findings show that the accounting procedures were poor. This was further

confirmed by qualitative findings where there were 21% of the respondents who mentioned that not only was there a problem of poor skilled workers but also it was expensive to outsource a professional accountant on a constant interval as required hence some financial periods ended without the preparation of their respective financial statements. A further inquiry revealed that a majority consisting of 21% of the respondents complained of losses as one of the problems faced during the preparation of financial statements. It can be seen that the company had a poor system of preparing financial statements which is similar to the findings of Hamish (2011) who mentioned that the financial statements, such as the profit and loss accounts, the balance sheet and the cash flow statement of small scale enterprises cannot easily be prepared. This is one of the common reasons for the failure of SMEs. Further details are illustrated in the Figure 4.7.3 below;

Fig.4.7.3 Financial Statements



Source: Primary Data, 2015

Planning and the Failure of SMEs

4.8 Planning Importance

As regards to planning being a vital requirement, 50% strongly agreed hence making the majority, this together with 14% who agreed summed up to 64% of those in support of planning while the minority was 14% who were not sure. These results concur with Wang et al. (2007) who mentioned that strategic planning leads to increased firm performance. Rabong Multi-purpose Society has been in existence for more than 10 years and the fact that they believed that planning was a vital requirement for a business could be a contributing factor to their fairly long existence in the market. These analyses are as shown in the table 4.8.7 below;

Table 4.8.7 Planning Importance

Details	Frequency	Percent
Strongly agree	7	50.0
Agree	2	14.3
Not sure	2	14.3
Disagree	3	21.4
Total	14	100.0

Source: Primary Data, 2015

4.9 Planning for Human Resource

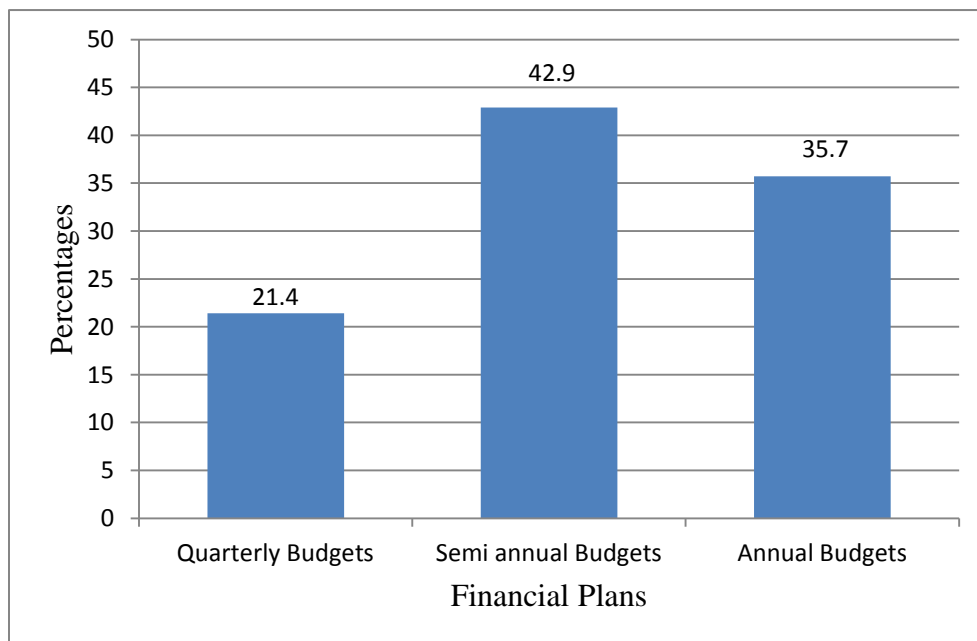
When asked if they planned for human resource, all the respondents agreed hence making 100% meaning none of them disputed.

4.10 Financial Plans

In regard to financial plans that Rabong Multi-purpose society had, 43% of the respondents which were the majority agreed that semi-annual budgets were the ones they prepared while the minority that comprised of only 21% of the respondents said that quarterly budgets were prepared. The rest who comprised of 36% agreed to the making of annual budgets. The minority percentage showed that the company was unsystematic as far as preparation of financial plans was concerned. This was evidenced by 21% of the respondents who complained of negative attitude towards planning.

A further inquiry revealed that 14% of the respondents complained of over estimation as the major challenge that hindered planning. These percentages of the respondents who complained was proof that the company had alot of issues to sort out as far as financial planning was concerned, thus its high susceptibility to failure. These are as shown below;

Fig 4.10.4 **Financial Plans**

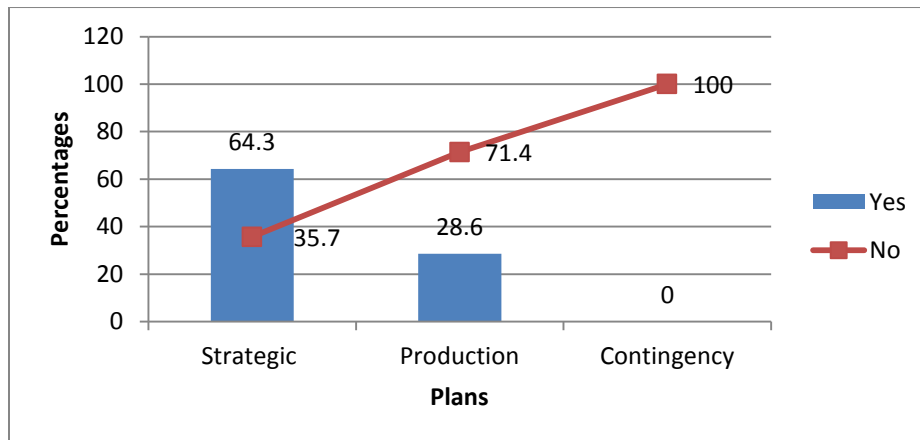


Source: Primary Data, 2015

4.11 Plan Types Carried Out

According to the types of plans carried out in Rabong Multi-purpose Society, for strategic plans, the majority comprised of 64% of respondents agreeing to carrying it out while the minority made of 36% disagreed to carrying them out. For production plans, majority of the respondents disagreed towards carrying them out and they comprised of 71%. This particular finding concurs with Priyanath (2006) who had a similar percentage (73.7) of entrepreneurs who did not carry out production plans. Regarding contingency plans 100% made up the majority of the respondents who disagreed to carrying them out while non of the respondents agreed to carrying them out hence making them the minority. On a general basis, carrying out of the different types of plans was dominated by respondents who disagreed to carrying them out because they contributed an average percentage of 69% in comparison to the average of 31% who agreed to carrying them out. The planning level is unsatisfactory which is in agreement with the findings of Priyanath (2006). The analysis is further illustrated in the graph below;

Fig.4.11.5 Types of Plans

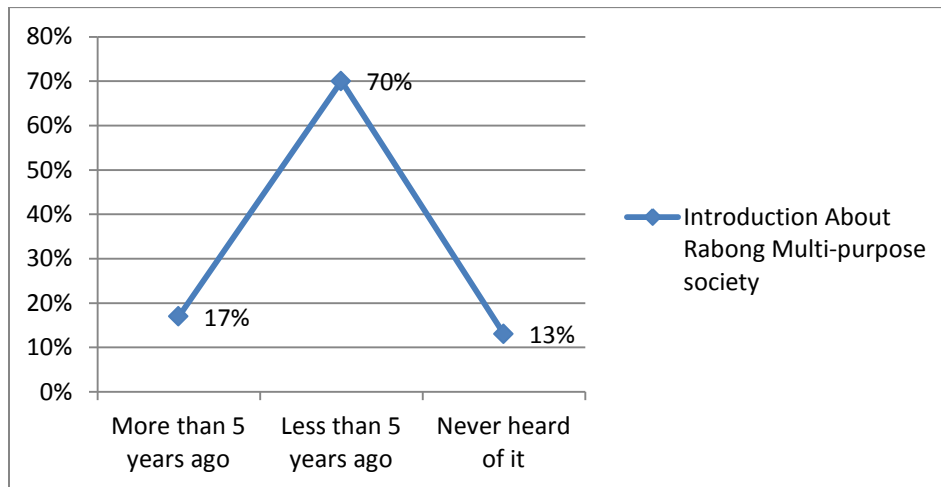


Source: Primary Data, 2015

4.12 Introduction to the Company

In regards to introduction to the company, the majority respondents were 70% who agreed to having first heard of the business less than 5 years ago. This goes without mentioning that some respondents had never heard of it however, they were the minority with 13%. Despite the company being in existence for more than 10 years, many respondents did not know about it till recently. This showed that the company had a lot to do as far as planning on how to market itself was concerned. This was further backed up by qualitative data that uncovered 20% of the respondents requesting for more advertisement by the entity as one of the changes that needed to take place. The lack of advertising meant that the company was commanding a small market which was insufficient for its sustenance in the long term, and thus increasing its risk of failure. This analysis also illustrated in Figure 4.12.6 below;

Fig. 4.12.6 Introduction to Rabong Multi-purpose Society

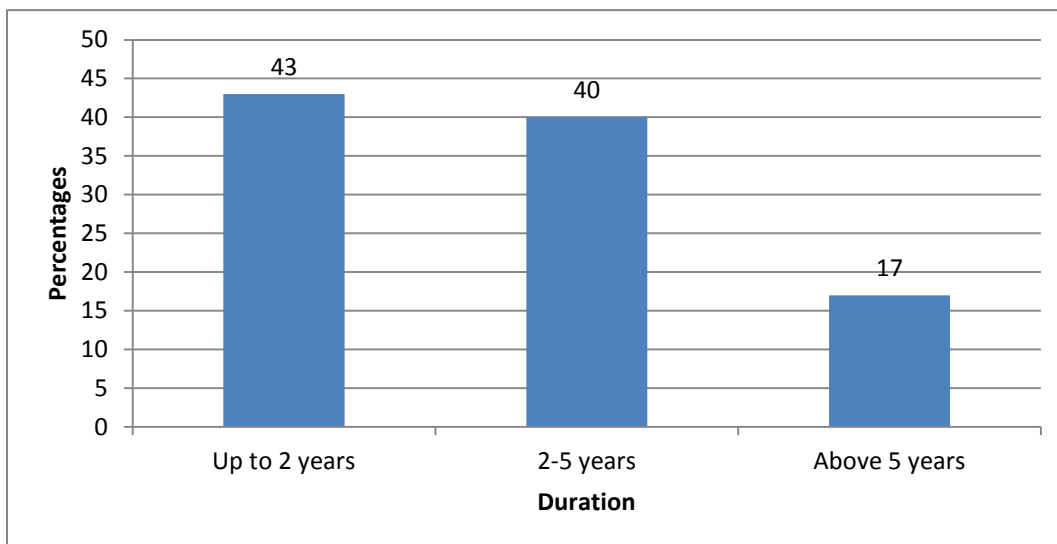


Source: Primary Data, 2015

4.13 Business duration

In regard to business duration with the case study, the graph shows that most of the respondents made up of 43% were in agreement that they had spent up to 2 years in business with the company. This result in comparison to the previous one that showed 70% of the respondents having their introduction to the company less than 5 years ago proved that there was a noticeable market gap of 27% hence evidence that planning for market was wanting. The minority on the other hand were made up of 17% who had had more than 5 years of business with the company. This proved that the company was being supported by a small market that was providing insufficient support for it to carry out its necessary activities. This statement is further backed by an inquiry that revealed that 21% of the respondents complained of limited funds to execute their plans for the company hence a limiting factor towards planning. Planning without its execution is to the detriment of a company and hence its heightened risk to failure. This analysis is further illustrated by Figure 4.13.7 below;

Fig. 4.13.7 Business Duration with Rabong Multi-purpose Society

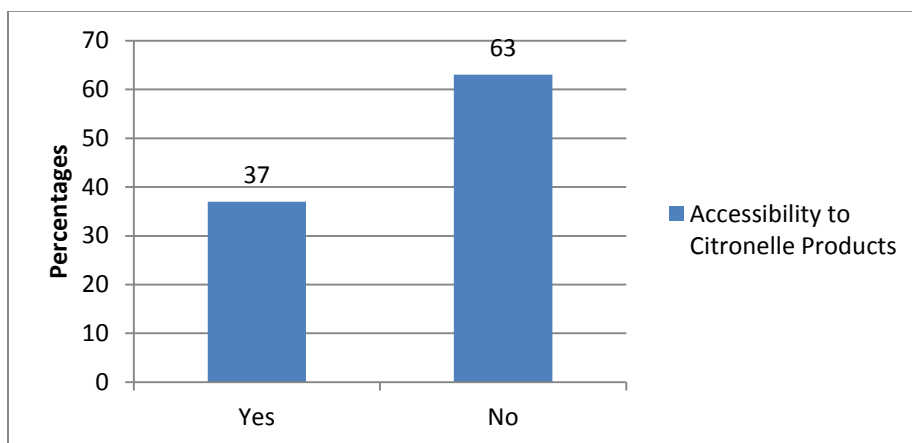


Source: Primary Data, 2015

4.14 Accessibility to Products

Regarding the accessibility of the products, 63% disagreed that the company's products were accessible. On further inquiry, most of those who disagreed said that the company's products were not available in most of the shops and supermarkets. In addition, poor accessibility was due to the poor location of the company near a road without tarmac there for making it highly dusty which prevents one from seeing the company buildings. The company lacked a proper sign post (it was too old which made it impossible to make out a word), the road was nearly impassible during the wet season. On the other hand, the rest of the respondents agreed that the company's products were accessible and they made up 37% hence the minority. These results showed that the company needed to plan on how to improve on not only its distribution but also location so as to improve accessibility of the market to its products and hence widen it. Otherwise, the company is headed for failure in the long run. The problem of limited market was in line with the findings of Kazooba (2006) as one of the failures of SMEs in Uganda. The above results are shown in Fig. 4.14.8 below;

Fig. 4.14.8 Accessibility to Citronelle Products



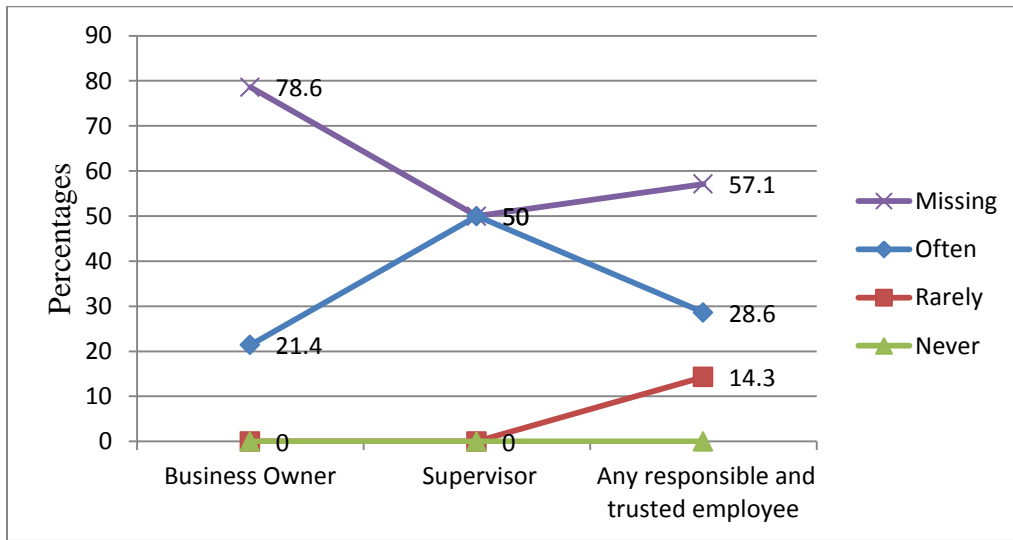
Source: Primary Data, 2015

Monitoring and the Failure of SMEs

4.15 Monitoring and Evaluation

In regards to the person responsible for monitoring and evaluating company activities, majority (50%) of the respondents agreed that the Supervisor was often in charge while the minority of 21% agreed that the business owner was in charge. Also, 29% agreed that any trusted employee was put in charge. An average of 62% of respondents did not attempt to answer the variables. This could have been due to a negative attitude among the supervisees as they hated being watched by a superior and also did not see the need for supervision. The fact that any trusted employee could be put in charge of supervising could not go un noticed because taking into consideration the education levels of the management team, it was evident that the respondents lack the necessary skills which raises alot of questions as far as the quality of the monitoring taking place in the company is concerned. Poor monitoring was one of the factors responsible for the failure of businesses, which was similar to the views and findings of Kazooba (2006). A further inquiry revealed that. The results are further illustrated in the Fig. 4.15.9 on the next page;

Fig. 4.15.9 Monitoring and Evaluation

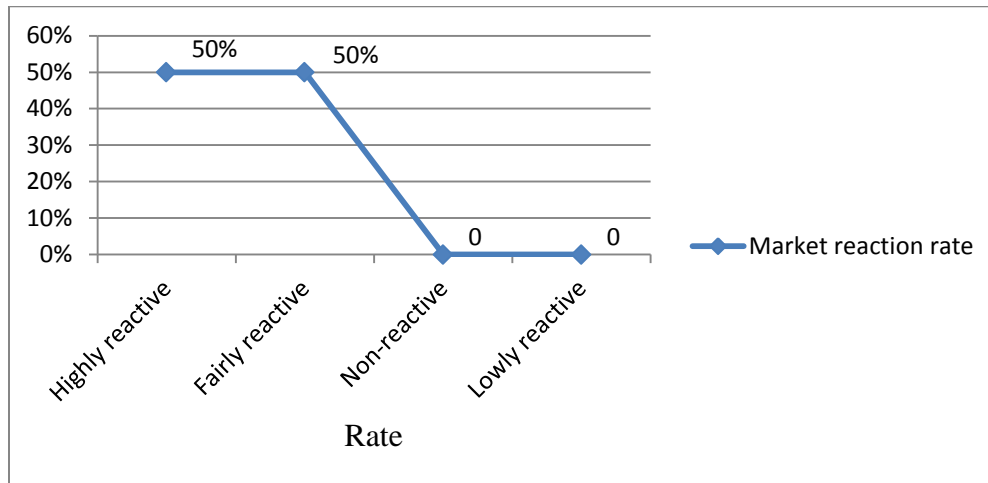


Source: Primary Data, 2015

4.16 Market Reactions

In regard to the rate of market reactions, 50% of the respondents agreed that the case study was highly reactive, and fairly reactive to the market changes while the minority was 0% as there were no respondents who chose non and/ or lowly reactive. These findings were in deviation from Birdthistle (2008) who found out that SMEs lacked the ability to be reactive to market changes This analysis is summarized in Fig. 4.16.10 on Pg 46;

Fig. 4.16.10 Market Reaction Rate



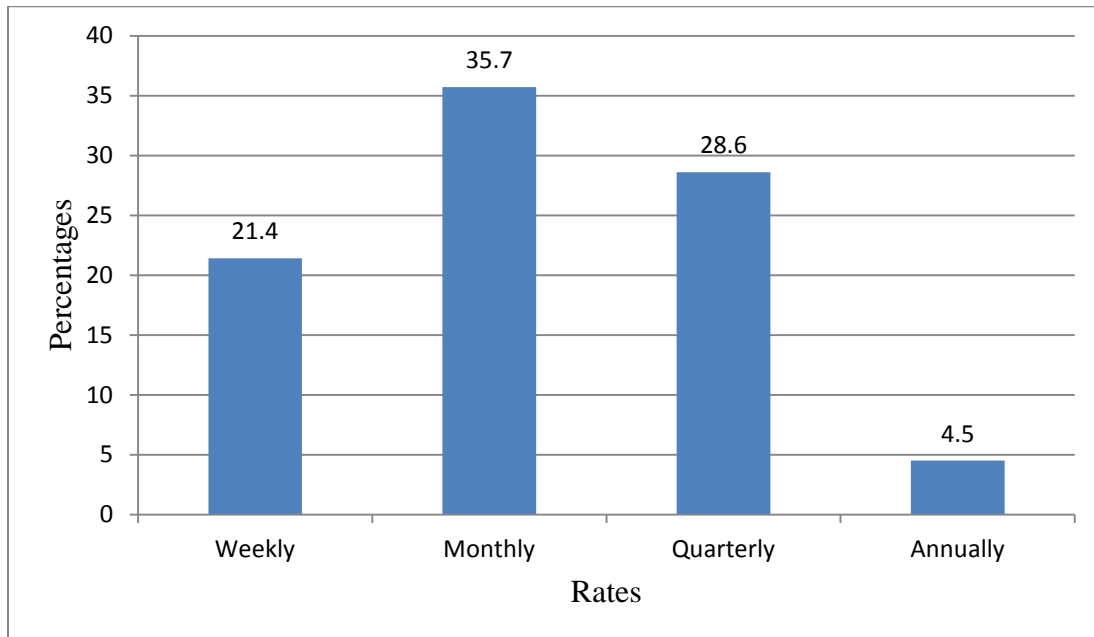
Source: Primary Data, 2015

4.17 Monitoring and Evaluation Rate

As regards the rate of monitoring and evaluating company plans, majority of the respondents comprising of 36% agreed that it was done on a monthly basis while the minority making up 5% agreed that it was on an annual basis. This showed that management lacked concrete information on the annual performance of the company as far as fulfilling plans was concerned. This led to risks like poor decision making which was one of the major challenges the 21% of the respondents expressed. 21% of the respondents agreed that monitoring and evaluation was done weekly while 29% agreed that it was done quarterly. Generally, the results showed that the rate of monitoring and evaluation was for a short term basis mainly, the system of monitoring was also wanting. The lack of a proper monitoring system was in line with Birdthistle (2008) who found out that SMEs lacked systems for the monitoring of information. These limitations in the company posed a risk of its collapse. The above results were summarized in the figure Fig. 4.17.11 on pg 47;

Fig. 4.17.11

Rate of Monitoring and Evaluating Company Plans

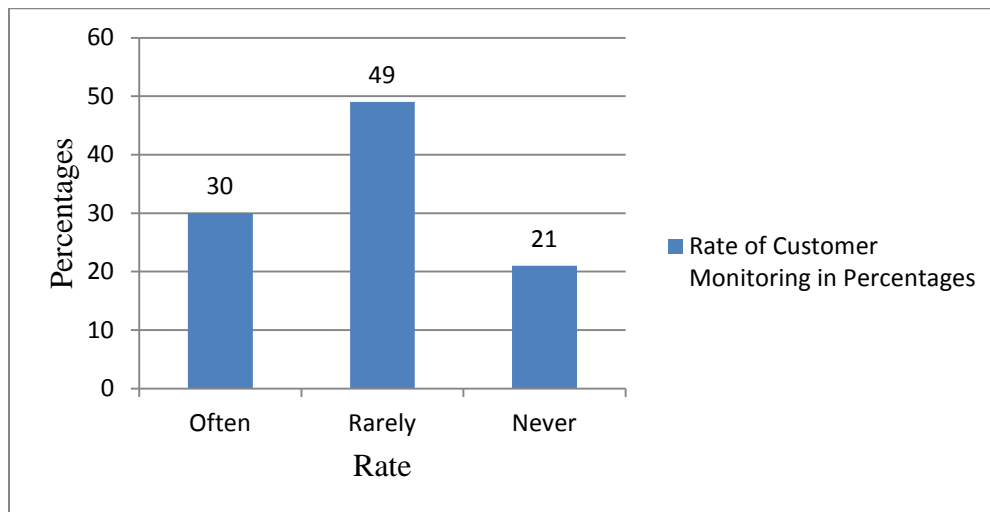


Source: Primary Data, 2015

4.18 Customer Monitoring

According to the rate at which the company monitors their products with consumers, most of the respondents agreed that it was rarely done and they made up 49% while the least made of 21% said it was never done. This proved that there was a need for the company to improve on their customer care. This was backed by the results from qualitative data that showed 13% of respondents requesting for an increase in customer care as something they would change about the company. 30% of the respondents agreed that customer monitoring often took place. The results also proved that the company was at a risk of suffering from customer disloyalty as the customer's showed dissatisfaction as far as belonging to the company was concerned, this in time could lead to its collapse. This issue of customer disloyalty was mentioned by Kazooba, 2006 as cited by Turyahebwa et al. (2013). This analysis is also further illustrated in the Fig. 4.18.12 on Pg 48;

Fig. 4.18.12 Rate of Customer Monitoring



Source: Primary Data, 2015

In summary, as seen from all the results of the research study on Rabong Multi-purpose Society, the company has many issues to work on in all the objectives especially in bookkeeping and monitoring. Those issues such as poor record keeping, inaction of plans, poor monitoring systems among others posed great threats towards the company's continued existence for a longer period of time.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.0 Introduction

This chapter presents a summary, conclusion and recommendations arising from the study findings of management skills and the failure of SMEs in Rabong Multi-purpose Society. The first section presents the summary, followed by conclusion, recommendations and areas for further study.

5.1 Summary

This section presents the summary of all the chapters in the dissertation including the findings of the study

5.1.1 Bookkeeping and the Failure of SMEs

As regards to methods of monitoring and controlling of working capital, 57% of the respondents strongly agreed that they used the method of record keeping hence they made up the majority. The minority who contributed 0% consisted of respondents who disagreed with the methods. In regards to books of accounts that were employed by Rabong Multi-purpose Society, the highest number of respondents (79%) agreed that cashbooks were used for recording daily transactions while the least of the respondents agreed to the use of the petty cash book, purchases and sales daybooks and thereby contributing 29% on average. 52% of the respondents agreed that they never prepared financial statements hence making the majority.

5.1.2 Planning and the Failure of SMEs

64% of respondents were in support of planning being necessary while the minority was 14% who were not sure. All the respondents agreed that they planned for human resource. Regarding financial plans, 43% of the respondents which were the majority agreed that semiannual budgets were the ones they prepared while the minority that comprised of only 21% of the respondents said that quarterly budgets were prepared. For types of plans, most respondents (64%) agreed to making strategic plans while the minority (0%) was for contingency plans. In regard to introduction to the company, the majority respondents (70%) agreed to having first heard of the business less than 5 years ago while the minority (13%) had never heard of it. Regarding business duration with the case study, most of the respondents(43%) were in agreement that they had spent up to 2 years in business while the minority(17%) had more than 5 years in business. Regarding the accessibility of the products, 63% agreed that the company's products were accessible while minority of the respondents (37%) disagreed.

5.1.3 Monitoring and the Failure of SMEs

In regards to the person responsible for monitoring and evaluating company activities, majority of the respondents agreed that the Supervisor was often in charge while the minority of 21% agreed that the business owner was in charge. In regards to the rate of market reactions, 50% of the respondents agreed that the case study was highly reactive to the market changes while the minority was 0% as there were no respondents who chose non and/ or lowly reactive. As regards the rate of monitoring and evaluating company plans, majority of the respondents comprising of 36% agreed that it was done on a monthly basis while the minority making up 5% agreed that it was on an annual basis. According to the rate at which the company monitors their products with

consumers, most of the respondents agreed that it was rarely done and they made up 49% while the least of 21% said it was never done.

5.2 Conclusions

With regard to bookkeeping, the bookkeeping practices at Rabong Multi-purpose Society are lacking, the labourers are highly unskilled and do not seem to have knowledge on how to go about their duties. The recording in the books are of an inconsistent nature hence the reason that the company is performing below its potential. The company's poor financial management is also another problem challenging its performance. These prove that there is indeed a relationship between bookkeeping and the failure of SMEs.

With regard to planning, employees who did not see the essence of planning and holding meetings were just a few setbacks that have affected the performance of the company. This is because activities were carried out on impulse and problems solved when they arose instead of inventing measures to prevent them. The incompetent performance of the company proved that there is a relationship between planning and the failure of SMEs.

With regard to monitoring, the monitoring practices of the company were appalling and next to non-existent. The activities, employees and customers were poorly monitored thereby leaving a huge gap for many wrong things to go unnoticed. The poor monitoring practices have negatively affected the company's performance. This proves that there is a relationship between monitoring and the failure of SMEs.

5.3 Recommendations

The fact that Rabong Multi-purpose society has stayed in business for close to more than 10 years, it has struggled to remain a going concern which is commendable. However, regarding bookkeeping, the company should hire skilled accountants and bookkeepers so that the recording of financial records is done on a more consistent basis thereby making them more reliable for decision making and accountability purposes.

In regards to planning, there is a need to sensitize the employees in the company on the essence of planning and holding meetings so as to reduce their negative attitude towards planning. Budgetary planning should also be done periodically so as to manage capital more effectively.

As far as monitoring practices are concerned, the company could improve on its performance by; improving on customer care so that customers are made to feel important to the company, hiring more workers, marketing their products and company at large and participating in workshops to mention but a few.

5.4 Areas for further Studies

More research needs to be done on how to improve monitoring practices in SMEs so that new ways can be introduced to enable corporate growth.

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APPENDICES

APPENDIX 1: QUESTIONNAIRES

QUESTIONNAIRES FOR MANAGEMENT

Introduction

I am Akumu Caroline, a student of Uganda Martyrs University pursuing a Bachelors Degree in Business Administration and Management and carrying out research on management skills and the failure of SMEs with your company Rabong Multi-purpose Corporative Society as the case study. This research is for an academic dissertation which is an essential requirement to enable me graduate from the university. I am requesting for your assistance as Management of the company to avail me with the necessary documents and other information by answering the questions provided in the attached questionnaires. Your cooperation will be highly appreciated.

NOTE: All information got from the company will be done with utmost discretion and details of respondents will be kept confidential.

Background information.(Tick where appropriate)

1. Gender.

(i) Female

(ii) Male

2. Position held

Managing Director

Assistant Managing Director

Productions/Operations manager

Marketing/Sales manager

Other

Financial/ Accounts Manager

3.Age

(i) Below 20 years

(ii) 21-31 years

(iii) 32-42 years

(iv) 43-53 years

(v) 53and above

4. Education level

(i) 'O'Level

(ii) 'A' level

(iii) Diploma

(iv) Degree

(v) post graduate

QUESTIONS ON BOOKKEEPING

1. How do you monitor and control your working capital? Choose the most appropriate answer. 1-Strongly agree, 2-Agree, 3-Not sure, 4-Disagree, 5-Strongly disagree

METHOD	1	2	3	4	5
Use of memory					
Oral Agreements					
Informal Planning					
Assumption of inventory limits					
Daily record keeping					

2. Which of the following books of accounts do you use in the company? Please tick the more appropriate answer.

BOOKS OF ACCOUNTS	YES	NO
Cashbook		
Sales daybook		
Petty cashbook		
Sales credit daybook		
Purchases daybook		

3. Do you prepare any of the following financial statements? Choose by marking the most appropriate answer. 1-Often, 2-Rarely, 3-Never

FINANCIAL STATEMENTS	1	2	3
Cash flows			
Statement of Profit and loss(statement of comprehensive income)			
Statement of financial position (balance sheet)			

4. What major challenges do you face when preparing financial statements?

.....

.....

.....

QUESTIONS ON PLANNING

1. Planning is a vital requirement for a company. Please choose by marking the most appropriate answer. 1-Strongly agree, 2-Agree, 3-Not sure, 4-Disagree, 5-Strongly disagree.

1	2	3	3	5

2. Do you plan for human resource?

Yes

No

3. Please mention some problems that are faced during planning.

.....

.....

.....

4. What financial plans do you have? Please tick the most appropriate answer.

	YES	NO
Quarterly Budgets(After every 3 months)		
Semi annual Budgets(After 6 months)		
Annual Budgets		

5. Which of the following plans do you carry out?

PLANS	YES	NO
Strategic		
Operational		
Contingency		

QUESTIONS ON MONITORING

1. Who of the following is responsible for monitoring the activities in the company? Choose the most appropriate answer. 1-Often, 2-Rarely, 3-Never

	1	2	3
Business owner			
Supervisor /Production manager			
Any responsible and trusted employee			

2. How reactive are you to market changes?

Highly reactive	Fairly reactive	Non-reactive	Lowly reactive

3. How often are the company's plans monitored and evaluated? Choose by ticking the most suitable answer.

Weekly	Monthly	Quarterly(after 3 months)	Semi-annually(after 6 months)	Annually

4. What challenges are faced during the monitoring process?

.....

.....

.....

QUESTIONNAIRE FOR CUSTOMERS

This questionnaire is designed to generate information on the management skills and the failure of SMEs in Uganda

Dear respondents,

The research is purely academic and the information obtained will be used strictly for academic purposes, and will be handled with utmost confidentiality.

The researcher therefore is kindly requesting you to fully answer the following questions truthfully with regards to Rabong Multi-purpose Corporative Society as the case study for this research.

(Please tick where appropriate)

1. Gender.

(i) Female

(ii) Male

2. Age

(i) Below 20 years

(ii) 21-31 years

(iii) 32-42 years

(iv) 43-53 years

(v) 53 and above

3. Education level

(i) 'O' Level

(ii) 'A' Level

(iii) Diploma

(iv) Degree

(v) post graduate

4. When did you first come to know about Rabong Multi-purpose Corporative Society?

More than 5 years ago	Less than 5 years ago	Never heard of it

5. How did you come to know about Citronelle products?

.....

6. Business duration with Rabong Multi-purpose Corporative Society?

(i) up to 2 years

(ii) 2-5 years

(iii) above 5 years

7. Are the Citronelle products easily accessible?

YES

No

8. How often does the company check on your consumption of their products? Please tick the most appropriate.

Often	Rarely	Never

9. If given the chance, would you change anything about Rabong Multi-purpose Corporative Society? If yes, please state what that would be?

.....



**Office of the Dean
Faculty of Business Administration and Management**

Your ref.:
Our ref.:

Nkozi, 5th February, 2015

To Whom it may Concern

Dear Sir/Madam,

Re: Assistance for Research:

Greetings and best wishes from Uganda Martyrs University.

This is to introduce to you AKUMU CAROLINE who is a student of Uganda Martyrs University. As part of the requirements for the award of the Degree of Bachelor of Business Administration and Management of the University, the student is required to submit a dissertation which involves a field research on a selected case study such as a firm, governmental or non governmental organization, financial or other institutions.

The purpose of this letter is to request you permit and facilitate the student in this survey. Your support will be greatly appreciated.

Thank you in advance.

Yours Sincerely,

Fr. Edward Ssemwogerere
Associate Dean

