



Analyzing the Role of Business Linkages on Performance of Small and Medium Enterprises in Kenya

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Abstract

The globalization era presents small and medium enterprises (SMEs) with both a challenge and a threat. The threat is the growing competition from overseas while the challenge lies in the new opportunities. SMEs are major source of employment and contribute enormously to the GDP of most countries. They require more sophisticated and professional support strategies to enhance their performance. The purpose of this study was to determine the role of business linkages on performance of SMEs under the supply chain of Transnational Corporation in Kenya. The study involved a comparative study between SMEs linked to TNC and those SMEs not linked to any TNC. Sampling was done from a population of 85 SME suppliers of Transnational Corporation and 30 SMEs not linked to any TNC. Data was collected in May 2010 and was analyzed using the Statistical Package for Social Sciences (SPSS). In addition, inferential statistics were used to measure relationship between SMEs performance and variables influencing business linkages. Linked SMEs performed better in the three areas of business indicators, with 100 per cent recording good quality of supplies over time, 97 per cent realizing excellent customer confidence and 77% recording improved profits over the past 3 years at p-values of 0.001, 0.046 and 0.002 respectively. This is in comparison with non-linked SMEs which recorded a lower percentage improvement in performance on the three business indicators. The findings depicted a positive relationship between business linkages and SME performance. It was therefore recommended that SMEs should establish linkages with TNC for increased profits and performance

Keywords: *Globalization era, Professional support, Business linkages, Buyer-supplier Relationships, Small and Medium Enterprises*