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Investigating Sensemaking and Sensegiving Capabilities in Building Resilience: The Case of a Manufacturing MSME in Kenya

by

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¹ **Note:** The findings from this working paper does not in any way reflect the views of the Development Finance Centre (DEFIC). The views are only representative of the authors.





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Investigating Sensemaking and Sensegiving Capabilities in Building Resilience: The Case of a Manufacturing MSME in Kenya

Linda Kirigi and Farai Kapfudzaruwa

Abstract

MSMEs play a very crucial role in the economies of developing countries. They contribute towards GDP, reduce the unemployment levels and bridge the huge gap that divides the rich and the poor (Mwapachu, 2012). However, they face numerous risks such as commercial risks, financial risks, operational risks and regulatory and compliance risks, which threaten their existence (Manufacturers, 2005:3; Abor, 2011:5). Many MSMEs in Kenya do not survive beyond a year just like in other developing countries (Abor, 2011:5), due to the lack of resilience to these risks. Furthermore, lack of proper managerial expertise in creating strategies that are well suited to mitigate these risks contribute to their demise (Smit and Watkins, 2012 as cited in Kagwathi et al., 2014:2). Much has been said about the risks that MSMEs face in Kenya and the strategies used to mitigate those risks. However, there is limited research on the decision making processes that MSMEs in Kenya follow in coming up with the strategies that are employed to counter these risks and how they can build resilience.

This research therefore aimed to bridge this gap by building a framework which can be used to investigate how an MSME responds to risk, why it responds the way it does and how it can build resilience. Sensemaking theory was used to explore the capabilities of a manufacturing MSME in Kenya. This involved an in-depth look into the sensemaking, sensegiving and risk management capabilities of a manufacturing MSME in Kenya. The overall proposition of the study was sensemaking and sensegiving capabilities, coupled with risk management processes and strategies, will ensure that the organisation is resilient to most of the risks it will encounter. Pattern-matching was used to match the expected pattern (theories such as enactment theory and 4 I framework) to the observed pattern which was obtained through the data collected from the company.

The findings revealed that the most prevalent risk that the company faces is commercial risk. Commercial risk- which includes competition; high input costs; prices and low margins- is the company's biggest concern as there are manufacturers coming up producing the same products at a lower price, presence of cheap inferior imports and input prices that keep increasing, all of which lead to decreased margins (Abor, 2011:10; Global Risk Alliance Pty Ltd,2005:16). This therefore led to the focus of the study being on the risk management process followed by the company, which had proven to be resilient for over 18years, in dealing with commercial risk. In this case, the processes followed by the company was a close fit to the expected patterns which provide evidence that proper sensemaking and sensegiving capabilities, coupled with risk management processes and strategies, will ensure that the organisation is resilient to most of the risks it will encounter. This then led to the building of the emergent theory that can be applied to other MSMEs.

Keywords: Manufacturing | MSME | Sensemaking | Sensegiving | Kenya |