European Journal of Business and Social Sciences, Vol. 5, No. 01, **April 2016.** **P.P. 357 - 366**
URL: *http://www.ejbss.com/recent.aspx-/*
ISSN: 2235 -767X

INFLUENCE OF CUTTING OUT THE MIDDLE MAN MODEL ON PERFORMANCE OF WOMEN- LED COMMUNITY-BASED MICRO-ENTERPRISES IN KENYA

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ABSTRACT

The main objective of this study was to determine the influence of cutting out the middle man model on performance of women-led community-based micro-enterprises (WLCBMEs) in Kenya. The population for this study consisted of the employees and owners of WLCBMEs. The total target population was 781. A total of 257 respondents were used as the sample size for the study. Descriptive survey design was used in this study. Primary and secondary data was used. While self-administered questionnaire and interview guide was used to collect primary data, the study reviewed the previous evaluation reports to seek the secondary data on performance. The data collected was then analyzed by both descriptive and inferential statistical tools. Being that the current research was dealing with the influence study, the researcher therefore used regression model as a tool of analysis and the information generated was presented in form of tables. The findings indicated that there was a positive relationship between cutting out the middle man model and organization performance. Consequently, the null hypothesis was rejected. The study concluded that cutting out the middle man model has an effect on performance of WLCBMEs in Kenya. Therefore it is the recommendation of the current study that this model is fit for the business enterprises.

Keywords: *Middle man model, Performance, and Women Led Microenterprises*

1. INTRODUCTION

Sandredo (2006) posits that cutting out the middlemen is the removal of intermediaries in a supply chain. Instead of going through traditional distribution channels, which had some type of intermediate (such as a distributor, wholesaler, broker, or agent), companies may now deal with every customer directly, for example via the Internet. Disintermediation may decrease the cost of servicing customers and may allow the manufacturer to increase profit margins if total costs are actually decreased by eliminating distributors or resellers. Despite the superficial attractions of "cutting out the middle man," organizing direct procurement can have high transaction costs for private players, and have mixed outcomes. In Mexico, Wal-Mart recently tried to buy strawberries direct from the farmers, but withdrew due to high costs (Berdegué, *et al*., 2008b). Given these costs, a business model that works with chain intermediaries, either traditional or new, can offer the opportunity to be profitable in, price-sensitive markets. It is much easier for retailers setting up in emerging economies to procure from traditional wholesalers, and leave the wholesaler to grade for physical quality, unless there are strong market incentives to guarantee product quality, consistency, safety and traceability (Bill, *et al*., 2014). In Chinese horticulture, where the market is characterised by 50 million autonomous producers, selling on spot terms through five million small traders, where the retail market is very competitive and few companies are making money, and where the majority of customers are not willing to pay for top-class produce, the economics of backwards integration are particularly daunting. Although many supermarkets profess to be putting vertical coordination in place, the majority of trade is via traditional traders.

2. Statement of the Problem

Briffaut and Saccone, (2002) conducted a study on business performance sustainability through process modelling and found out that sustaining business performance in an ever changing economic and technical environment is a challenge to be addressed with relevant management implements. This goal can be achieved by using business modelling by processes allowing for costing deliverables, controlling operations and designing information systems aligned with business procedures and organization (Briffaut & Saccone, 2002). Sujith *et al*., (2012) in study on the impact of knowledge brokering on performance heterogeneity among business models found out that the flexibility that the business model acquires is determined by how efficiently resource accumulation is aligned with its external environment. Gathenya, *et al.*, (2011) in the study of interaction between women entrepreneurs' age and education on business dynamics in small and medium enterprises in Kenya concluded that there was significant interaction between the effects of both age and education on locus of planning. Both also had a significant impact on the profitability of the enterprises when firm performance was measured as return on asset. The study therefore focused on the influence of cutting out the middle man model on performance of women – led community based micro – enterprises in Kenya.

3. Literature Review

There some very promising models of upgraded or new intermediaries that are introducing food safety, consistent quality, year-round supply and innovation, at a competitive price. Private companies are emerging as important intermediaries that enable small-scale farmers to supply to supermarkets, as indicated by World Bank (2007a) and Sandredo (2006). Models of intermediation usually include a strong dose of service provision, including finance – usually by the intermediary organization or specialized providers – to balance the needs of both small-scale farmers and the realities of emerging modern markets in terms of quality and volume. These new intermediaries are characterised by increased knowledge management (to improve chain coordination and quality), closer links to buyers, and incentives for product and process upgrading. This can

be an important new role for NGOs, though there is a growing appreciation of the efficiency benefits of upgrading existing intermediaries. Much more common at present is market-oriented but traditional traders taking steps to improve quality in their supply chains, where suppliers produce to the traders' specifications (crop management, harvesting, packaging), and where the traders invest in supplier training and other investments (Bill, *et al.*, 2014). A very interesting example of a butter head lettuce supplier to Ho Chi Minh City in Vietnam has been identified by Cadilhon (2006).

The farmer collectors who supply the intermediary train farmers to grow and harvest high quality lettuce. Through this collaboration, and through investments and forward planning with regular suppliers, the intermediary only gets high quality product. Models focused on intermediation achieve efficiency gains through greater organization along the whole chain through improved information flow and shared standards. According to Bill, *et al.*, (2014), the development of transparent pricing mechanisms is an important tool. All actors know the final prices and the intermediary margin, thus avoiding windfall profits for the intermediary organization when market conditions improve and providing an incentive to increase volumes. In other cases, prices are set based on product models on a yearly basis. Regardless of how prices are set, clarity on how prices reflect production costs, relative risks and returns is critical to assure greater equity along the chain and to minimize the chance of relationships breaking down (Bill, *et al.*, 2014).

4. Research Methodology

The study in particular made use of questionnaires. Closed ended questions are accompanied by a list of all possible alternatives from the respondents who selected the answer that best describes their situation. The study used both qualitative and quantitative data. Descriptive statistics was applied to analyze both qualitative and quantitative data. Data obtained from the questionnaires was processed through editing and coding and then entering the data into a computer for analysis using descriptive statistics with the help of Statistical Package for Social Sciences (SPSS) version 21.0,which offers extensive data handling capabilities and numerous statistical analysis procedures that analyses small to very large data statistics (Bell, 2007). Qualitative data was analyzed using content analysis. The study used Pearson's correlations to determine the relationship between the performance and the study factor variables.

5. Findings

The main objective of the study was to establish the influence of cutting out the middle man model on performance of women-led community-based micro-enterprises in Kenya. The findings are presented as follows. The respondents were asked if they have ever removed any intermediaries in the supply chain think using Majority (50.31%) agreed that while 49.69% of the respondent indicated that they have not.

	Frequency	**Percent**
Yes	136	55.5
No	109	44.5
Total	245	100.0

The respondent were also asked to rate how removal of intermediaries helped the business as far as cost of servicing customers is concerned 32.1% of the respondent said that business has was become very efficient and Flexible, 34.4% of the respondent said that business was fairly efficient and Flexible, 20.5% of the respondent said that business was Not Efficient and Flexible and lastly 14.0% of the respondent had no idea.

Besides that, the respondents were asked to rate the level of agreement with the following statements: I am aware of Cutting-out Middle Man Model, 32.7% strongly agreed, 34.3% agreed 19.6% were undecided, 8.6% disagreed, while 4.9% strongly disagreed; concerning whether the enterprise practices Cutting-out Middle Man Model, 40.4% strongly agreed, 36.7% agreed, 19.2% were undecided, 1.2 % disagreed and 2.4% strongly disagreed. Also based on whether the enterprise uses banning method to publicize of its products, 36.3% strongly agreed, 42.9% agreed, 14.7% were undecided, 2.4% disagreed and 3.7% strongly disagreed. The enterprise uses the enterprise uses social media as a method to advertise its products, 41.2% strongly agreed, 41.6%% agreed, 12.2%% were undecided, 2.4% disagreed and 2.4% strongly disagreed. Lastly based on the statement the use of Cutting-out Middle Man Model has improved performance of this enterprise majority at 46.5% strongly agreed, 33.1% agreed, 11.8% were undecided, 4.9% disagreed and 3.7% strongly disagreed. The details of the finding are shown in table 4.20. This is supported by a study conducted by Berdegué, *et al.* (2008b) in Mexico where Wal-Mart recently tried to buy strawberries direct from the farmers, but withdrew due to high costs

Statement	**SD**	**D**	**U**	**A**	**SA**
I am aware of Cutting-out Middle Man Model	4.9%	8.6%	19.6%	34.3%	32.7%
This enterprise practices Cutting-out Middle Man Model	2.4%	1.2%	19.2%	36.7%	40.4%
The enterprise uses banning method to publicize of its products	3.7%	2.4%	14.7%	42.9%	36.3%
The enterprise uses social media as a method to advertise its products	2.4%	2.4%	12.2%	41.6%	41.2%
The use of Cutting-out Middle Man Model has improved performance of this enterprise	3.7%	4.9%	11.8%	33.1%	46.5%

Normality was again tested using skewness and kurtosis statistic as recommended by Myoung (2008). As earlier noted skewness and kurtosis value between -1.0 and + 1.0 shows that the data is normally distributed. The results presented in table 4.21 shows that Cutting-out Middle Man Model had a skewness coefficient value of 0.085 and its kurtosis coefficient value of 0.175. Based on these values it was concluded that Cutting-out Middle Man Model are normally distributed since they lies within the range of -1 and +1.

	Statistic	Std. Error
Skewness	.085	.156
Kurtosis	.175	.310

Q-Q plot for Cutting-out Middle Man Model in Figure 4.5 also shows that most of the observed values were falling along the straight line indicating that Cutting-out Middle Man Model was normally distributed. This is consistent with the earlier findings based on skewness and Kurtosis

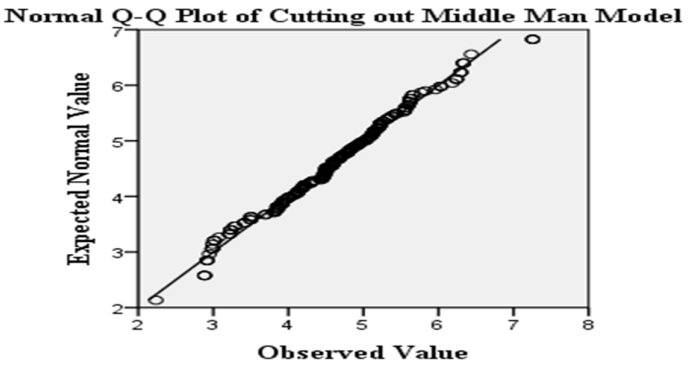


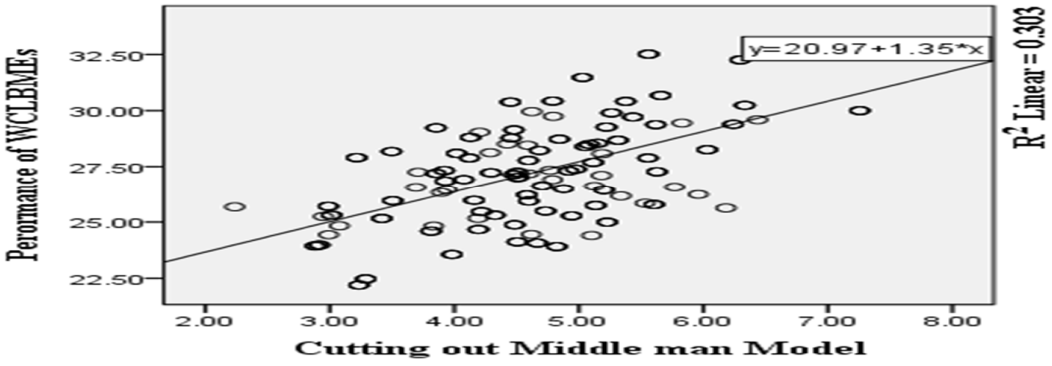
Figure 17 Normal Q-Q plot of cutting out middle man Model

Linearity of variables was tested using correlation coefficients as suggested by Cohen, West and Aiken, (2003). To establish whether there is a linear relationship, the study adopted the Pearson moment's correlation coefficients which are presented in table 4.22. The results indicate that the variables Performance of WLCBMEs and Cutting-out Middle Man Model had a strong positive relationship as indicated by a correlation coefficient of 0.551**. This implies that there is a linear positive relationship. Thus an increase in Cutting-out Middle Man Model would result in a linear increase in Performance of WLCBMEs. This is greatly supported by Bill, *et al.* (2014) who indicated that there is a linear positive relationship between cutting-out middle man model and performance of an enterprise.

		Performance of WLCBMEs	Cutting-out middle man model
Performance of WLCBMEs	Pearson Correlation	1	.551**
	Sig. (2-tailed)		.000
	N	245	245
Cutting-out middle man model	Pearson Correlation	.551**	1
	Sig. (2-tailed)	.000	
	N	245	245

**. Correlation is significant at the 0.01 level (2-tailed).

Scatter plot between Performance of WLCBMEs and Cutting-out Middle Man Model as shown in figure 4.4 shows clearly that there was linear relationship between Performance of WLCBMEs and Cutting-out middle man model.



To test for homoscedasticity, Levene test (1960) for equality of variance was computed using one way Anova procedure. This test was used to assess Variance homogeneity, which is a precondition for parametric

tests such as the t-test and ANOVA as earlier noted. If the Levene test is statistically significant, the hypothesis of homogeneous variances should be rejected. The results therefore in table 4.34 indicated that the Levene statistic was 1.123 and it was further established that the Levene statistic was not significant (p-value=0.145). This therefore implies that the null hypothesis is not rejected and thus the variances are said to be homogenous. Given that the assumption of homogeneity of variance was not violated.

Levene Statistic	1.123
df1	7
df2	238
Sig.	0.145

Multicollinearity in the study was tested using Variance Inflation Factor (VIF). A VIF of more than 10 (VIF ≥ 10) indicate a problem of multicollinearity. According to Montgomery (2001) the cut off threshold of 10 and above indicates the existence of multicollinearity while tolerance statistic values below 0.1 indicate a serious problem while those below 0.2 indicate a potential problem. The results in table 4.35 indicate that the VIF value for Cutting-out Middle Man Model was established to be 1.879 while its tolerance statistic was reported to be .532. Based on these the assumption of there was no multicollinearity between predictor variables was thus not rejected as the reported VIF and tolerance statistics were within the accepted range.

Co linearity Statistics	
Tolerance	VIF
.533	1.879

Regression analysis was conducted to establish the relationship between the Cutting-out Middle Man Model and Organization performance. From the finding an R- square value of 0.303 was recorded indicating that 30.3% of Performance of WLCBMEs is was explained by the n Cutting-out middle man model. The model summery table 4.36 shows the finding.

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.551[a]	.303	.300	1.82449	2.030

a. Predictors: (Constant), Cutting-out middle man model

The F-statistics presented in table 4.37 indicated that the overall model was significant, that is, the independent variable, Cutting-out Middle Man Model was a good joint explanatory for Performance of WLCBMEs with F-value of 105.772. P- Value =0.000<0.05 also indicates that the model was fit.

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	352.090	1	352.090	105.772	.000[b]
	Residual	808.888	243	3.329		
	Total	1160.978	244			

a. Dependent Variable: Performance of WLCBMEs
b. Predictors: (Constant), Cutting-out middle man model

From the regression coefficient table, there was positive and significant relationship between Cutting-out Middle Man Model and Performance of WLCBMEs. The model is given as $Y=20.966+1.351X_2$. The regression efficient of 1.351 indicates that an increase in Cutting-out Middle Man Model by 1unit leads to an increase in Performance of WLCBMEs by 1.351 units.

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	20.966	.618		33.905	.000
	Cutting-out middle man model	1.351	.131	.551	10.285	.000

a. Dependent Variable: Performance of WLCBMEs

6. Conclusion and Recommendation Based on the main objective of the current study of to establish the influence of cutting out the middle man model on performance of women-led community-based micro-enterprises in Kenya and using the findings, the F-statistics presented indicated that the overall model was significant, that is, the independent variable, Cutting-out Middle Man Model was a good joint explanatory for Performance of WLCBMEs with F-value of 105.772. P- Value =0.000<0.05 also indicates that the model was fit. From the regression coefficient table, there was positive and significant relationship between Cutting-out Middle Man Model and Performance of WLCBMEs. The hypothesis was also tested and the null hypothesis was rejected which confirms the fact that Cutting-out Middle Man Model has an effect on Performance of WLCBMEs in Kenya. This is important in that the more the middle men are in a distribution channel, the higher the operation cost and hence the more the expenses. The study hence recommend that the model should be used wherever necessary and as much as possible for the benefit of the enterprises.

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