IMPACT OF ENTREPRENEURSHIP TRAINING ON PERFORMANCE OF MICRO AND SMALL ENTERPRISES (MSES) IN KENYA: A CASE STUDY OF EMBU MUNICIPALITY

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Abstract: Since independence, the Kenyan government has developed strategies and promotion programs aimed at promoting the micro and small enterprise sector. Entrepreneurship training has been cited as one of the most important of these. The purpose of this study was to examine the components of the entrepreneurship training program and their impact on performance of entrepreneurs. The conceptual framework takes the form of a structural equation model where entrepreneurial behaviour is seen as a product of the training program. The research method was mainly explanatory though elements of descriptive and exploratory strategies were incorporated. A survey targeting 68 beneficiaries was done. Data was analyzed using descriptive statistical tools. Pearson's correlation matrix was used to show the relationship between the dependent and the independent variables. Entrepreneurship training was found to have had a substantial impact on performance of entrepreneurs. However, constant monitoring was found necessary to make the skills learnt be translated into more practical work. Equally important is financial assistance as it is due to lack of necessary capital that most training beneficiaries are not practicing their learned skills in business.

Key words: Micro and small enterprises (MSEs), Entrepreneurship, Entrepreneurship training

INTRODUCTION
The role and importance of small enterprise sector to economies of countries has been recognized and documented all over the world. According to Liedholm and Mead, the sector is an efficient producer that constitute an important dynamic force in the economy as it contribute significantly to a desirable expansion of output over time (Liedholm, C. and Mead, C.). Likewise, the sector has potential for enhancing job creation through establishment of industries and initiation of commercial enterprises (GOK, 2001). Equally, small and medium enterprise sector is one of the most prolific source of employment as well as the breeding ground for medium and large industries which are
critical for Kenya’s industrialization by the year 2020 (GOK, 2004). As a result, many governments have increased their interest in this sector with an aim of improving it.

Since inception, Kenya government has developed strategies and promotion programs aimed at improving economy by promoting small-scale enterprises. These programmes are either financial or non-financial. However, the most important of all these is entrepreneurship training as it is through personal development that an enterprise culture can be created (ILO/UNDP, 1990; Harper, 1983; Nelson, 1986).

Though given much attention only in the late 1980’s, training programs are not new in Kenyan history and can be traced back to about 1925. This is when Kenyan colonial office issued its first statement on education policy. This policy stated that education should lend individuals more efficient and promotes advancement of the community as a whole. This was to be achieved through training of people in management of their own affairs among other methods (Kasina, 1991).

Statement of the problem
Entrepreneurship training is one of the most complicated issues of the small enterprise growth. It has been observed that in spite of the increasing participation of Non-Governmental organizations and other small enterprise training agencies in the Kenyan informal sector, their training programs have had little or no impact on the change of attitude and acquisition of entrepreneurial skills to target beneficiaries. Reasons for this have not been well explored and neither do we have empirical evidence to explain them. It is with this in mind that this study hoped to find out the extent that small enterprises are translating entrepreneurship training into business management behavior?’. It was expected that entrepreneurship training offered to small scale entrepreneurs significantly influence their behavior and action.

Research objectives
The general objective of the study was to find out how entrepreneurship training that small scale entrepreneurs acquired are influencing performance of their businesses. Specific objectives were as follows

a) To find out components of entrepreneurship training that MSEs acquired 
b) To investigate effect of the entrepreneurship training on MSE’s key business areas 
c) To evaluate challenges encountered in translating acquired skills into business performance 
d) To find out interventions necessary to boost effect of entrepreneurship training to business performance.

Significant of the study
To donor agencies: The findings will be of great assistance to donors as they will be able to engage suitable program implementers and channel their funds in a manner it will be most beneficial.
To the government: The findings will give direction on prioritizing the expenditure of the donors and policy makers in consideration to areas where the strategies should be focused so as to effectively promote MSE performance

To beneficiaries: Information from this study will be useful to both potential and practicing entrepreneurs to realize their weaknesses/shortcomings and rectify them to maximize beneficial effects for their businesses.

Assumptions of the study
The study assumed that entrepreneurship training did not bring much impact on the target beneficiaries and that something need be done to improve its successes. It was further assumed that the respondents to the interview would provide sincere and honest information and views.

Definition of terms
This section deals with operational definitions whose role is to indicate the specific manner in which a term or concept is to be applied. Their use may be different in another perspective. This study used the following concepts.

Micro and small enterprises (MSEs) A micro or small enterprise is an undertaking, which employs between 1 and 20 employees, with capital investment of not more than kshs 30 million. Operational and administrative management lies in the hands of one to three persons who usually make major decisions.

Entrepreneurship
This is a personal quality that enables people to start a new business or skillfully and innovatively expand an existing one.

Entrepreneurship training
This is a training program designed to impart skills and attitude to enable entrepreneurs start a new business or expand an existing one.

THEORETICAL BACKGROUND AND INFORMING LITERATURE REVIEW
This chapter reviews literature relevant to the research problem. It is based on several research papers and contributions of various authors, National Development plans, Government sessional papers and other policy documents in the development of entrepreneurs and small business enterprises. The review gives special consideration to the extent to which MSEs have implemented the various ingredients of entrepreneurship training program (viz. customer care, business record keeping and marketing) to improve the various aspects of their businesses and gain competitive advantages over their competitors to survive. The paper conceptualized that the various ingredients of entrepreneurship training program have effect on performance of micro and small enterprises as shown in the following diagram (fig.2.1)
Fig 2.1. Conceptual framework

The diagram above illustrates the relationship between ingredients of entrepreneurship training program and performance of MSEs (the dependent variable). The study conceptualized that entrepreneurship training program would form independent variables and its effect was expected to impact positively on the performance of MSEs. These are explained as follows.

**Performance of MSE.**

Enterprises operating in today’s world have to develop mechanisms for coping up with the challenges of a dynamic, technologically competitive and volatile environment to survive. It is only those firms that will be able to adapt to these changes that will survive the onslaught that competition brings with it. There are many new market entrants with ‘bigger stick’ which will give existing firms a good run for their money.

Successful business operation depends on the ability to compete; the ability to compete depends largely on the quality of the product (Lyman & Grubellini, 1975). This will therefore require that an entrepreneurial organization works towards product/service
improvement on a continuous basis. This will, in turn, call for entrepreneurial talent that is capable of harnessing organizational resources – human, material, physical and informational resources - efficiently and effectively toward meeting the organizations objectives and goals. Most organizations objectives are to make profit; which is partly realized through the provision of competitive and quality products or services.

**Entrepreneurial Behavior**

Entrepreneurs have been defined as people with ability to identify viable business opportunities, marshal their resources to start a profitable business venture (Rwika, 2003). The process of entrepreneurship is much more holistic and dynamic in nature. At the heart of entrepreneurs is persistent search for opportunities and their efforts to marshal resources needed to realize their goals (Morrison A., 1998). Entrepreneurs are constantly initiating change through creativity and innovativeness in order to stay ahead of others (Drucker, 1986). According to Morris A (1998), entrepreneurship is “the innovatively process involved in the creation of an economic enterprise based on a new product or service which differs significantly from other products or services in the way its production is organized, or in its marketing”

A well trained entrepreneur will portray most of entrepreneurial traits. These traits will then be translated into business growth with the following results; satisfied customers demonstrated by repeat buying, customer royalty and increase in sales volume, well kept business records, satisfied workers and reduced labour turnover, and finally increase in capital investment and employment creation. This research study aimed at revealing whether entrepreneurship training resulted to positive entrepreneurial behavior amongst beneficiaries.

**Customer Care**

Customers are the most important ingredient in any organization. They have many needs and choices. For any business organization to prosper, customers needs have to be satisfied. Likewise, their standards of quality must be kept. These needs keep on changing, and businesses must closely monitor the changes to remain abreast (Edward Freeman, 1984). Where these needs and standards have been ignored, customer relationships have changed drastically. Unsatisfied customers results to customer complaints and if not well attended may lead to lack of customers and thus low sales. Hayes and Abernathy (1980) have argued effectively that US managers have concentrated on designing and producing initiative, rather than innovative products. This led to low sales as their products come as second best to foreign competitors in a market place that emphasizes quality.

**Business record keeping**

Bigg and Perrins (1971) defines book keeping as “the art of recording all money transactions so that financial position of an undertaking and its relationship to proprietors and outside persons can be readily ascertained”. Every enterprise, however simple requires written records. These are used by managers as guides to routine action, taking of decisions, formulation of general rules and maintaining relationships with other organizations or with individuals (Lee, 1985). Thus a business without written records is
like a blind man without his aid or a vehicle without a driver for it does not know which way it is going. The following are the main benefits of keeping business records:

- they help in calculating business profits or losses
- they reveal debtors, amount due and when payments are due so as to avoid heavy costs of bad debts; they reveal fast moving goods, slow moving goods, those about to expire and other vital information in business
- they help in business planning
- they are needed by lenders of business finance
- they help in business control and taking appropriate action, such as laying off an ineffective worker or expanding the business (Rwika, 2003).

Marketing
In the words of William J. Stanton (1981), marketing is “The creation and delivery of a standard of living”. It includes; finding out what consumers want, planning and developing a product or service that will satisfy those wants, determining the best way to price, promote and distribute that product or service. Fulop C. (1970) concurs with Stanton (1981) as he defines marketing as “the making available of the product at the place, at the time and at the form in which they are required by customers”. It also includes provision of services as an integral accompaniment of products, investigation of customer needs, and initiation of the product of merchandise to satisfy customer needs.

Financial Management
As wants and techniques of production change, survival and growth of any business depends on the readiness and exactness with which the firm adapts to the change (Chambers R. 1967). The measure of survival and success-solvency, net income, growth in assets and employment creation, are all measured in monetary terms and rests around the firm’s financial management. The increased range of external sources of funds calls for greater skills in the application of value judgment. This should be diligently applied on selection of the best choice of either one or single source or a combination of several sources, that is a “package” deal. Financial management has the dual function, that of maximizing utilization of funds employed by the firm and minimizing the burdens imposed by recourse to external sources. Thus the central feature of financial management is its formulation of the firms strategy. This is seen in the way the firm determines the most effective use of funds currently at its disposal. The firm’s financial capability is also used in selecting the most favorable sources of additional funds that the enterprise will need in the foreseeable future (Flink J. and Grunewal D., 1969). This research project aimed at finding out whether entrepreneurship training has influenced small enterprises in the way they source for finances.

Summary
The foregoing literature review has revealed key points of entrepreneurship training, its importance and application as advanced by many researchers and scholars, and its impact on the development of small enterprises as experienced by governments and highlighted in their national development plans, sessional papers and other policy documents.
Entrepreneurship training has been highlighted as a key necessity to development and growth of the small enterprise sector in many countries of the world. It has been recognized as an important tool for changing the attitude and transfer of skills to people with entrepreneurial traits. The review has also enumerated findings of various researches related to training programs. Among key guidelines are the content, procedures of selecting appropriate trainers, trainees and the training facilities and methods. Unfortunately, little has been done or said concerning failure of entrepreneurship training program to bring intended impact on the change of attitude and transfer of entrepreneurial skills to target beneficiaries despite the mushrooming of many training institutions, Nongovernmental organizations and private consultants. It is with this view in mind that this research was developed. Once conducted, the research study was expected to establish impact of entrepreneurship training programs on performance of MSEs in Kenya.

RESEARCH METHODOLOGY

Research design
The study used both qualitative and quantitative research designs which were descriptive in nature; as Gall and Borg (1989) noted, “Descriptive studies by nature emphasis interpretation”.

The sample population was 68 MSEs selected out of 1012 target population who received entrepreneurship training from Plan Eastern-Embu between the years 1995 and 2004 using Systematic random sampling technique. The study was expected to generate descriptive Information. Table3.1 below shows how the three sub sectors were stratified.

<table>
<thead>
<tr>
<th>Sub sector</th>
<th>No. trained (N)</th>
<th>Sample Size (n)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Manufacturers</td>
<td>480</td>
<td>10</td>
</tr>
<tr>
<td>Services</td>
<td>215</td>
<td>18</td>
</tr>
<tr>
<td>Repairs</td>
<td>210</td>
<td>5</td>
</tr>
<tr>
<td>Traders</td>
<td>107</td>
<td>35</td>
</tr>
<tr>
<td><strong>TOTALS</strong></td>
<td><strong>1012</strong></td>
<td><strong>68</strong></td>
</tr>
</tbody>
</table>

Qualitative data was manually analyzed using the researcher’s insight and research skills to bring out the main themes. The emerging themes were then operationalised for content analysis and to make meanings and importance of the study. Responses to quantitative questions were electronically analyzed to reveal relationship between the dependent and independent variables.

RESEARCH FINDINGS AND DISCUSSIONS.
This chapter examined the research objectives formulated in relation to the findings obtained. Conclusions and recommendations were subsequently given being based on information generated from the analysis of the questionnaire.
Summary of the findings:

Family background
From the findings, it was evident that most beneficiaries were aged between 41 and 60 years, married with between 3 and 6 children. They have no formal education and have no training though with a lot of work experience (of over six years).

Business information
The overall data on the business profile indicated that most of the training beneficiaries have a sole proprietorship form of business, of three to four years of operation. These businesses are in the trade industry and most owners attended all the four core topics of the training program. A constructed bar graph on business subsectors showed that majority of training beneficiaries were in the trade sub-sector. This was probably because all other sub-sectors require some apprenticeship skills. As plan Eastern targets poor families for sponsorship, most are unlikely to have acquired these skills and therefore this explains our findings.

Information on training
From the study most beneficiaries felt that skills learnt helps them solve their customer complaints as well as retaining them quite well. However they have a mixed feeling when it came to reclaiming their lost customers where majority felt training on customer care does not help them much in reclaiming their lost customers. This is indicated in fig4.1 below.
2. Business record keeping.
Most beneficiaries were of the opinion that the training programme helps them very much in calculating their profits, keeping their business records as well as distinguishing business resources from personal resources. This, they indicated with over 90% certainty.

When asked how much the learnt skills help them solve the problem of lack of market, majority indicated fairly well. However, they seemed to differ in opinion as seen from their choices. There was however consensus amongst beneficiaries that the training very much helps them cope with market competition as well as incorporate innovation and differentiation in their products.
4. Personnel management.
The question of personnel management seemed a complicated one. Though trained, most beneficiaries felt that training had little impact on their sourcing for qualified employees, motivating them and even retaining them. They however seemed to differ in opinion as indicated by their chosen options. This confirmed Harper’s notion that entrepreneurship training is one of the most complicated issues of the small enterprise growth. (Harper, 1988)

5. Financial management.
Most beneficiaries felt that the training fairly helps them identify when their businesses need more finances as well as securing appropriate sources of finance and uncertainty avoidance. They were equally enthusiastic that the training was of much help in business risk minimization. However, their opinions are fairly divided amongst the first three options of very much, fairly well and not much helpful.

6. Overall entrepreneurship training.
On the overall entrepreneurship training, most beneficiaries felt that the training was very much relevant to their business operations (67%) and only 1.4% declaring that it was not relevant.

7. Overall entrepreneurship results.
After training, most businesses stated that they enjoy much innovativeness in display of merchandise and flow of operations. However, there is little or no increase in number of employees, they lamented. Increase in capital invested was mild while there seemed to be a differing opinion as to whether sales volume has increased or not. This again confirmed Harper’s notion that entrepreneurship training is one of the most complicated issues of small enterprise growth (Harper, 1988). A general observation was that beneficiaries are translating learnt skills into desirable business results except in areas affected by other factors like capital availability and labour.

8. Karl Pearson’s Correlations matrix
When independent variables were plotted against dependent variable on a Pearson’s correlation matrix, they give an indication of how the two variables are related to each other through a combined mean correlation coefficient. A correlation coefficient of +1.00 implies that the variables are positively correlated; a situation which in our case would imply that entrepreneurship training is very well enhancing the Mses Performance and thus giving them competitive advantage in the market. A correlation coefficient of -1.00 on the other hand would imply that the variables are negatively correlated and in our case, it would imply that entrepreneurship training is hindering MSEs from performing and thus rendering them weak in their competitiveness.

The study results
When independent variables were plotted against dependent variable on a Pearson’s correlation matrix, they showed a very strong positive correlation, of +0.87. This implies
that training was successful and disapproves government’s assertion that NGO’s training programs have had little or no impact on the change of attitude and acquisition of entrepreneurial skills to target beneficiaries. (G O K, 1990)

**Challenges in Using Components of entrepreneurship training**

When responding to challenges they face in using components of entrepreneurship training, sixty eight per cent of respondents felt that the major challenge they face is inadequate financial resources. 13% indicated that inadequate practical skills constitute their number one challenge; 11% lamented that frequent machine break downs are their major handicaps and 8% talked of inefficient and slow machines. These findings are similar to assertions by the Government of Kenya (GOK, 1982) that most MSEs lack capacity to adopt modern skills and technologies because decisions relating to cost aspect rests with multinational corporations. Other scholars with similar views include Moyi (2005) who observes that Kenya’s productive and investment capability is constrained by factors such as high cost of equipment and machine components; Gichira (2002) who concludes that widening gap between the technological capabilities employed by African firms and those employed by firms in other parts of the world are caused by inadequate funds; and Biggs, Shah and Srivastova (1995) who asserts that studies in African countries reveal that Africa exhibits much more inter firm technological heterogeneity than other developing regions (due to lack of funds), Patel (1986), Chambers (1967) and Albu (1997) who conclude that entrepreneurs need skills, knowledge as well as financial resources to be able to assimilate change and create technology. Chambers (1967) also goes ahead to observe that the measure of survival and success-solvency, net income, growth in assets, employment creation and others are all measured in monetary terms and rests around the firm’s financial management (Chambers,1967).

These discussions imply that the most important challenge in using components of entrepreneurship training is inadequate finances. These results are represented in figure 4.2 below.
When asked to suggest improvement interventions that they feel appropriate, most entrepreneurs (68%) stated that a major improvement intervention for their MSEs is to be financed. 18% said they need to be practical skills; 11% said for their businesses to be helped, they need to be linked to suppliers while 3% talked of other varied interventions. These findings corroborate well with Kenya’s ministry of youth and sports’ assertion that skills acquisition is necessary but not sufficient to improve MSE performance (GOK, 2006). To supplement the skills, entrepreneurs also need to be funded. Second in the list of improvement interventions is provision of relevant practical skills which is supported by 18% of the respondents. This supports observations that advantages associated with new technologies is seldom realized without a learning intensive process of experimentation, modification and adaptation to the specific circumstances of the firm (Enos 1992; Aw and Tan 1995). In conclusion, financing and practical skills training are two major interventions necessary to assist MSEs improve their technological adoption capabilities. Figure 5 below shows respondents’ suggestions on improvement interventions in use of components of Entrepreneurship Trainings
Summary of the findings

Family background
Results from the findings showed that most entrepreneurs trained were above 40 years of age, and have no formal education.
Business information
Most businesses which benefited from the training program were in the trade sub sector, and are one man owned. Most owners attended to all core topics of the training program.

Information on training
There is a general consensus that all components of the training program were very helpful in solving business problems. This was equally true with the relevance of the overall training program to the actual business operations. Karl Pearson’s correlation matrix confirmed this as all coefficients of correlation were positive and very close to one. However, questions on personnel management attracted a lot of discrepancies with very high standard deviation and low coefficients of correlation.

CONCLUSIONS AND RECOMMENDATIONS

Conclusions
In conclusion, entrepreneurs trained were mostly in the trade sector, aged with no formal education and were sole proprietors. They all agreed that the training program was beneficial to their businesses. They were however not fully translating their learnt skills into desirable business results due to inadequate finances and lack of monitoring to ensure that they appropriately apply their acquired skills.

Contribution to existing body of knowledge
Findings from this study imply that implementation of new skills require finances and a lot of sacrifice from the learners and thus unless follow-up (monitoring) sessions are mounted to encourage entrepreneurs put to use the learnt skills, beneficiaries are likely to revert back to their old ways of doing business and therefore forget the newly acquired skills. However good it is, knowledge (and thus entrepreneurial skills) is only precious when put to use.

Recommendations
1. To make the training more meaningful to beneficiaries, it is necessary for the trainees to be closely monitored after the training to ensure that they are properly making use of the learnt skills. This will also reveal gray areas in the training program and rectify them in time. According to Harnes (1988), training managers should co-ordinate, monitor and evaluate the training results while trainers should conduct field monitoring exercises.
2. Financial assistance should also be provided to trained beneficiaries. This will give entrepreneurs opportunities to start business and therefore make use of the learned skills. It is also in line with Morris and Somerset (1971); House (1979); Mc Cormic(1988) and Macharia(1989) who suggested that a large number of small business enterprises have not expanded partly due to lack of sufficient funding.
Suggestions for further studies
To boost impact of entrepreneurship training on performance of small and micro enterprises, further studies have been suggested on factors affecting personnel management in micro and small enterprises in Kenya.

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