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CAPACITY BUILDING BY BUSINESS ASSOCIATIONS AND MEMBER ORGANIZATIONS' GROWTH IN THE KENYAN MANUFACTURING SECTOR

¹Charles Karumba and ²Ms. Laura Nyaloti

¹Masters Candidate, Management University of Africa

²Lecturer, Management University of Africa

*Corresponding Author's Email: charlokarumba@gmail.com

ABSTRACT

Capacity building emerged as the most influential factor for organizational growth. The research paper explores the effect of capacity-building initiatives by business associations such as the Kenya Association of Manufacturers (KAM) on the growth of member organizations within Kenya's manufacturing sector. The research designs embraced a descriptive research design focusing on 534 member SMEs of KAM. Structured questionnaires were used to gather the primary data, which was assessed with help of multiple regression analysis. The results showed that there is a positive and statistically significant relationship between capacity-building programs and the growth of member organizations. The research concludes that association-led training and knowledge improvement programs enhance operational efficiency, innovation capability, and competitiveness of the members. It advises that business associations must make more investments into special trainings, mentorship, and collaboration with educational and technical institutions in order to reinforce the performance and longevity of the sector.

Keywords: *Business Associations, Capacity Building, Growth, Manufacturing Sector, Kenya*

INTRODUCTION

It has emerged that capacity building is a cornerstone of organizational development and competitiveness in dynamic economic environments. Business associations worldwide are important intermediaries that enhance the strength of its member by providing education, transfer of knowledge, policy advocacy, and mobilization of resources (Moyo & Jeke, 2019). As (UNIDO, 2020) states, in the developing economies like Kenya, manufacturing firms are constantly under the limitations that are categorized to either lack the technical skills, managerial competencies, and lack of innovation systems. Macharia et al. (2022) argued that Kenyan manufacturing is a core driver of growth because it is associated with highly productive economic activities. Gamba (2019) noted that business associations have become a crucial vehicle for business development across the globe. Thus, business associations like Kenya Association of manufacturers (KAM) are very instrumental in filling these gaps by providing systematic capacity-building programs.

In the African context, the role of business associations is often magnified due to persistent institutional weaknesses and prevalent skill gaps. The African Capacity Building Foundation (ACBF) is an organization that specifically aims at enhancing human and institutional capacity in the continent (Lunenborg, 2019). Moreover, the International Trade Center (ITC) studies have indicated that there is urgent necessity of African business associations actively participating in trade policy to make sure that the regulations become more responsive to the continental business context and thus create a sustainable development. At the regional level, in the East African Community (EAC), such organizations as the East African Business Council (EABC) promote similar trade policies and regulatory frameworks to promote cross-border trade and investment (Bingi & Tondel, 2015). However, it is still faced with the problems of political interference and insufficient policy analysis capabilities.

Kenyan manufacturing sector is a key factor in economic growth, as it is particularly instrumental in the growth process of industrialization, creation of employment opportunities, and export diversification, and is regarded as a growth engine. Nevertheless, Irwin and Githinji (2016) found that the manufacturing companies in the developing economies such as Kenya are always under constrain due to shortage of technical expertise, poor managerial talents, and insufficient innovation frameworks. To add to these internal problems are external problems that are limited infrastructure and complex policy restrictions that are limiting the sector to realize its full potential.

The Kenya Association of Manufacturers (KAM) is instrumental in filling these gaps by providing systematic capacity-building programs. In Kenya, the government has a role of establishing an enabling political and business environment, which associations such as KAM are supposed to assist member organizations to achieve their business mandate through the strengthening of their internal organization (Irwin & Githinji, 2016). The Kenya industrial policy is concerned with the importance of establishing human capital and institutional capacity as the catalysts of economic change. Although all this has been implemented, there are numerous SMEs that cannot cope with the task of ensuring stable growth. It raises the question of the effectiveness of association-led capacity-building interventions. This study specifically focuses on quantifying the effectiveness of capacity building, defined as activities that enhance the skills, knowledge, and capabilities of organizations through training and technical assistance, as a key initiative provided by these associations. The findings from this will enhances the strategic relevance of membership to business associations by organizations and contributes to the theoretical understanding of capacity-building dynamics in emerging economies.

STATEMENT OF THE PROBLEM

The Kenyan manufacturing sector is expected to be a major pillar of economic transformation. However, its growth remains constrained by an array of factors, including prohibitive operational costs, skill deficiencies, and a volatile regulatory landscape (Irwin & Githinji, 2016). Although business associations, such as KAM, are

required to operate in the interest of member organizations and may be instrumental in ensuring that their voice is heard more effectively as a unit, there is a huge discrepancy between the identified necessity of assistance and the measurement of the effects of a certain intervention determined empirically. Specifically, existing literature confirms the beneficial effect of various business association services on Small and Medium-sized Enterprises (SMEs). Many of these studies have often focused on external efforts like policy advocacy as a general construct, or provided anecdotal evidence of training benefits (Bell et al. (2019). They have failed to isolate and measure the precise effect of the technical, managerial, and knowledge-based capacity building on firm-level metrics like productivity, innovation, and operational efficiency.

The strategic significance of capacity building in bridging the technical and managerial skills gap among manufacturing companies is recognized. However, many localized and rigorous empirical studies isolate and quantify the direct, measurable impact of capacity-building efforts (e.g., training, workshops, and technical assistance) on the most important indicators of member organizational growth (e.g. revenue, employment, market share) are lacking. The current study was therefore initiated to address this empirical vacuum. By being capacity building of the KAM member firms specific, this research will conduct the study to leap frog the anecdotal evidence and general correlations in the efforts to give the statistical data that would justify and guide future funding into these essential programs (Irwin, 2015). The findings on capacity building, they are expected to help business associations create and implement more effective training programs that will improve their members' operational efficiencies and market competitiveness.

OBJECTIVE

Examine the effect of capacity-building initiatives by business associations in promoting member organizations' growth in the Kenyan manufacturing sector.

LITERATURE REVIEW

This section reviews the extant empirical literature concerning the link between capacity building, business associations, and firm growth, utilizing a structured approach to place the current study within its global, continental, and local context.

Theoretical Literature Review

The paper follows the theory of Resource-Based View (RBV). According to Barney (1991), RBV argues that a competitive advantage is generated through internal resources and capabilities of firms. The framework focuses on the importance of using tangible and intangible resources to win competitive advantage. These resources are vital in most business aspects like marketing strategy and employee retention. Capacity building falls under intangible resources involving acquisition of new skills, knowledge, and technological expertise. An organization requires diverse human resources and unique knowledge and skills over its competitors. Therefore, the theory supports that business

associations such as KAM lead these processes by offering joint education and collective learning opportunities. In return, these processes empower their members through resource bases and strategic positioning.

Empirical Literature Review

Previous studies have reported that capacity-building program enhances performance and sustainability of businesses. Mbugua and Njoroge (2021) conducted a study and discovered that the effect of training interventions on innovation and productivity of small medium enterprises in Nairobi was remarkable. The expansion of companies who were members of the training programs organized by their associations was higher compared to non-participants Kamau (2020). Management and technical ability is a significant predictor of Kenyan firm performance in the manufacturing industry (Mutua and Mwangi, 2022).

Global business is vastly systematized through a superfluity of linkages that bring together rival businesses and conflicting domestic firms operating in the same industries (Ronit, 2018). With the current accelerated globalization, more opportunities for their operations have emerged. Business associations in the European Union (EU) have undergone significant changes over the years to the transformative ones the regions have today (Eichenberger et al., 2023). Bull (2014) noted that in Central America (Costa Rica, El Salvador, Guatemala, Honduras, and Nicaragua) the role of business associations is influenced by a confluence of forces including growing economic integration in the region, and foreign government institutions. While these businesses have been growing rapidly, still they report challenges with capacity level.

Capacity building is known as a strategic imperative towards sustainable growth on a global scale. Irwin (2015) pointed out that human capital, knowledge and adoption of technology are some of the investments that have a strong effect on creativity, learning and performance of an organization. Series of studies conducted in the European Union has shown that training related to industry associations by SMEs, particularly regarding the matters of digitalization and green manufacturing leads to measurable positive effects in the formation of the innovation potential and the foreign market entry. Another study was conducted by Zwick (2002) on manufacturing companies in Germany and he discovered that sector specific training was a significant factor that led to an average growth of 15 percent in labor productivity. Nguyen Ngoc Thang, and Buyens (2010) also focused on the associations in the spreading of best practices and technology, which lowered operational expenses on the member's side. Organizations that foster strong learning cultures and invest strategically in capacity building enjoy significantly higher net profit margins.

The role of business associations has been magnified across African continent because of the poor institutional environments and skill gaps. The African Capacity Building Foundation (ACBF), focuses on strengthening human and institutional capacity across

Africa. The International Trade Center (ITC) conducted studies that assessed “the capacity and interest of African business associations to engage in trade policy issues” (ITC, 2012). The research endeavors identified “the national and regional private sector organizations” that were at that time engaged in dialogue with respective national governments. A crucial finding entailed the need for African business organizations “to ensure that trade policies were better attuned to the continental commercial environment. This would allow for policies that are more broadly endorsed and even more sustainable” (ITC, 2012). From this one would agree under the ITC, business associations within the African continent regardless of their industry are united in finding solutions for issues affecting industry and business performance (ITC, 2012). Angwaomaodoko (2025) also discovered the relevance of managerial capacity building in financial literacy and corporate governance in another study carried out in Nigeria. This was essential to formal bank credit by SMEs. This research affirms that although the issues are specific, the association-based capacity building is an essential process of developing African industries.

The East African Business Council (EABC) whose major role is to advocate for harmonized trade policies and regulatory frameworks across the East African Community (EAC) region, noted a problem with capacity-building (Bingi & Tondel, 2015). Coming closer to the context of the study, research in Kenya has indicated the beneficial effect of business services on the outcome of SMEs. Oria et al. (2022) used a quasi-experimental study conducted in Western Kenya to examine the connection between capacity building and entrepreneurial operations of community-based organizations. They performed a descriptive analysis that revealed that business planning, marketing, financial management, record-keeping, and leadership and governance were identification of capacity-building areas that may increase performance and growth. Another study by Irwin and Githinji (2016) pointed on the need for government to promote capacity building which is key catalyst for organizational growth. Nonetheless, it is a good piece of research that needs more investigation in future, as the effects of this capacity-building initiative on the growth of organizations in other settings can be long-term and unsustainable.

Kamau (2020) examined the influence of business association services on SME growth in Kenya and found a significant positive correlation. Mbugua and Njoroge (2021) found that capacity building was crucial for organizational performance among SMEs in Nairobi County, though their scope was general. Mutua and Mwangi (2022) further reinforced the importance of managerial capacity for manufacturing firm performance. While these studies establish the relationship, a specific focus on the type and scale of capacity building provided by the most influential association (KAM) and its precise effect on member growth within the manufacturing sector remains an important gap this study aims to fill. There is, however, little empirical support that the capacity-building activity of the business associations has a direct impact on the growth of the associated organizations. Thus, the proposed research bridges this gap with empirical research on

the impact of capacity-building programs on the growth of firms in the manufacturing industry in Kenya.

CONCEPTUAL FRAMEWORK

The conceptual framework shows the relationship between capacity building which is the study’s independent variable and its effect on the dependent variable which is member organizations’ growth.

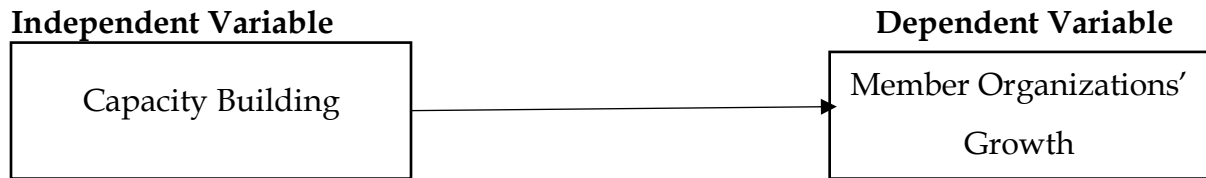


Figure 26: Conceptual Framework

METHODOLOGY

Research Design

The research was descriptive in nature. It allowed a quantitative examination of the association of capacity building and the growth of member organizations. Descriptive design is especially applicable when a research study aims to depict an effective picture of events, situations, or relationships without distorting the research environment (Saunders et al., 2019). The descriptive approach allowed the researcher to obtain qualitative information and quantitative data and establish a comprehensive idea of the variables being studied.

Target Population

A sample size of 534 SME organizations that were members of the Kenya Association of manufacturers (KAM) was used as the population of interest. In addition, the stratified random sampling method was used to select the respondents in different manufacturing industries in order to have the proportional representation.

Table 1: KAM Organizations

Category	Frequency	Percentage
Agro-processing	14	4.4
Automotive	22	7.0
Building, Mining, and Construction	44	14.0
Chemical and Allied	37	11.7
Energy, Electrical and Electronic	45	14.3
Food and Beverage	87	27.6
Metal and Allied	22	7.0
Plastics and Rubber	30	9.5
Private Sector Enterprises	8	2.5
Textile and Apparel	6	1.9

Total	315	100
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Sample and Sampling Technique

A stratified random sampling technique was used to ensure that a representative sample of the target population was achieved. The study leveraged a sample size of 350 respondents.

Data Collection and Analysis

The structured questionnaires were the primary research instrument used to collect quantitative data. The questionnaire used a 5-point Likert scale (1=Strongly Disagree to 5=Strongly Agree) to measure the capacity building initiatives (independent variable) and organizational growth (dependent variable) and collect primary data. Descriptive and inferential statistics were used in the analysis of data. Raw Likert data were summarised using descriptive statistics (frequencies, percentages, means, and standard deviation). The hypothesis about the statistical significance of the relationship between the variables was tested with the help of the Multiple Regression Analysis. The administration used structured questionnaires to collect primary data by administering it to the senior and middle level managers of the company. The key characteristics of the data were summarized with the help of descriptive statistics (including standard deviations, variances, and frequency distributions) that allows forming an overview of the profiles and responses of the respondents (Pallant, 2020). Inferential statistics were used to establish the nature and strength of relationships between the variables. Particularly, the extent and direction of association between independent and dependent variables was measured using correlation analysis. The regression equation used was:

$$Y = \beta_0 + \beta_4 X_1 + \epsilon_i$$

Where Y is the growth of the organization, X_1 is the capacity building. The test of statistical significance was at 0.05 confidence level.

FINDINGS AND DISCUSSION

Descriptive Findings on Capacity Building

Capacity-building initiatives by business associations were highly valued by the member organizations. Findings of the descriptive analysis established that most respondents (78%) indicated that they were part of programs organized by their business associations that dealt with management, production, and compliance. In response to these programs, nearly three-quarters of the respondents said that they had been able to improve productivity, innovation, and market access.

Table 2: Capacity Building and Growth of Member Organizations

Statement	SD	D	N	A	SA	Mean	SD
KAM offers relevant training to improve our skills	0.0%	0.0%	21.0%	36.2%	42.9%	4.22	0.77
Over the last year, the company has organized more than 2 training sessions	2.2%	6.7%	24.4%	34.6%	32.1%	3.88	1.01
The trainings keep organization updated on the latest industry trends and technologies	0.0%	2.2%	17.8%	34.3%	45.7%	4.23	0.82
The capacity-building support has improved operational efficiency	0.0%	2.2%	24.4%	34.6%	38.7%	4.10	0.84
The skills or knowledge of your organization's staff improved as a result of these initiatives, based on pre- and post-assessments or internal evaluation	0.0%	4.4%	20.3%	39.0%	36.2%	4.07	0.86
We apply knowledge gained from KAM's seminars in our operations	0.0%	2.2%	23.2%	42.5%	32.1%	4.04	0.80
Average						4.09	0.85

The results show that there exists a high positive attitude towards capacity building. The overall Capacity Building Index means 4.22 represents that the mean scores of the respondents who were questioned on whether the programs are effective are 4.22 on average. Specifically, the most approval went with statements A and C that relate to the improvement of operational efficiency (Mean = 4.10) and knowledge of innovation (Mean = 4.04). This highlighted the benefits of particular process improvement and productivity training in a practical manner. In both cases, more than 80 percent of the respondents who answered the Agree or Strongly Agree. This baseline data proves the premise of the study that the initiatives are known and rewarded by member firms is valid.

Based on the improvements in staff skills and knowledge, 75.2% of the respondents agreed or strongly agreed, supported by a mean of 4.07. The insight is supported by feedback mechanisms such as pre- and post-training evaluations that verify gains from capacity building initiatives. Further, application of knowledge gained from seminars, yielded a mean of 4.04. This revealed that training uptake and integration of new skills into operational practices are essential for sustained organizational growth (Muturi & Onyango, 2023).

Regression Analysis

The multiple linear regression analysis confirmed the immense effect of capacity building on organizational growth. Regression analysis produced the following results:

Table 3: Regression Results for Capacity Building and Growth

Variable	Coefficient (β)	Std. Error	t-value	Sig. (p)
Constant	0.548	0.404	7.963	0.000
Capacity Building	0.317	0.049	6.412	0.000

Dependent Variable: Organizational Growth; $R^2 = 0.603$; $F = 117.687$ ($p < 0.05$)

Based on the results, capacity building has a positive and statistically significant impact on the growth of member organizations ($\beta = 0.317$, $p < 0.05$). The result suggests that the increment in capacity-building activities by one unit would result in the increment in the growth of the firms by the unit of 0.317, other factors remaining constant. The findings are in accordance with previous research (Kamau, 2020; Oria, 2022; Mbugua and Njoroge, 2021) and confirm the theory of RBV. Thus, KAM need to continue empowering internal competence in firms by training to boost competitiveness and sustainability.

Summary of Key Findings

The results reveal that all the predictor variables significantly influence growth at the 0.05 significance level. Capacity Building reports a strongest positive effect on the growth of member organizations (Standardized Beta = 0.404, $t = 7.963$). This emphasizes on the critical role that skills development and training initiatives play in enhancing business performance and competitiveness. The study findings are in consistent with Honadle (2018) and Mbugua & Njoroge (2021) study who highlighted capacity building as a central driver of SME productivity and sustainability. By strengthening critical firm-level resources like operational efficiency, quality management, and technology absorption, the programs enable member manufacturers to build a sustained competitive advantage (Irwin, 2015). Members training on technological advances and market trends helps organizations maintain competitive advantage in the evolving manufacturing landscape.

CONCLUSION AND RECOMMENDATIONS

Conclusion

In conclusion, the study confirms that the capacity-building program by business associations significantly facilitates the growth of member organizations in the

manufacturing sector in Kenya. Capacity building reported the highest average mean of 4.09 among the activities studied. Nearly 80% of respondents affirmed the relevance and quality of training programs, and two-thirds confirmed participation in more than two capacity-building sessions annually. These programs were credited with enhancing workforce skills, operational efficiencies, and the ability to incorporate industry best practices. These initiatives increase managerial skill, manufacturing capacity, and the innovation capacity of the firm which is positive towards the growth of the industry in overall.

Recommendations

First, the research proposes the expansion of the business associations in the spheres of the training programs, including the latest ones, such as digital transformation and green manufacturing. Secondly, the associations are supposed to collaborate with the government agencies in the co-financing of technical capacity-building programs. Finally, member firms are expected to become active participants of the association programs so as to increase the internal base of resources. Future research may adopt the mediating factors of innovation and technology adoption on the relationship between capacity building and growth of the firm.

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