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Critical Analysis of Entrepreneurship Education on SMES Development in Kenya

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Abstract:

Entrepreneurship education can cultivate a student's attitudes and intentions, as well as the founding of a new firm that will thrive and grow. If this happens then the chances of enterprise closure will stop, jobs will be created and this will enhance economic development. The general objective of this study was to determine the influence of entrepreneurship education on enterprise performance. The measurement of entrepreneurial propensity in students across the curriculum, may not be viable, but this could be done through assessing the performance of SMEs whose owners have gone through entrepreneurship training. Social Cognitive Career Theory was applied to study the linkages between educational experiences (both curricular and extracurricular) and the motivational processes underlying a student's movement in entrepreneurial behaviour. Purposive and Snowball sampling methods were applied in identifying the respondents. The questionnaire was then applied to those identified to gather data from the 20 respondents. Regression analysis was applied on variables, and the study found a multiple R of 61% which indicates a positive correlation between enterprise performance and the independent variables. This correlation is weak though. The hypothesis tested showed there is statistical significance between enterprise performance and entrepreneurship education. This therefore means that entrepreneurship education should continue to be taught at all levels.

Keywords: *Entrepreneurship intensions, entrepreneurship education, efficacy influences, SMEs performance*

1. Introduction

1.1. Background

According to Baseline survey, Kenya (1999), the government is pursuing a national development strategy that seeks to instil rapid and sustainable economic growth thus reduce the high incidence of poverty .The strategy is to be implemented by creating competitive market conditions for private and rural sector SMEs.

The growth in number of SMEs and people employed by them has been achieved at considerable cost in terms of small business failure.

According to employment Gazette (1991), every year a large number of businesses are borne in the economy and almost equally large numbers die. SMEs have provided independence and employment for some, but disillusioned and changing fortunes for others.

According to Stansworth (1991), public perceptions of the small business have shifted in recent times from the extremes of neglect and ignorance to hype and over expectation .In the 1950s and 60s,small rural firms were written off as out of date form of economic activity which lead to rural –urban migration.Bolton report (1971), committee underpinned the fact that SMEs could be extremely efficient having the advantages of the commitment of their owner managers, plus the ability in certain circumstances to better exploit business opportunities. SMEs are now heralded as leaders in providing employment and growth in restructuring of advanced economies.

This paper considers entrepreneurship studies and other factors which affect the performance of enterprises, particularly in Kenya. It is the combination of these less controllable external factors and internal factors, arising from the personal attributes and skills of the owner manager, which determines the success, or failure of business.

2. Statement of the Problem

Entrepreneurship is recognized globally as the driving engine for many economies. For this purpose, it was introduced in the Kenyan School curriculum in the year 1990, Bwisa (2011) with an objective that it would create jobs, raise the standards of living and help reduce the level of poverty. So far since then, many Kenyans have gone through this curriculum. Ironically the level of poverty is rising steadily in Kenya (Report-2005). The question that arises is whether the objectives of entrepreneurship Education are being achieved or is it because the policy papers that have been there have been aimed at strengthening the SMEs and not entrepreneurship.

The interest and opportunities for training in entrepreneurship, particularly at the postsecondary level, have grown by leaps and bounds over the past several decades. At least part of this growth has been encouraged and supported by national and local policymakers who view E-ed as a vehicle for promoting job creation and economic growth, particularly if they could affect the technopreneurial growth that tends to happen in and around our major universities.

However, Shapero did find a high correlation between increases in new ventures and rising unemployment. The baseline survey Kenya, (1999) also noted the fact that, of the over a million enterprises started each year, only a third would graduate or celebrate their third anniversary. According to Kenya Economic Report (1999), 53% of the unemployment among SMEs is caused by enterprise closures. Reasons for closure being varied. But according to Holt (2010), the term entrepreneur may be properly applied to those who incubate new ideas, start enterprises based on those ideas, and provide added value to society based on their independent initiative. Then the question would therefore be whether or not indeed entrepreneurship education is as important as it is perceived. Additionally, it would be prudent to interrogate the KIE syllabus coverage and its relevance to the prerequisite skill that makes an entrepreneur.

This paper seeks to bring to the fore the influence of entrepreneurship education and technical skills on performance of SMEs.

3. The Genrel and Specific Objectives

The general objective is to determine the influence of entrepreneurship education on enterprise performance.

3.1. Specific Objectives

- i) To assess the influence of entrepreneurial skills on enterprise performance
- ii) To determine the influence of technical skills on enterprise performance.
- iii) Determine whether or not the level of formal education has influence on enterprise performance.
- iv) Identify the most common causes of business failure.

4. Hypotheses

- i) There is no significant relationship between entrepreneurship education and enterprise performance.
- ii) There is no significant relationship between technical skills and enterprise performance.
- iii) There is no significant relationship between formal education and enterprise performance.
- iv) There are no other most common causes of business failure in enterprise performance

5. Review of Literature

5.1. Assess the Influence of Entrepreneurial Skills on Enterprise Performance

Entrepreneurship is seen fundamentally as an important part of modern economic and social life. It plays a key role in our society (Stokes2009).So what exactly is entrepreneurship and what sets entrepreneurs apart from other managers?

Richard Cantillon, a French economist of Irish descent is credited with giving the concept of entrepreneurship a central role in economics. Today the resurgence of entrepreneurship education in higher education has not come from the discipline of economics, but from those who teach small business management (Holt 2010), and the evolution of the concept has generated many definitions. However, the most recent one by Robert Ronstadt captures its essence. For the purpose this study, we shall use Ronstadt definition of entrepreneurship. This states that ‘Entrepreneurship is the dynamic process of creating incremental wealth. This wealth is created by individuals who assume the major risks in terms of equity, time and /or career commitment and providing value for some product or service...’

5.2. Determining the Influence of Technical Skills on Enterprise Performance

Can Entrepreneurship education be taught? There is a belief that entrepreneurs are born and not made. Bwisa (2011), confirms that true entrepreneurship resides in everyone. That the goal of entrepreneurship education is not to teach “entrepreneurship”, but to help students become the best entrepreneurs they can become for the benefit of the society. Accordingly, education programs can affect directly the extent to which entrepreneurial talent is developed within the population, hence it is important to determine not only the content of entrepreneurship programme but also how to teach entrepreneurship Hofstede (2001).

The Kenyan government has therefore embraced entrepreneurship concept and for many years, iconized it as the engine to move the nation to the next level of economic growth and above all reduce poverty levels that is seen to be on the rise (Kenya 1999).

In order to achieve the vision 2030, this calls for all factors of production in the economy to be fully employed. Entrepreneurship being the fourth factor, it was therefore introduced in the curriculum of the education system.

This was aimed at imparting the entrepreneurial skills among the youth who are the majority of the population (Kenya 1999).This would enable businesses to survive beyond three years and grow into medium and large enterprises.

The survival and growth of the small and micro enterprises is intended to create employment opportunities for many citizens hence improve the living standards and the economy at large.

5.3. Assessing Formal Education's Influence on Enterprise Performance

Despite the importance of entrepreneurship education, the curriculum for basic education lacks it.

Colleges and Universities usually offer entrepreneurship education in either a semester or a workshop format, which uses "teaching methods that divide students in groups for a short period of time" (Chiang & Tomimatsu, 2011, p. 47). Education in a semester format typically uses a fixed number of contact hours spread over more than 30 sessions. A workshop offering the same contact hours would need to meet more hours each day, for a number of days, to achieve the same coverage. The main difference is the absorption time between class meetings. The skills to be taught consequently, according to Bwisa (2011) proposes the four entrepreneurial skill categories and 17 skill dimensions include:

- i) Technical skills i.e. operational, suppliers, production etc.
- ii) Managerial skills i.e. management, marketing, financial, legal and administrative.
- iii) Entrepreneurship skills i.e. business concept, environmental scanning, advisory board and networking.
- iv) Personal maturity skills i.e. Self-awareness, accountability, emotional coping, and creativity

5.4. Level of Formal Education and Its Effects on Enterprise Performance

According to Bwisa's condition for entrepreneurship development, entrepreneurship is born, it is nurtured and thrives in an environment that encourages entrepreneurship; one where there are favorable attitudes to entrepreneurship i.e. a policy that has three pillars: motivation, skill and opportunity.

Formal education could be a motivation, it enables one to see opportunities more clearly, through both informal and formal interactions. A skill in the area of specialization enhances the chances of identifying available opportunities in their area of specialization.

On opportunity, entrepreneurship is about ability to identify a business venture that is viable, that would thrive and grow into a large venture to create opportunities. These opportunities are created through innovations i.e. an ability to see new markets, new methods of production, and new sources of raw material (Schumpeter 1964).

5.5. Identification the Causes of Failure among Small Businesses

According to Kenya (2005), enterprise closure is occasioned by many factors among them lack of entrepreneurial skill, lack of finance, poor management, lack of marketing skills, unfavourable legal environment among others. Most of the above are competencies that an entrepreneur needs to have to be able to run their enterprises successfully.

6. Theoretical Framework

The Entrepreneurship Education was built upon a well-established theoretical foundation- the "Social Cognitive Career" Theory developed by Lent, Brown, and Hackett (1994, 2000) to study the linkages between educational experiences (both curricular and extracurricular) and the motivational processes underlying a student's movement into entrepreneurial behavior and is, at its core, a theory of Motivation that is driven by self-efficacy, outcome expectations, and goal-directed activity. These constructs act as mediators in the relationships between individual and environmental experiences and outcome behaviors.

The first core construct is self-efficacy beliefs, which are "concerned not with the skills one has but with judgments of what one can do with whatever skills one possesses" (Bandura 1986, p. 391).

Efficacy beliefs "influence the courses of action people choose to pursue, how much effort they put forth in given endeavors, how long they will persevere in the face of obstacles and failures, their resilience to adversity, whether their thought patterns are self-hindering or self-aiding, how much stress and depression they experience in coping with environmental demands, and the level of accomplishments they realize" (Bandura 1997, p. 3).

As such, Bandura (1997) and the meta-analyses by Judge and Bono (2001) and Stajkovic and Luthans (1998) pointed out that self-efficacy influences cognition, motivation, and behavior, and self-efficacious individuals tend to show persistence toward goal achievement, set challenging goals, recover well from failure, and in general exhibit higher performance.

People make decisions based on self-efficacy beliefs by undertaking activities and choosing situations they deem are more likely within their capabilities to succeed (Bandura 1993).

The second core construct of Social Cognitive Career Theory (SCCT) is outcome expectations, which have been defined by Bandura (1986, cited in Lent, Brown, and Hackett 2000) as the anticipation that certain outcomes would follow certain actions and include beliefs about extrinsic rewards, self-directed consequences such as pride in achievement, and social consequences such as approval. (Bandura 2001).

The third core construct of SCCT is goals, which can be defined as "consciously articulated, personally relevant objectives" that lend a sense of purpose and direction to people's behavior (Elliot, Sheldon, and Church 1997, p. 915) and are thus a fundamental component of all modern psychological theories that aim at understanding human motivation and development (e.g., Bandura 1977; Deci and Ryan 1987; Eccles and Wigfield 2002; Schunk 1991).

In summary, SCCT researchers' post that self-efficacy, outcome expectations, intentions, interests, and goals should mediate the relationships between an individual's inputs and outcomes/behaviors, as well as between background environmental factors and outcomes/ behavior, hence examine entrepreneurship education ability to instil the said behaviors and outcomes in an individual.

7. Variables

7.1. Independent Variable

The independent Variable for the study includes; Entrepreneurship education, Formal and Technical education and how they each affect the performance of enterprise. These are testable variables that will test the three hypotheses mentioned earlier.

7.2. Dependent Variable

For this study the Dependent Variable is one and it is "Enterprise Performance".

The study is to prove whether or not there is a relationship between the above independent variables with the enterprise performance. Whether or not they influence the performance which was measured in terms of Sales less Costs incurred for a period of one year.

8. Research Methodology

The study was carried in Uasin Gishu County-Kenya. It focused on Jua Kali artisans within Eldoret town, of Pioneer region.

The Jua Kali population for the year 2010 within the pioneer region in Uasin Gishu was approximately 300, out of which 200 were small scale. The main wares included jikos, traditional ovens, boxes, chicken feeders, etc.

8.1. Research Design

The research design used in the study took the form of a field survey that was done between February and 20th March, 2014. The study targeted Jua Kali artisans whose approximate number within Pioneer was 300.

8.2. Sample Size Determination

Snowball method of sampling was applied to select 20 Jua kali artisans. Arys (1972), suggested that in descriptive research, one can select from 10% and above of the accessible population hence 20% was arbitrarily picked. The 20% of 200 is translated to 20. In order to select the 20, Snowball method of identifying respondents was applied. The first respondent helped in identifying the next appropriate respondent until the number filled up to 20. Those 20 who were identified were given questionnaires each and encouraged to fill them.

8.3. Methods of Data Collection

This was done using a questionnaire and observation. A short questionnaire was prepared and it contained items seeking information on influence of entrepreneurship education on enterprise performance, among Jua kali artisans.

8.4. Data Analysis

Excel was used to run regression on variables i.e. entrepreneurship education and enterprise performance. Other variables included, training, formal education Skill or technical education and its effect on enterprise

8.5. The Empirical Model

- $Y = A + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \dots + \beta_n X_n + \epsilon$ where
- Y = Change in income
- A = Costs incurred
- X_1 = Initial Income
- X_2 = whether entrepreneur has Technical Training
- X_3 = whether entrepreneur has secondary education
- X_4 = whether the entrepreneur has entrepreneurship education
- ϵ = Other intervening factors

Note: Change in income ascertained from records given by the entrepreneur is included to test the hypotheses that entrepreneurship has influence on enterprise performance.

9. Study Findings

SUMMARY OUTPUT									
<i>Regression Statistics</i>									
Multiple R	0.612477								
R Square	0.375128								
Adjusted R Square	0.275148								
Standard Error	147495.2								
Observations	30								
<i>ANOVA</i>									
	<i>df</i>	<i>SS</i>	<i>MS</i>	<i>F</i>	<i>Significance F</i>				
Regression	4	3.27E+11	8.16E+10	3.752043	0.015938				
Residual	25	5.44E+11	2.18E+10						
Total	29	8.7E+11							
	<i>Coefficients</i>	<i>Standard Error</i>	<i>t Stat</i>	<i>P-value</i>	<i>Lower 95%</i>	<i>Upper 95%</i>	<i>Lower 95.0%</i>	<i>Upper 95.0%</i>	
Intercept	190268.5	70703.59	2.691073	0.012514	44651.78	335885.3	44651.78	335885.3	
costs	1.146356	0.296397	3.867639	0.000695	0.535915	1.756797	0.535915	1.756797	
Technical	-35293.2	56031.42	-0.62988	0.534486	-150692	80105.65	-150692	80105.65	
Educ.	0	0	65535	#NUM!	0	0	0	0	β
Entrep.	-25506.5	58462.34	-0.43629	#NUM!	-145912	94898.91	-145912	94898.91	

Table 1

$$Y_i = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \mu_i$$

Income=19002+1.146c-3529t+0ed-2550.5en+Ui
 T=(2.6910) (3.8676) (-0.62988) (65535)(-0.43629)
 P=(0.0125) (0.00069) (0.5344) (0) (0)
 Multiple R=0.6124

9.1. Interpretation; Study Discussion

The positive coefficient for costs suggests that (ceteris paribus),that is Holding the influence of Technical, Education, and Entrepreneurship Constant,1% increase in costs rate leads to, on average about 11% Increase in sales.On the other hand holding the influence of costs constant, an increase in Technical skill by 1person on average leads to about 35,293 decline in sales. Education has no influence on income. Holding the influence of costs, technical skill and education constant, An increase in entrepreneurship education by 1%shilling on average leads to about 25506.5 decline in sales.t- Values indicate significance. A result of 2.0 and above indicate that the coefficient is significant. P-value is 0.000.A p value of 0.05 and below is considered as significant.Multiple R of 61% indicates a positive correlation between sales and the independent variable. The correlation is weak though.The hypothesis was that there is no significance between performance and entrepreneurship education.The results above indicate that there is significance relationship between Entrepreneurship education and Jua kali business performance though the relationship is Weak.Hence we reject the null hypothesis that there is no significant relationship between Entrepreneurship education and accept the alternative i.e. there is a significant relationship between entrepreneurship education and enterprise performance even though the relationship is weak at R²=61%.

10. Conclusion and Recommendations

The Entrepreneurship Education was built upon a well-established theoretical foundation. This is Social Cognitive Career to study the linkages between educational experiences-both curricular and extracurricular) and the motivational processes underlying a student’s movement into entrepreneurial behavior and is, at its core, a theory of motivation that is driven by self-efficacy, outcome expectations, and goal-directed activity.The study was based in Uasin Gishu County .It focused on Jua Kali artisans within Eldoret town.The Jua Kali population for the year 2010 within the pioneer region in Uasin Gishu were approximately 300 out of which 200 were small scale .The main wares included jikos, traditional Traditional ovens. This study was to find out whether the entrepreneurship education among other variables had any impact on enterprise performance.The study analysed various variables and there was a weak correlation of 61% between enterprise performance (Sales) and entrepreneurship education and there was a significant relationship at p-value being 0.000 and t-value at 2.0.This result agrees with other studies conducted by Vijay and Manju in 1999.

11. Recommendations

Entrepreneurship education outcomes are not being felt because of the way it is taught, Entrepreneurship study is a practical course and hence should be taught practically. This Should be at all levels i.e. from primary schools through to university as support course. The Desirable entrepreneurial behavior should be able to be seen in practice i.e. in efficacy Concept which emphasizes on the outcome as the way to measure the entrepreneurship The entrepreneurial behavior which include ability to identify opportunities that are viable Shall abound and when it does people will stop Passing Over Opportunities Repeatedly.

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APPENDIX A: QUESTIONNAIRE FOR JUAKALI ARTISANS

I am a student at Jomo Kenyatta University of Agriculture and Technology undertaking a PhD in Entrepreneurship. I am conducting a study called “an investigation of entrepreneurship education on performance of business “in Uasin Gishu County. The questionnaire is therefore to help me to collect data from you and it will be used for purely academic purposes. You are kindly requested to participate and respond to the items in this questionnaire in the best way possible. The data obtained will be treated with utmost confidentiality and will be used for purpose of this study only.

Background Information

Please put a tick in the parenthesis;

1).Gender Male () Female ()

2).Age

- i) 20 - 30 ()
- ii) 31 - 41 ()
- iii) 42-Above ()

3).Education level:

- i) Up to Std.8 ()
- ii) Up to form 4 ()
- iii) None ()

4).Training:

- i) Yes ()
- ii) No ()

5) Entrepreneurship Education:

- i) Yes ()
- ii) No ()

6) Technical Skill:

- i) Yes ()
- ii) No ()

7) January Sales 2014 _____.

8) January Purchases 2014 _____.

9) Name any one major challenge you face, _____.