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Effects of Entrepreneurial Training Content on the Growth of Micro and Small Enterprises in Kenya, Kangemi: Nairobi

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Abstract:

In Kenya the Micro and Small Enterprise (MSE) sector has been experiencing challenges in growth which has been manifested through enterprise mortality before the third birthday which has been occasioned by liberalization that has intensified competition in the economy. The purpose of this study was to assess the effects of entrepreneurial training (ET) on the growth of MSEs in Kangemi suburbs, Nairobi county. Although ET may be important, it has not been widely used as an intervention in the growth of MSE and barely any research has been done on its influence on the growth of MSEs in Kangemi. Quasi-experimental research was used in this study. It involved selecting groups, upon which a variable was tested, without any random pre-selection processes. Quasi-experimental designs attempted to rule out unrelated explanations so that the outcome could be attributed only to the experimental intervention which was ET. The target population of the study was the enterprise owners in MSE sector in Kangemi, Nairobi who have been trained over the last three years by the microfinance institutions. A total of 100 MSE owners formed the sample population. Questionnaires were administered to the sample population to enhance data collection for this study. Qualitative analysis was used to analyze the data and key themes were identified as well as statistical representations such as percentages, bar graphs, and charts were used. The research findings revealed that SME owners in Kangemi Nairobi county were in agreement that the training content covered in the training had a positive relationship with ability to learn. When they acquired several entrepreneurial skills such as decision making, financial management, time management skills, they were able to make better decisions, communicate well, manage finances better and improved in time management in their enterprise. These skills helped in increasing profitability which led to opening of new branches, diversification of enterprises among other measures of growth.

Keywords; Entrepreneurial training, training content micro and small enterprises

1. Introduction

1.1. Background of the Study

The government of Kenya aims at maintaining an economic growth of 10% per year for the coming 18 years (Kenya vision 2030) and the promotion of MSE sector is seen as a primary means of strengthening Kenya's economic development (Sessional Paper no 2 of 2005). Several factors contribute to the achievement of this vision which will enable Kenya to triple the gross domestic product (GDP) and become a middle income Industrialized nation by 2030. According to (Stevenson & St-Onge 2005), a micro enterprise is one having not more than ten employees including the owner, while a small enterprise is the one having 11-50 employees. Although huge amounts of money have been spent on MSEs through projects and programs in the recent years, their impact on survival and development of the enterprises has been low, as their mortality rate has remained high (Government of Kenya, 2005).

Many people have joined MSE sector due to the changes in the patterns of employment in Kenya ranging from retrenchments, high unemployment levels, downsizing in organizations and retirement. Many have entered into business not as a matter of choice but because they have to put food on the table. The MSE sector has therefore suffered poor skills, low levels of knowledge and specific abilities that would otherwise make it highly productive. The effect of Entrepreneurial training on MSE growth was studied so as to establish its contribution to the growth of the sector. The findings in this study have shown that ET can be taken as an intervention in the growth of MSEs and people are likely to change their attitude to a level that they will not take entrepreneurship as an afterthought when the job market fails but will be taken for a career.

Hisrich et al (2009) states that although Kenya was the most industrialized country in East Africa neither manufacturing nor the expanding service sector (60 per cent of GDP) had created enough jobs to absorb the increasingly young workforce. In the last decade drought and disputes over the Rift valley's fertile lands have impoverished the countryside accelerating the migration to

the cities. One of the recipient suburbs is Kangemi which is in the western part of Nairobi along Nairobi- Nakuru highway. These immigrants may not have entrepreneurial skills but because of the high unemployment they end up joining the MSE sector. According to Hisrich (2009), this may be as a result of the labor market failing to expand at as high rate as the migration, causing unemployment (11 percent of the workforce) or life under unstable wages of the informal sector.

Despite the importance of the MSE to the Kenyan economy, little research had investigated the role of entrepreneurship and its linkage to training and growth of the MSE in Kangemi.

In the context of this study growth was interpreted as increase in the sales, workforce, improved equipment, increased customers, profitability, opening of new branches, physical expansion of premises. These are very important as they make MSEs withstand challenges posed by external forces like global financial crisis, political, environmental, legal factors, and technological factors among others. Entrepreneurial training has not been used widely by the entrepreneurs as an intervention for growth and in order to measure its effects there was need to remove other factors such as capital, business locations, and advertisements among other factors promoting growth. Since there was not much research done on the ET and its contribution to the growth of MSEs. This research has bridged the gap.

Armstrong (2004) defines training as the planned and systematic modification of behavior through learning events, programme and instructions which enable individuals to achieve the levels of knowledge, skills and competence needed to carry out their work efficiently and effectively. Efficient and effective entrepreneurs demonstrate high level motivation and will make the enterprise to grow thus increase profitability, increase workforce, better customer service, improve corporate image and probably open new branches. Armstrong (2004) states that ET makes major contributions to the successful attainment of the organization objectives and therefore investing in it benefits all the stakeholders of the enterprise.

Kreitner et al (2005) found out that the employees who receive training and development in line with their individual or organizational goals become more efficient in what they do. Training helps an enterprise to grow its capability, which is known as organizational capability. Armstrong (2009) clearly states that the aim of training is to increase organizational effectiveness by obtaining better performance from people, getting them to work well, improving organizational processes such as the formulation and implementation of strategy, achievement of high quality levels of customer service and facilitating the management of change.

Although ET is an important tool according to many scholars, it has not been widely used as an intervention in the growth of MSE and insufficient research had been done on its effects on the growth of MSEs in Kangemi. A deeper understanding of ET dimension i.e (entrepreneurial orientation, training orientation and resource availability) was needed to assess its effects on the growth of MSEs in Kangemi. This study focused on the effects ET on the growth of MSEs in Kangemi.

1.2. Problem Statement

In Kenya the Micro and Small Enterprise (MSE) sector has been experiencing challenges in growth which has been manifested through enterprise mortality before the third birthday which has been occasioned by liberalization that has intensified competition in the economy. Many MSEs operate in a very competitive environment with increased risk and inability to forecast in the current unstable economy. Risks are as well inherent in such arrangements but it is the ideal mechanisms through which the MSE's can operate under such environment (Birley et al. 1991). One possible way of competing effectively is through the provision of Entrepreneurial Training (Ngugi et al 2013) but the relationship between MSE growth and the training contents in (ET) is scarcely studied. Effectiveness of training depends on the methods used, content delivered, the materials used in the training, the environment of training and the trainers. Research by ICON (1998) shows that many MSE owners are not positioned in a way that they are competitive simply because they don't evaluate the role played by ET to the growth of enterprises. The study therefore, sought to investigate on the effects of entrepreneurial training contents on the growth of MSEs in Kangemi considering the contents as a key independent variable.

2. Literature Review

After learning and retaining the training content, trainees should transfer the knowledge and/or skills accrued to the work context with the intention of improving job performance over time (Noe et al., 2006). Content can be divided into the three domains of knowledge: Skills, Attitudes, and Values. When we are teaching knowledge, we can use a variety of methods, with the goal of getting the learner to actively engage in learning the material. When teaching skills, we need to demonstrate and point out important aspects, supervise the student doing the skill, or talk the student through the skill. When teaching about attitudes, we need to use methods that require the application of the attitude in particular situations. Training employees on customer service makes them serve their customers as if they are running their own businesses. They can "move heaven and earth" to satisfy a customer according to a research done by (Make Saint Lucia Enterprising in 2010). Training is not an enterprise but an investment (Make Saint Lucia Enterprising in 2010). They emphasized that world-class organizations provide specific and ongoing training in courtesy. Best-in-class businesses or agencies use effective training protocol to ensure that their customer service goals are achieved. They found out in a research that most of the organizations visited used a number of innovative training approaches to ensure employees were prepared to provide exceptional levels of courtesy and care to their customers. The study concluded that the message from the world-class organisations irrespective of their sizes is that the best asset is a trained employee.

Jordan (1987) identified several characteristics of traditional apprenticeship learning including work as the driving force. The progressive mastering of tasks by apprentices is appreciated not as a step towards a distant, symbolic goal (such as a certificate), but for its immediate value in getting the work done. Gathenya and Bwisa (2011) argued that training and education programs to address specific tasks and skills tackle not only increased expertise, but also enhance levels of self-confidence.

3. Research Design

This is a plan showing how the problem of the study will be solved. Kothari (2009) described it as the blue print for the collection, measurement and analysis of data. The study adopted quasi-experimental design. It involved selecting groups, upon which a variable was tested, without any random pre-selection processes. Quasi-experimental designs attempt to rule out unrelated explanations so that the outcome could be attributed only to the experimental intervention.

Though quasi-experiments are sometimes shunned by those who consider themselves to be experimental purists (Campbell (1963) to coin them “queasy experiments”), they are exceptionally useful in areas where it is not feasible or desirable to conduct an experiment or randomized control trial. Such instances include evaluating the impact of public policy changes, educational interventions or large scale health interventions. For training intervention exercised on MSE owner managers by different Microfinance Institutions, the most appropriate research design was quasi-experimental.

3.1. Target Population

The target population of the study was the enterprise owners in MSE sector in Kangemi, Nairobi who have been trained over the last three years in the MFI sector. In total they were 1000.

3.2. Sampling Frame

There are different MSEs in Kangemi ranging from hotels, butcheries, general shops, supermarkets, bookshops, cybercafes. A list of names of those who have been trained were obtained from different micro finance institutions. This was through written permission to carry out research. The sample for the study was 100 respondents comprising all of whom are MSE owners. This has given representative results.

Since the population was already naturally stratified by the type of clients trained by Microfinance institutions, probability sampling technique was used to sample the respondents from all those that have been trained for the last three years. This is a probability sampling technique whereby each member of the population has a known and equal chance of being selected to constitute the sample for the study (Singh 1992). The sampling was done by use of the lottery method where all the members of the population were assigned with numbered cards. The numbered cards were then put in a container from where the respondents to constitute the sample were randomly picked without replacement.

3.3. Sampling and Sampling Techniques

A portion of the population of interest is known as a sample. Sampling helps to gain information of the sample. It helps in securing a representative group which will enable the researcher gain information about a population (Mugenda & Mugenda 2003). Gay (1992) and Mugenda (2003) recommend that ten percent of the accessible population is enough and a total of 100 cases are required for qualitative data analysis. The researcher used systematic sampling to select a representative sample from the trained MSE owner managers in Kangemi. In this technique the clients who have been trained in the last three years were considered as population selected for inclusion in the sample. The table below indicates the sampling of the respondents.

4. Research Methodology

4.1. Primary data

Primary data was collected by use of structured questionnaires that captured various variables of the study. The questionnaires were designed to address the specific objectives, research questions or test hypothesis (Mugenda & Mugenda 2003). A questionnaire with both open ended and closed ended questions were administered to the MSE owners who participated in the study. The closed ended questions give precise information minimising bias in information and facilitate data analysis. Likert Scale of five point rating from strongly agree to not at all agree was used in measuring the qualitative variables. According to Gay (1992), the respondents are given freedom to express their views or opinions and also make suggestions. Secondary data was obtained from literature sources or data that have been collected by others for different reasons. The data was collected from reviewed Literature such as journal articles and textbooks.

4.2. Instruments of Data Collection

The main instrument of data collection was questionnaire. According to Brown (2001) questionnaires are any written instruments that present respondents with a series of questions or statements to which they are to react either by writing out their answers or by selecting from among existing answers. In order to obtain reliability and adequacy of data, the questionnaires were pre-tested with three respondents and then adjusted accordingly before being administered for the study. The questionnaires were thereafter administered to rest of the respondents.

4.3. Pilot Test

Before the actual data collection piloting of the questionnaire was done using MSE owners who were not included in the final study. The questionnaires were administered to 10 MSEs who are 10% of the 100 MSEs owners who were the total respondents. According to Marjorie et al. (2003) pilot testing the instrument before being used in a study allows the researcher to identify those items that are misunderstood or are not being answered in the way that the researcher desires. Orodho (2009) states that once a questionnaire is structured, it should be tried out in the field to enable the researcher determine the validity and reliability of the questions. Clarity, relevance, comprehension and meaning were tested through this exercise. Gay (1992) stresses

that validity is tested by expert judgement since it is the extent to which a scale or set of measure accurately represents the concept of interest.

5. Data Interpretation, Analysis and Organization

The data collected was organized ,analysed and interpreted, based on the study objectives by use of descriptive measures such as tables and charts,percentages were also used to analyse each key response so that one was able to describe how the total sample was behaving in terms of business improvements in relation to the training received (Kothari, 1996).The interpretation of data was based on the conceptual framework and theoretical literature.Statistical Package for Social Sciences(SPSS) was used in the analysis of the data.All the questionnaires were coded to make data entry easy.For presentation graphs,pie charts and frequency distribution tables were used and the direction of the relationship between dependent and independent variables were established.

6. Research Findings and Discussion

The research findings indicated that those who strongly agreed that the learning content instilled communication skills were 43 % while those who agreed were 41%.There was nobody who strongly disagreed on this and this led the researcher to conclude that what was covered in terms of communication skills was of importance to the trainees in regard to the growth of their businesses.It was observed that more than 10% did not have a clear stand on agreeing or disagreeing (see Table 4.1)

Rate	Frequency	Percentage%
Strongly Disagree	0	0
Disagree	3	5
Neither Agree nor Disagree	7	11
Agree	26	41
Strongly Agree	27	43
Total	63	100

Table 4.1: Training content instilled Communications skills

The study found out that the content covered in the ET helped the entrepreneurs to make better decisions and probably make them in good time thus benefiting their businesses.This was deducted from the highest percentage of entrepreneurs strongly agreeing and the next category having agreed that the content promoted decision making skills in their enterprises.In the research, there was none who strongly disagreed that decision making skills were promoted byhe content covered in the training received.

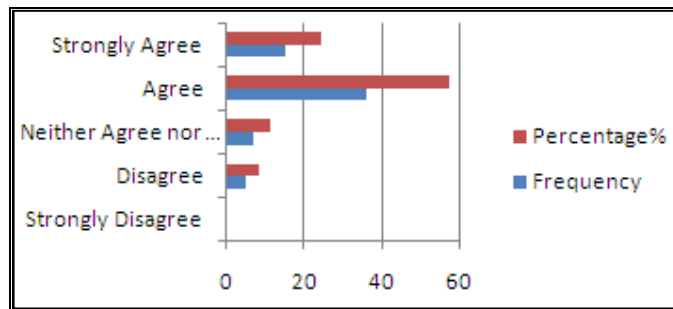


Figure 4.2: Content covered promoted decision making skills

Those who strongly agreed and those who agreed that proper time managemnt was ehanced by the training they were taken through were 87% of the population sample. Only 3% strongly disagreed on the contribution of the training in terms of time management in their enterprises. This means very few were good in managing time before they received the ET which covered time management skills.This is illustrated in Fig 4.3, which shows a general observation of majority being in agreement that they were able to manage their time in a better way after they were trained on the same.

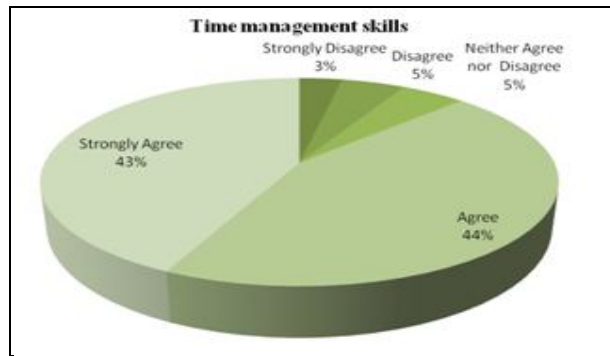


Figure 4.3: Improvement in time management skills

Financial management skills was part of the content covered according to the research findings and majority of those involved in this study strongly agreed that it contributed positively to the growth of their enterprises. It is clearly shown in Fig 4.4 that those who strongly agreed on this were 37% while those who just agreed were 33%. A minority strongly disagreed while there are a number who neither agreed nor disagreed (see fig 4.4). According to these statistics the importance of record keeping, managing credit and proper borrowing habits in the SMEs cannot be overemphasized. Proper financial management helps in tracking the expenditure and the revenue thus the entrepreneur is able to know whether he/she is making profit or is not.

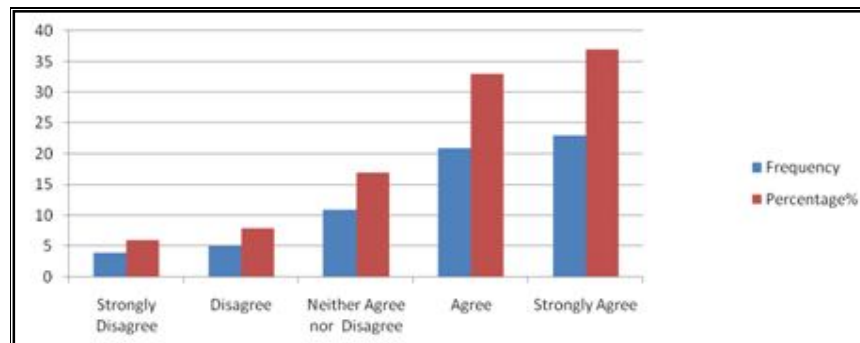


Figure 4.4 Financial management skills

The research revealed that 51-75% of the growth experienced in their enterprise resulted from learning time management skills. Very few declared 1-25% of growth to be attributed to covering time management in the content covered in the ET. This is illustrated in Table 4.5 which clearly shows that more than 50% of SME growth in the area was attributed to what was covered in the training in terms of time management skills.

Rate	Frequency	Percentage%
1-25%	2	3
26-50%	17	27
51-75%	36	57
76-100%	8	13
Total	63	100

Table 4.5: Growth attributed to time management skills

7. Discussions

The findings of this study revealed that SME owners in Kangemi Nairobi county are in agreement that learning content is of great importance in promoting their learning ability. Having learnt several entrepreneurial skills they were able to make good decisions, communicate more effectively, manage finances better, improve on time management, in their enterprise which boosted profitability leading to opening of new branches, diversification of enterprises among other growth indicators. One possible way of competing effectively is through the provision of Entrepreneurial Training which addresses the real needs of the entrepreneurs through offering the content that is relevantly touching on the daily running of the businesses according to this study.

Effective training enables the entrepreneurs to perform better and this leads to growth of businesses. However, according to 2012 Economic Survey, employment in the modern and informal sectors is estimated to have expanded by 4.7 per cent which is 10,955.1 new jobs in 2010 to 11,475.2 new jobs in 2011.

Although most businesses start in a high gear they face stagnation or mortality after sometime in fact before their third birthday according to Kenya bureau of statistics (2007). This has been caused by high cost of borrowed funds Kimathi (2000); shortage of cash flow, Oketch, (2000) low turnover experienced by small businesses; lack of skilled employees; heavy taxation systems, high

inflation reducing the purchasing power. Although training is not the sole solution to the stagnation of SMEs, the conclusion from this study is that it plays a key role in the growth of enterprises. Specific skills addressed by the content offered were suspected to be a cause of failure in the SME sector thus the reason for this investigation.

Bloom's theory of learning which formed the theoretical framework of this study distinguish three skills in every learning which needed different method of delivery and also varying contents. The effectiveness of training depends on the content, methods and the learning environment. The MFI sector has trained its customers in keys and important skills in running their enterprises but they need to train those training the customers. This can be enhanced by having a specific department in learning and development which will benefit both the organizations and their customers. This will make the whole exercise of training entrepreneurial skills to be done in a more professional way thus yield highly in growth in the MSE sector.

8. Conclusion

The study concludes that providing the right content of entrepreneurial skills to the SMEs will enhance decision making, effective communication, improve time management and financial management ability which will result to growth of the SMEs. This would be realized as more owner managers in the sector enroll for training on entrepreneurial skills so as to appropriate their resources in the right way for high yields using the skills availed during the training. As mentioned by Armstrong (2009) the aim of training is to increase organizational effectiveness by obtaining better performance from people, getting them to work well, improving organizational processes such as the formulation and implementation of strategy, achievement of high quality levels of customer service and facilitating change management. The study provides information in regard to training content which will help the developers of training materials in the MFI sector to select carefully what is required by their customers in order to achieve business growth in SME sector. When issues in this study are addressed it will enable the owner managers to utilize their potentials and experience growth in their businesses. This information is good for the SME owner managers, the county government and Microfinance institutions in promoting business growth.

9. Recommendations

Based on the findings and the conclusions of this research, it was recommended giving certificates to the trainees indicating the content of the training, need to be done at the end of the training as an evidence of having acquired particular skills. All micro finance institutions should adopt the training approach to SME growth for their customers. Microfinance institutions should have separate departments to deal with training for the staff and the customers and those responsible should be good in curriculum development. The trainers to be more knowledgeable especially on principles of adult learning in order to have class with nearly 0% boredom.

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