ROLE OF ENTREPRENEUR’S COMPETENCE ON GROWTH OF SMALL AND MEDIUM ENTERPRISES

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ABSTRACT

The study endeavored to determine the role of entrepreneur’s competence on growth of small and medium enterprises. The specific objectives of the study were to; establish entrepreneur’s competence small and medium enterprises in Bungoma County, examine the growth of small and medium enterprises in Bungoma county and to determine the relationship between entrepreneur’s competence and growth of small and medium enterprises. The study used a combination of descriptive, cross-sectional and correlation research designs and data was gathered using a self-administered questionnaire on 201 SMEs. Data was analyzed using descriptive and inferential statistics. The resource-based theory was used to guide this research. The study findings indicated that the grand mean for entrepreneur’s competence was low with a mean of 2.23 with a SD of 0.50. The implications of the findings is that SMEs operators in Bungoma county lack the prerequisite entrepreneurial skills and knowledge affecting their growth save for resource mobilization. It was also found that the grand mean for growth of SMEs was low with a mean of 1.96 and SD of 0.58. The implication of the findings was that SMEs were performing dismally affecting their graduation/transition to the next higher level. The study results also found that there was a significant relationship between entrepreneur’s competence and growth of SMEs with p. value 0.000. The study concluded that SMEs should embrace relevant competence skills to enable them operated...
growth oriented enterprises which can graduate to higher levels thereby contributing to improved social and economic life of the operators and the nation at large. The study recommended that owner managers of SMEs to attend trainings on resource mobilization and innovation so as to acquire adequate resource mobilization and innovation skills and differentiate themselves in the market place to grow their enterprises. The study further recommended that government to put in place entrepreneurship policy to nurture business startups through mentorship, motivation and attitude change as they walk through entrepreneurship journey. 

**Keywords:** Entrepreneur’s Competence, Growth, Small and Medium Enterprises

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**INTRODUCTION**

SMEs in Kenya serve as live blood to the poor; create employment opportunities, generate income and contribute to economic growth (Mukoma & Masini, 2015). Despite the SMEs importance in Kenya, 2.2 million SMEs have shutdown in the last five years (KNBS report, 2016). According to this report most of the closed businesses were mostly those in wholesale and retail trade as well as repair of motor vehicles and motor cycles sector which accounted for 73% of the total closure. Mostly these SMEs closed at the age of 3.8 years. 46.3% of SMEs closed without even the first year of operation ending (Economic survey report, 2017). SMEs in Kenya do not grow into large enterprises (Githire & Muturi, 2015). This failure of SMEs in Kenya may lead to social crimes with high probability of insecurity, low liquidity in the economy and losses of jobs and this result to threatening economic development and Kenya realization of vision 2030 (Janet & Ngugi, 2014).

Studies by Ahmad et al. (2010) found that entrepreneurial competencies predict the success of SMEs in Malaysia. The study of Bosire and Nzaramba (2013) in their findings concludes that development of entrepreneurial skills could serve as a measure for improving the self reliant of startups and established entrepreneurs. Similarly, they found that entrepreneur’s success depended on entrepreneurial skills for starting businesses, like resource mobilization, innovativeness and business planning. Urban and Naidoo (2012) conducted a study which indicated that to run a successful business, a manager needs a wide range of entrepreneurship skills among other skills, Since majority of SMEs are owner managed and owners are the providers of the resources to be used in business including finances, owner’s lack of entrepreneurship skills can be a serious impediment to SMEs performance and to business success (Adele et al., 2011). The study therefore was conducted to determine the role of entrepreneur’s competence on growth of small and medium enterprises in Kenya

**Objectives and Significance of the Study**

The purpose of the study was to determine the role of entrepreneur’s competence on growth of small and medium enterprises in Kenya

**Specific Objectives**

The specific objectives of the study were to;

1. Establish entrepreneur’s competence of SMEs in Bungoma County.
2. Examine the growth of small and medium enterprises in Bungoma county.
3. Determine the relationship between entrepreneur’s competence and growth of small and medium enterprises
Null Hypothesis
There is no significant relationship between entrepreneur’s competence and growth of small and medium enterprises.

LITERATURE REVIEW
Musamali and Tarus (2013) argued that SMEs have consistently grown and generated interest from a wide range of stakeholders because they attempt to satisfy ostensibly the employment challenges, stimulate innovation and advancement and achieve sustainable development. Small Business Administration (2013) report indicated that more than half of new businesses worldwide do not survive beyond five years in United States of America. Over 70% of new businesses survive for at least two years, but that drops to 50% by the five-year and 33% at 10-year point, with just 25% lasting 15 years and more. Startups are key contributors to the innovation and growth dynamics of the European Union economy. However, many young enterprises fail in their early years and barriers to starting afresh dampen the potential gains that a strong startup culture could yield (European Union Annual Report, 2016). Studies on SMEs in Uganda indicate that 50% of SMEs do not live to see their first birthday. Those SMEs that survive beyond one year, less than 60% live to see their fifth birthday. These failures are fueled by many factors including lack of entrepreneurial skills, lack of capital, innovations and creativity and planning, limited market, frequent changes in commodity price, lack of access to timely market information and low bargaining power (Busingye, 2017). Kenyan SME sector is growing in importance; as SMEs are estimated to account for 20% of GDP and 80% of employment hence SMEs have the scope to catalyze further industrialization in Kenya (Phyllis, 2016). According to Mwangi etal. (2015) in Kenya SMEs are big contributors for economic growth and good financial performance of these entities is always very important and it is critically attributed with their economic contribution in one level or the other. According to Katua (2014) SMEs have been accepted as the core engine of economic growth and poverty eradication in the world. The government of Kenya has specified a number of key sectors that will prove instrumental in reaching its goals and mostly a middle income economy by 2030. In this plan, the government has aimed to create robust diversified and competitive SMEs and yet SMEs are failing. According to Janet and Ngugi (2014) most SMEs do not celebrate their third anniversary. The study of Bosire and Nzaramba (2013) in their findings concludes that development of entrepreneurial skills could serve as a measure for improving the self-reliant of startups and established entrepreneurs. Similarly, they found that entrepreneur’s success depended on entrepreneurial skills for starting businesses, like resource mobilization, innovativeness and planning, as well as the survival and development in their early years. Undiayaundeye (2015) conducted a study among SMEs and identified a lack of entrepreneurial skills among graduates and thus, degenerate to failed entrepreneurial journey of business owners. Skills are the knowledge demonstrated through actions or a unique performance in certain situations. Skills are attained and developed through training Nevertheless, reaching sustainable business growth is a task that requires special skills (Zehra N.2016).

Theoretical Review
Resource Based Theory.
Barney in (1991) developed the resource based theory (RBT) to understand how organizations achieved sustainable competitive advantages (SCA). Barney argued that RBT competitive
advantage occurred only when there was a situation of resource heterogeneity with different resources across firms with resources having a strategic value to the firm to exploit opportunities or neutralize threats, resource were unique or rare to find amongst the current and potential competitors or difficult to acquire because the link between the capability or the achieved sustained competitive advantage was ambiguous or because it was socially complex, resource had to be non substitutable when competitors could not substitute the resource by another alternative resource to achieve the same results, resources to be imperfectly immutable where the resources could not be bought or sold on the market freely.

Conceptual Framework

![Conceptual Framework](image)

**METHODOLOGY**

**Research Design**

The study employed both descriptive, cross-sectional and correlation research designs with both qualitative and quantitative research approaches. Descriptive design was supported by Amin (2005) who argued that descriptive design is appropriate when the research objectives include portraying the characteristics of social or physical phenomena and determining the frequency of occurrence and determining the degree to which the variables are associated. The correlation was used to test the hypothesis in ascertaining the relationship among the variables of the study.

**Sample Size Determination**

The target population of study was 428 MSEs operating in Bungoma county. To determine the study sample size, the researcher used Krejcie and Morgan (1970) Table of Sample Determination to determine the sample size, in which a target population of 428 gave a sample size of 201.

| Respondent category | Target Population | Sample Size |
|---------------------|-------------------|-------------|
| Webuye town         | 122               | 57          |
| Bungoma town        | 306               | 144         |
| **Totals**          | **428**           | **201**     |
RESULTS AND DISCUSSION

The study analyzed demographic characteristics of respondents and the results are shown in Table 2

Table 2

| Demographic           | Frequency | Percent |
|-----------------------|-----------|---------|
| Sex                   |           |         |
| Male                  | 94        | 56.6%   |
| Female                | 72        | 43.4%   |
| Age                   |           |         |
| 18-25 years           | 14        | 8.4%    |
| 26-33 years           | 88        | 53.0%   |
| 34-41 years           | 51        | 30.7%   |
| 42 and above years    | 13        | 7.8%    |
| Education level       |           |         |
| No formal education   | 15        | 9.0%    |
| Primary               | 40        | 24.1%   |
| Secondary             | 52        | 31.3%   |
| Diploma               | 31        | 18.7%   |
| Bachelor Degree       | 25        | 15.1%   |
| Masters               | 3         | 1.8%    |
| Working experience    |           |         |
| Less than 1 year      | 13        | 7.8%    |
| 1-4 years             | 83        | 50.0%   |
| 5-8 years             | 52        | 31.3%   |
| 9 and above years     | 18        | 10.8%   |

n=166

The results in Table 2 shows that 94 (56.6%) of the respondents were male and 72(43.4%) were females. The findings implied that both male and females operated MSEs though males were dominant. The age of respondents were 14(8.4%) between 18-25 years, 88(53%) between 26-33 years, 51(30.7%) between 34-41 years, and 13(7.8%) were 42 and above years. The findings implied that most MSEs were youthful with the energy and vigor necessary to conduct business. The educational level of respondents was 15(9%) had no formal education, 40(24.1%) attained primary, 52(31.3%) secondary, 31(18.7%) diploma, 25(15.1%) bachelor degree while 3(1.8%) had masters. The implication of the findings was that majority of the respondents had the required literacy skills to respond to the questionnaires. A consideration of working experience indicated that 13(7.8%) had worked less than 1 year, 83(50%) had worked between 2-4 years, 52(31.3%) between 5-8 years, 18(10.8%) worked above 9 years. The implication of the findings was that all the MSEs operators had adequate experience necessary to respond to the questionnaires.

The study had the objective of establishing the entrepreneur’s competence of SMEs in Bungoma County. The results are shown in Table 3.
Table 3

|                              | Mean | Std. Deviation | Interpretation |
|------------------------------|------|----------------|----------------|
| Resource Mobilization        | 2.71 | .50            | High           |
| Innovation                   | 2.12 | .47            | Low            |
| Business Planning            | 1.86 | .53            | Low            |
| **Grand Mean and SD**        | **2.23** | **0.50**   | **Low**        |

**Legend:** 1.00-1.75 very low; 1.76-2.50 low; 2.51-3.25 high; 3.26-4.00 very high

The study results in Table 3 on establishing the entrepreneur’s competence of SMEs in Bungoma County, indicated that there was high resource mobilization with a mean of 2.71 and SD of 0.50. The findings imply that SMEs are capable of mobilizing their own resources to run their enterprises. The findings are in agreement with Judith (2014) who notes that mobilization involves all activities meant to secure new and additional resources for your organization. It is the ability to gather and control the venture resources necessary to start, run and grow a business, and to manage them, efficiently and effectively use those resources for the intended purposes. The findings agree with Baumol (2010) and Villanueva, et al, (2012) that resource mobilization involves construction of resources by acquiring, transforming and utilizing them towards the exploitation of an entrepreneurial opportunity.

The study results found low innovation among the SMEs with a mean of 2.12 and SD of 0.47. The implication of the results was that MSEs did not develop new ideas for their enterprises affecting their differentiation in a competitive market. The findings agree with Kraus &Kauranen (2009) who indicated that creativity and innovation involves translating an idea or invention in to a good or service that creates value for which customer will pay. World Bank (2010) reported that entrepreneur’s need an innovative skill which comprises of the cognitive skills like creative; behavioral skills like problem-solving skills to exploit opportunities. The study results showed business planning having a low mean of 1.86 and SD of 0.50. The implication of the findings was that SMEs operated their enterprises without visible business plan which is a guiding document to entrepreneurs. The findings are in agreement with Shapiro (2010) indicated that planning is a vital aspect of strategic entrepreneurship because it offers firms flexibility in strategy implementation. The study results of Mbogo (2011) agree with current study findings that lack of planning, improper financing and poor management are the main causes of failure of small enterprises. Furthermore, Brian (2013) notes that ventures that are thoughtfully planned are more likely to succeed than those based primarily on guess work and hope. The planning process helps an entrepreneur identify exactly what needs to be accomplished to build the venture, and what human and financial resources are required to implement the plan. The overall grand mean for entrepreneur’s competence was low with a mean of 2.23 with a SD of 0.50. The implications of the findings is that SMEs operators in Bungoma county lack the prerequisite entrepreneurial skills and knowledge affecting their growth save for resource mobilization.

The study had the objective of examining the growth of small and medium enterprises in Bungoma county. The findings are presented in Table 4.
The study results in Table 4 on growth of SMEs in Bungoma County, indicated that there was low return on investment with a mean of 1.58 and SD of 0.61. The implication of the findings was that SMEs realized minimal financial gains from their enterprises affecting their growth in the market. It was also found that market share had a low mean of 2.10 and SD of 0.52. The implication of the findings was that SMEs served the same markets which were not expanding affecting their income flow. The study results also indicated a low mean of 2.20 and SD of 0.62 on profits. The implication of the results was that SMEs generated meager revenues which did not sustain their growth. The overall grand mean for growth of SMEs was low with a mean of 1.96 and SD of 0.58. The implication of the findings was that SMEs were performing dismally affecting their graduation/transition to the next higher level.

The study had the objective of determining the relationship between entrepreneur’s competence and growth of small and medium enterprises. The results are presented in Table 5.

The results in Table 5 indicate that using Pearson correlation; it was found that there was a significant relationship between entrepreneur’s competence and growth of SMEs with \( p \) value 0.000. In reference to the findings of the study, the hypothesis of the study which stated that there is no significant relationship between entrepreneur’s competence and growth of SMEs was rejected.

The study also conducted a regression analysis to find the contribution of independent variables on growth of SMEs. The results are presented in Table 6.

### Table 4

**Growth of SMEs**

|                      | Mean | Std. Deviation | Interpretation |
|----------------------|------|----------------|----------------|
| Return on Investment | 1.58 | .61            | Low            |
| Market share         | 2.10 | .52            | Low            |
| Profits              | 2.20 | .62            | Low            |
| **Grand mean and SD**| **1.96** | **.58** | **Low**      |

**Legend:** 1.00-1.75 very low; 1.76-2.50 low; 2.51-3.25 high; 3.26-4.00 very high

### Table 5

**Relationship between Entrepreneur’s Competence and Growth of Small and Medium Enterprises**

| Entrepreneur’s competence | Pearson Correlation | Sig. (2-tailed) | N  |
|---------------------------|---------------------|-----------------|----|
|                           | .341**              | .000            | 166|

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

### Table 6

**Regression Analysis**

| Model  | Unstandardized Coefficients | Standardized Coefficients | t    | Sig.   |
|--------|-----------------------------|---------------------------|------|--------|
|        | B                           | Std. Error                | Beta |        |
| 1      | (Constant)                  | 1.317                     | .213 | 5.451  | .000  |
|        | Resource mobilization       | -.051                     | .070 | -.270  | .404  |
|        | Innovation                  | .101                      | .054 | .121   | 1.518 | .106  |
|        | Business planning           | .301                      | .055 | .387   | 5.102 | .000  |

a. Dependent Variable: Competitiveness of SMEs
Table 6 regression results showed that resource mobilization had t-value of -0.270 and the significance level of 0.404 which is greater than the 0.05 therefore it is not significant. The implication of the finding is that resource mobilization does not significantly influence growth of SMEs. It was also found that innovation had a t-value of 1.518 and a significance level of 0.106 which is greater than 0.05 significance level. The results implied that innovation does not significantly influence growth of SMEs. The study results also showed that business planning had a t-value of 5.102 and a significance level of 0.000 which is less than 0.05 and thus significant. The implications of the findings is that business planning significantly contributes to growth of SMEs in Bungoma county.

CONCLUSION AND RECOMMENDATIONS

Conclusion

Based on the study findings, the researcher concludes that SMEs should embrace relevant competence skills to enable them operated growth-oriented enterprises which can graduate to higher levels thereby contributing to improved social and economic life of the operators and the nation at large.

Recommendations

The study makes the following recommendations;

1. The Owner managers of SMEs to attend trainings on resource mobilization and innovation so as to acquire adequate resource mobilization and innovation skills and differentiate themselves in the market place to grow their enterprises.

2. The government to put in place entrepreneurship policy to nurture business startups through mentorship, motivation and attitude change as they walk through entrepreneurship journey.

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No conflict of interest has been declared by the authors.