INFLUENCE OF ENTREPRENEURIAL COMPETENCIES ON THE GROWTH OF SMALL AND MICRO ENTERPRISES IN THE AGRICULTURAL INDUSTRY IN KIRINYAGA COUNTY, KENYA

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ABSTRACT

This study investigated the influence of entrepreneurial competencies on the growth of small and micro enterprises in the agricultural industry in Kenya. The study was carried out in Kirinyaga County. The study specifically investigated the influence of innovativeness, entrepreneurial leadership, risk-taking and networking on the growth of small and micro enterprises in the agricultural industry in Kirinyaga County. A survey was conducted on small and micro enterprises dealing in dairy, coffee and rice in the month of July 2019. The respondents were the managers of the selected SMEs and in case where the SME was owner managed then the entrepreneur was asked to respond to the survey questions. A sample of 352 SMEs was selected on the identified SME’s dealing in dairy, coffee and rice to provide the information required, data was collected by use of questionnaires. Once collected, data was analyzed using descriptive statistical methods and results presented in tables and graphs. The study revealed that innovativeness has significance and positive influence on small and micro enterprises growth which implies that an investment on innovation lead to a positive growth of SMEs. Regression model established that there existed a significant positive relationship between entrepreneur networking and SMEs growth. The study recommends that SMEs through the management to embrace innovation competency as a means of enhancing their growth. Through introduction of new product lines and implementing new ideas, SMEs get to be more competitive thus promoting their performance. The SMEs should invest in new markets and encourage their employees to be more innovative as a way of enhancing performance and eventual growth. SMEs owners should enhance leadership competency which as per the study findings is a key aspect in firm survival and performance. The study further recommends that entrepreneurs should ensure that they embrace networking as a way of gaining competitive advantage and widening their customer base which results from marketing through the networks. The study was limited to four entrepreneurial competencies which included leadership competency, innovation competency, networking competency and risk-taking competency. There could be another study carried out on other entrepreneurial competencies such as opportunity spotting competency, managerial competency and creativity competency and how they affect growth of SMEs.

Key Words: innovativeness, entrepreneurial leadership, risk-taking networking and SME growth
INTRODUCTION

Developing a new business venture is complex and means facing a lot uncertainties and conflicts arising from interactive factors such as cognitive abilities, motivations and environmental factors (Campel, 2003). For an entrepreneur to succeed in such a situation, he would have to possess the requisite knowledge skills, traits and attitude that will result in the ventures success (Bird, 1995). An entrepreneurial competency is the ability of the entrepreneur to face critical business situations by understanding constraints in the environment (Bird, 1995). Forster et al., (2013) perceives entrepreneurial competences as being determined by personal characteristics which include willingness to take risks, creativity and pro-activeness which are important for an aggressive competitive behaviour and ultimate business success. The path of a successful entrepreneur is likely to lead from personal to leadership competences (Forster et. al., 2013). However, Kurowsska-Pysz (2014) asserts that not everyone has the ability to be a competent entrepreneur but many competencies can be acquired through training. Industry wide competencies include innovation & invention, planning, marketing, risk assessment and management and environmental scanning (Orien, 2013).

One of the behavioural characteristics of upcoming entrepreneurs in Kenya is to establish in areas that have low risk (Kenya national Bureau of Statistics, 2016). Many aspiring entrepreneurs also do not bother to acquire the necessary entrepreneurial competencies. This could explain the high concentration of SMEs in retail services (Kenya National Bureau of Statistics, 2016). Entrepreneurs are continuously initiating change to stay abreast of competition (Drucker, 1986). Entrepreneurship is the innovative process that creates an economic enterprise on the basis of a new product or service that has significant different appeal to the consumers based on how it is produced organised or marketed (Morrison, 1998). Entrepreneurship skills and competencies are therefore critical if an entrepreneur need to meet his business objectives (Kithae, et. al., 2013). Entrepreneurship competencies cover both cognitive and non-cognitive skills and a number of attributes are used to capture these skills. These attributes include creativity, planning, financial literacy, marshalling of resources, managing ambiguity, and teamwork (Bird, 1995). The exhibition of competencies is manifested through entrepreneurs who add value and transform organisations through their ability to organise resources and respond to opportunities (Bird, 1995).

STATEMENT OF THE PROBLEM

According to Kenya Economic Outlook Report, the agricultural industry in Kenya remains the most important and dominant industry accounting for 26% of total Gross Domestic Product (GDP), 20% of total employment and over 50% revenue from exports (Delloite & Touche, 2017). On the other hand, according to a Kenya Agriindustry & Agribusiness Alliance (KAAA) report, majority of SMEs in Kenya fall within the informal sector which is estimated to constitute 98% of businesses in Kenya and 30% of total employment opportunities (KAAA, 2016).
However, despite the important role SMEs play in the economy of Kenya, they continue to perform poorly with many failing within the first three years of their inception (KNBS, 2016). Many studies have been done on the reasons for failure of SMESs within the agricultural sector; Arbiana (2013) concluded that inability to access finance, competition and government policy are the major causes of SMEs failures other reasons for poor SME performance include lack of managerial skills; inadequate knowledge and skills, rapidly changing technology and new laws and regulations. Despite the Government of Kenya developing programmes and policies to support agro-based SMEs, they continue to perform poorly. Entrepreneurial competencies could offer a realistic view of the knowhow of running a business (Ofunya, 2015). Siwani and Jennifer (2010) observes that entrepreneurship competencies are important to business growth and suggests that core concept of entrepreneurial competencies, its relationship to entrepreneurial performance and business success leaves a gap that needs further research. There was little empirical evidence on the influence of entrepreneurial competencies on the growth of SMEs in the agricultural sector in Kirinyaga County which presented a knowledge gap and therefore the focus of this study. This study therefore sought to establish the influence of innovativeness, entrepreneurial leadership, risk taking and networking on the growth of SMESs in the agricultural sector in Kirinyaga County.

**THEORETICAL REVIEW**

This study was grounded on entrepreneurship innovation theory of profit that asserts that any policies that lead into overall reduction of costs or increase in demand constitute an innovation (Schumpeter, 1934). The study was also founded on the resource based theory recognising entrepreneurial competence as a unique resource that differentiates one firm from competition (Barney, 1991); the theory of risk management asserts that the risk appetite of an entrepreneur is a factor of the environment, personality and level of motivation (Mary, 1996); the social network theory that views business relationships in terms of nodes and ties (Granovetter, 1973) and the conceptual framework. The review focused on the past studies on the influence of innovativeness, entrepreneurial leadership, risk taking and creativity to the growth of SMEs with a view to seeking in-depth understanding of the subject of study and to identify gaps that this study to filled.

**Innovativeness Competencies**

Creativity and Innovativeness are important business competences since they ensure a firm’s competitiveness and its continued survival in the market place (Mitchemore & Rowley, 2010). This is by application of alternate more efficient solutions to business problems. The entrepreneurial secret of creating value in the market place is in the application of creativity. The ability to continuously develop new ideas and to discover new ways of looking at problems and opportunities with improve competitiveness and propel an organisations growth (Norman, 2013). Creativity and innovativeness requires high levels of energy and persistence towards success and
the desire to take moderate risk since not all ideas will succeed to become market solutions. Creativity is the seed that inspires entrepreneurship (Mitchemore & Rowley, 2010). According to Kirby (2003), anybody has potential for creativity through learning but many people have not been taught nor even expected to be creative. (Kirby, 2003) asserts that every individual has some level of creativity though some are more creative than others, the author further argues that creative performance increases with intelligence and that the creativity an individual portrays depends on the extent to which the right brain is engaged.

**Entrepreneurial Leadership Competencies**

Entrepreneurial leadership is a critical competence in business growth. It involves a leader identifying a vision and energising a team of employees through a process of social influence to work collectively to attain the vision (Forster et al., 2015). To succeed in business, one does not only require technical expertise but also leadership skills to inspire, motivate and manage employees, communicate vision, resolve conflicts and meet organisational goals (Cecile, 2013). SMEs are still faced by lack of creativity and innovation, appropriate entrepreneurial leadership skills, limited relevant information and dependency on obsolete technology.

**Risk Taking Competencies**

The environment is full of uncertainties and an entrepreneur must manage these risks to survive. Risk taking involves the ability of the entrepreneur to take in calculated and manageable risks in order to gain benefits arising from competitive advantage (Ageline et al., 2015). Continuous scanning of the business environment will manifest new challenges and opportunities, the ability to come up with new ideas to solve challenges posed by the environment is central to the survival of any small and micro enterprise (Norman, 2013).

**Networking Competencies**

The energy and trends in knowledge based economies and global markets has increased the need for network building for survival and sustainability of small and micro enterprises (Huggins, 2000). Networking is an effective mechanism through which entrepreneurs improve access to business ideas, capital, knowledge and technology to generate innovative business star ups (Huggins, 2000). Entrepreneurs can also reduce risks and transaction costs through social channels and the use of formal and informal networks (Huggins, 2000). Networking competencies is the ability of an SME to utilize and manage inter-organisational relationships and it is more relevant to small enterprises when developing relationships downstream rather upstream of the value chain (Abou-Moghli, 2016).
Small and Micro Enterprise Business Growth

People set up business enterprises for various reasons which include pursuit for better incomes, desire for self-employment, apply acquired skills and to create wealth and employment (KNBS Survey Report, 2016). The desire to grow in terms of productivity, asset levels, profits and sales and eventually become a market leader is a major drive for any entrepreneur. The main focus of this study is to measure the influence of entrepreneurial competencies on the growth of small and microenterprises in the agricultural sector. Small and micro enterprise growth will be measured in terms of sales, assets, profits and productivity.

RESEARCH METHODOLOGY

Descriptive research design was adopted for this research and the study focused on small and micro enterprises dealing in the processing of dairy, rice and coffee in Kirinyaga County. Kirinyaga County was identified since it was known as a leading producer of rice (Ministry of Agriculture report, 2017) in the country and amongst the top producers of coffee and dairy. Information gathered from the Kirinyaga County Licensing office provided that there are 2250 SMEs in rice and 178 dairy SMEs while the Agriculture and Food Authority (AFA), coffee directorate has licenced 492 SMEs in coffee totalling to a population of 2920 SMEs who are the focus of this study. The sample size was determined using Yamane (1967) formula:

\[ n = \frac{N}{1 + (N \times \varepsilon^2)} \]

Where: \( n \) is the sample size; \( N \) is number of registered enterprises; \( \varepsilon \) is the desired level of confidence

Therefore, with a desired 95 percentage level of confidence, the sample size = \( 2920/1 + (2920 \times 0.05^2) = 352 \)

The study collected primary data where managers of the Small and medium enterprises were asked to provide information concerning their enterprises using a questionnaire. The questionnaires were distributed to the respondent through drop and pick method and a register was maintained to track the return of the questionnaires. Once questionnaires were collected they were checked for completeness to ensure clarity and consistency. Data collected was grouped and analysed using the Statistical Package for Social Sciences (SPSS) software. The regression model was adopted to determine the relationship between creativity, entrepreneurial leadership, innovativeness and risk-taking on the growth of SMEs in the agricultural industry.
RESEARCH RESULTS

Influence of Innovativeness on the Growth of Small and Micro Enterprises

Assessment on results revealed that most of the small and micro enterprises had developed a new product within a period of two years (M = 2.04, SD = 0.889) and had adopted a new technology in their businesses. Further, the result revealed that in past two years most SMEs had entered new markets (M = 2.08, SD = 0.875) and had introduced new processes in their operation (M = 2.05, SD = 0.855). These findings are in support of the research findings by Norman (2013) that the ability to continuously develop new ideas and to discover new ways of looking at problems and opportunities will improve competitiveness and propel an organisations growth.

Influence of Leadership on the Growth of Small and Micro Enterprises

From the finding, majority of the respondents agreed that management engages in effective planning for its activities (M=4.15, S=0.988) and promotes teamwork amongst the staffs (M=3.86, S=1.051). This finding is in line with Cecile (2013) that to succeed in business, one does not only require technical expertise but also leadership skills to inspire, motivate and manage employees, communicate vision, resolve conflicts and meet organisational goals. Further, most respondents were not sure if their management mentored their staff (M=3.43, S=1.204) and whether the SMEs had a shared vision.

Risk Taking Influences on the Growth of Small and Micro Enterprises

Research results indicates that most SMEs in Kirinyaga prepares risk plans and engages in environmental scanning (M=3.78, SD=1.097). Further, the findings revealed that most SMEs have risk control measures in place (M=3.90, SD=1.065) and conducts risk education for the staff as well. These findings are in agreement with Norman (2013) that continuous scanning of the business environment will manifest new challenges and opportunities, the ability to come up with new ideas to solve challenges posed by the environment is central to the survival of any small and micro enterprise.

Influence of Networking on the Growth of Small and Micro Enterprises

The results indicated that the staff share knowledge amongst themselves (M=3.92, SD=.966) and SME makes reference to entrepreneurial information (M=3.87, SD=.969). This concur with Huggins (2000) that networking is an effective mechanism through which entrepreneurs improve access to business ideas, capital, knowledge and technology to generate innovative business star ups. However, most of the respondents were not sure of whether SMEs corroborates with other organisations (M=3.43, SD=1.226).
Growth of Small and Micro Enterprises

Analysis was carried out to establish the growth of SMEs in the agricultural industry in Kirinyaga County. The average profit gained by SMEs was calculated and the results revealed that the SMEs profit was increasing from 2013 to 2017 with an overall average of Ksh. 450197.14 over the five years. The year 2013 had the lowest average of 562311.20 while 2017 had the highest of 562311.20. The results imply that there been a tremendous growth of SMEs in the agricultural industry in Kirinyaga County.

INFERENTIAL STATISTICS

The study conducted regression analysis to examine whether there exists a relationship between entrepreneurial competencies and the growth of small and micro enterprises. The model summary in the table 1 was used to test whether there existed significant variation between independent variables and dependent variables. It was also used to test the proportion variation of independent variables on dependent variable. R squared of 0.689 indicated that there existed a variation of 68.9% in dependent variable due to change in independent variables. Adjusted R squared also known as the coefficient of determination, indicate proportion change in dependent variable due to change in independent variables. This implied that there was proportion variation of 68.9% on SMEs growth due to influence of entrepreneurial competencies including Networking, Innovativeness, Leadership, and Risk Management.

Table 1: Regression Model Summary

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>0.830413</td>
<td>0.689587</td>
<td>0.683347</td>
<td>0.426835</td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), Networking, Innovativeness, Leadership, Risk Management

The ANOVA results in Table 2 show F-value of 110.5201, which is significant at .000<0.05. This signifies a model fit and implies a match between the regression model and the data which means that the use of regression analysis in this study was justified.

Table 2: ANOVA

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regression</td>
<td>81.756</td>
<td>4</td>
<td>20.439</td>
<td>110.5201</td>
<td>.000b</td>
</tr>
<tr>
<td>1</td>
<td>Residual</td>
<td>199</td>
<td>0.184935</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>118.558</td>
<td>203</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

a. Dependent Variable: SMEs Growth
b. Predictors: (Constant), Networking, Innovativeness, Leadership, Risk Management
From the results on Table 3, $\beta_0 = 4.893$ represented the constant which predicted value of SMEs Growth while Networking, Innovativeness, Leadership, and Risk Management of SMEs were held constant at zero (0).

Regression results revealed that Innovativeness has significance and positive influence on small and micro enterprises growth as indicated by $\beta_1 = 0.337$, $p=0.005$, $t=2.785$. The implication is that an investment on innovation will lead to a positive growth of SMEs by $\beta_1 = 0.337$. Regression results further revealed that risk management has a significance influence on growth of small and micro enterprises as indicated by $\beta_1 = 0.301$, $p=0.000$, $t=3.81$. This implied that an improved and better risk management systems for SMEs would lead to a growth of small and micro enterprises by $\beta_2 = 0.301$. On the other hand, poor risk management for SMEs would lead to a poor performance and stagnation of small and micro enterprises.

From the regression results, the study revealed that there existed a significant positive relationship between entrepreneur Leadership and SMEs growth as indicated by $\beta_3 = 0.253$, $p=0.000$, $t=3.46$. This implies that if there is a good entrepreneur Leadership in place it will lead to an increase on the performance of SMEs by $\beta_3 = 0.253$. Hence, good entrepreneur Leadership would lead to a growth of SMEs. The regression findings further indicated that there existed a significant relationship between entrepreneur networking and SMEs growth as indicated by $\beta_4 = 0.197$, $p=0.007<0.05$, $t=2.69$. This implied that an increase in entrepreneur networking would led to increase a growth of SMEs by $\beta_4 = 0.197$. This implied that there existed a significant positive relationship between entrepreneur networking and SMEs growth.

**Table 3: Regression Coefficients**

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
</tr>
<tr>
<td>1 (Constant)</td>
<td>4.893</td>
<td>0.451</td>
<td>10.84922</td>
<td>.000</td>
</tr>
<tr>
<td>Innovativeness</td>
<td>0.337</td>
<td>0.121</td>
<td>0.246</td>
<td>2.785124</td>
</tr>
<tr>
<td>Risk Management</td>
<td>0.301</td>
<td>0.079</td>
<td>0.212</td>
<td>3.810127</td>
</tr>
<tr>
<td>Leadership</td>
<td>0.253</td>
<td>0.073</td>
<td>0.145</td>
<td>3.465753</td>
</tr>
<tr>
<td>Networking</td>
<td>0.197</td>
<td>0.073</td>
<td>0.042</td>
<td>2.69863</td>
</tr>
</tbody>
</table>

\(a\). Dependent Variable: SME Growth

The optimal regression model is therefore:

\[ Y = 4.893 + 0.337X_1 + 0.301X_2 + 0.253X_3 + 0.197X_4 + \varepsilon \]
DISCUSSION

From the regression model, the study found out a significant and positive relationship between entrepreneurial competencies (Networking, Innovativeness, Leadership and Risk Management) and the growth of small and micro enterprises. The study found out that the intercept was 4.893 and the four independent variables that were studied explain 68.9% of SMEs growth as represented by R squared (0.689). This therefore means that the four independent variables contribute 68.9% of the SMEs growth in Kirinyaga County, Kenya while other factors and random variations not studied in this research contributes a measly 31.1% of the SMEs growth in Kirinyaga County, Kenya.

Prediction by the regression model revealed that innovativeness has significance and positive influence on small and micro enterprises growth which implied that an investment on innovation will lead to a positive growth of SMEs. This finding links with Mitchemore and Rowley (2010) who stated that creativity and innovativeness are important business competences since they ensure a firm’s competitiveness and its continued survival in the market place. Assessment on results also revealed that most small and micro enterprises develop new product and adopted new technology in their businesses within a period of two years. Further the results revealed that most SMEs are entering new markets and new processes are introduced in their operation. These findings are in support of the research findings by Norman (2013) that the ability to continuously develop new ideas and to discover new ways of looking at problems and opportunities with improve competitiveness and propel an organisations growth.

Finding revealed that most SMEs management engages in effective planning for its activities and promotes teamwork amongst the staffs. This finding was in line with Cecile (2013) that to succeed in business, one does not only require technical expertise but also leadership skills to inspire, motivate and manage employees, communicate vision, resolve conflicts and meet organisational goals. However, it was not clear for many respondents whether SMEs management mentored their staff and whether the SMEs had a shared vision. Regression model established that there existed a significant positive relationship between entrepreneur Leadership and SMEs growth. This implies that if there is a good entrepreneur Leadership in place it will lead to an increase on the performance.

From the regression results, the study revealed that risk management has a significance influence on growth of small and micro enterprises. This implied that an improved and better risk management systems for SMEs would lead to a growth of small and micro enterprises. This finding is in agreement with Norman (2013) that continuous scanning of the business environment will manifest new challenges and opportunities, the ability to come up with new ideas to solve challenges posed by the environment is central to the survival of any small and micro enterprise. Kirinyaga County SMEs prepares risk plans and engages in environmental scanning, have risk control measures in place and conducts risk education for the staff as well.
Finally, the study established that staff in most SMEs share knowledge amongst themselves and SME makes reference to entrepreneurial information. This concur with Huggins (2000) that networking is an effective mechanism through which entrepreneurs improve access to business ideas, capital, knowledge and technology to generate innovative business start ups. However, most of the respondents were not sure of whether SMEs corroborates with other organisations. The regression findings further indicated that there existed a significant relationship between entrepreneur networking and SMEs growth. This implied that an increase in entrepreneur networking would led to increase in growth of SMEs which evidences a significant positive relationship between entrepreneur networking and SMEs growth.

CONCLUSION

The study concluded that innovativeness has significance and positive influence on small and micro enterprises growth that is an investment on innovation leads to a positive growth of SMEs. Most small and micro enterprises develop new product and adopted new technology in their businesses to enhance growth and small and micro enterprises are entering the new market and new processes are introduced in their operation. The study also concludes that SMEs management engages in effective planning for its activities and promotes teamwork amongst the staffs. However, many SMEs management does not mentor their staff as well as share the vision.

Risk management has a significance influence on growth of small and micro enterprises. An improved and better SMEs risk management systems leads to growth of small and micro enterprises. Kirinyaga County SMEs prepares risk plans and engages in environmental scanning, have risk control measures in place and conducts risk education for the staff as well. Staff in most SMEs share knowledge amongst themselves and SME makes reference to entrepreneurial information and a significant relationship between entrepreneur networking and SMEs growth. An increase in entrepreneur networking leads to increase in growth of SMEs since a significant positive relationship between entrepreneur networking and SMEs growth. However, most SMEs do not corroborate with other organisations.

RECOMMENDATIONS

The study recommends that SMEs through the management to embrace innovation competency as a means of enhancing their growth. Through introduction of new product lines and implementing new ideas, SMEs get to be more competitive thus promoting their performance. The SMEs should invest in new markets and encourage their employees to be more innovative as a way of enhancing performance and eventual growth.

SMEs owners should enhance leadership competency which as per the study findings is a key aspect in firm survival and performance. As leaders, the owners should adhere to clear modes of communication preferably technology-based communication channels in a bid to promote
cohesion and also frequently delegate duties as a training mechanism to the subordinates. Staff mentorship and sharing of organisation vision should be adopted by SMEs desirous to grow.

The study also recommends that for the SMEs to be more successful, they should develop risk taking strategies that will help them come up with effective ways of solving their challenges and risks that face them in their operations. Scanning the environment for possible risks will immensely facilitate SMEs to mitigate in advance. Putting in place risk control measures in form of equipment, policies and procedures coupled with training of staff on how to manage risks is of paramount importance to growth of SMEs.

The study further recommends that entrepreneurs should ensure that they embrace networking as a way of gaining competitive advantage and widening their customer base which results from marketing through the networks. These networks should focus on knowledge sharing, information sharing on areas concerning and including customers, the market, the product, Government policy and available technology.

REFERENCES


