

EFFECT OF ENTREPRENEURIAL SKILLS ON SMALL AND MEDIUM ENTERPRISES SURVIVAL IN KAKAMEGA COUNTY, KENYA.**Tom Stevens Saka**

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ABSTRACT

This study sought to appraise the effect of entrepreneurial skills on small and medium enterprises survival in Kakamega county, Kenya. Both primary and secondary data were used by the study. The study target population comprised of 1,241 SMEs that had been in operation for a period of 5 years and above. The sample for the study consisted of 127 SMEs in Kakamega County. Data were analyzed using descriptive statistics, correlation analysis and regression analysis using SPSS version 20. The study used a multiple regression model to establish the relationship between dependent and independent variable. The study findings indicated that there is a positive and statistically significant relationship between SMEs survival (dependent variable) and Entrepreneurial Skills (independent variable). The study recommended the need for the government as a policy setting organ to come up with conducive regulatory, trade, labour market, regional development, social and gender policies that suit the needs of aspiring and existing SMEs in order to influence entrepreneurial activities in the country and facilitate the survival of SMEs since SMEs are known to constitute larger percentage of economic activities. The SME owners should develop staff policies to facilitate the supply of qualified staff to support innovation in SMEs.

Key words: Entrepreneurial Skills, Small And Medium Enterprises Survival Kakamega County, Kenya, *Sales Turnover And Profitability*

I. INTRODUCTION

Small and medium enterprises (SMEs) sector is not growing at the expected rate despite of the government's efforts. According to research findings, SMEs have high mortality rates with most of them not serving to see beyond their third anniversary (**Gakuru, 2011**). Furthermore, SMEs face many challenges such as: Lack of Managerial expertise, Inadequate Education and Skills, Lack of Credit, Technological Change, Poor Infrastructure and insufficient Market information and entrepreneurial advisory services. Hence it is necessary to conduct a study to establish the factors that determine SMEs survival with a keen interest of recommending policies which will aim to improve the condition of this sector.

SMEs have formed the backbone of both developed and developing economies. Empirical studies have pointed out that SMEs are able to contribute towards wealth and employment creation, economic development and flexibility, innovation and technology transfer as well as Gross Domestic Product (RoK, 2005). SMEs are viewed as the drivers to Kenya's industrialization and the achievement of (Vision, 2030). Despite of the dynamics that led to the rapid growth of SMEs sector and the efforts by the government to assist the development of this sector, the SMEs sector is notoriously volatile and experience difficulties to survival (Erikson and Kuhn, 2006). SMEs are vulnerable in terms of survival because of the liability of newness and smallness. The survival of SMEs is often dependent on overcoming of potential life threatening barriers that they experience through their start-up periods (Fielden et al., 2000). The size of SMEs helps them to benefit from the economies of scale. Hence reasonable large size at start-up helps firms to be efficient and competitive (Nkurunziza, 2006). Cite more current studies

Designing reforms to encourage SMEs survival must be based on a clear understanding of the determinants of Firm survival. Studies have been conducted to investigate determinants influencing SMEs survival. For instance, Mwangi and Namusonge (2014) Mwangi and Namusonge (2014) conducted a study on influence of innovation on small and medium enterprise growth on garment manufacturing industries in Nakuru County. (Namusonge, 2011) studied determinants of growth oriented SMEs in Nairobi. The key determinants in the study were managerial experience, education, training and the psychology of the entrepreneur. Voeten, (2015) conducted a research on enabling Innovation and Productivity Growth in Manufacturing Small and Medium Sized Enterprises in Low Income Countries. Audrey (2016) investigated the impact of innovation on performance of Small and Medium Enterprises (SMEs) in Tanzania. Oladele and Akeke (2016) conducted a study on effect of strategic leadership styles on sales and employment growth in small and medium enterprises in Nigeria. Shehnaz and Ramayah (2014) found out the effects of entrepreneurial competencies on success of businesses in the context of Malaysian SMEs. Asma, *et al* (2015) analyzed the factors influencing the growth rate of small and medium-sized enterprises (SMEs) in Algeria. From previous studies entrepreneurs with entrepreneurial skills perform better than those ones with lower or non entrepreneurial skills (Shehnaz and Ramayah, 2014). The study sought to determine the effect of entrepreneurial skills on small and medium enterprises survival in Kakamega county, Kenya.

II. RELATED WORK

Two-thirds of SMEs in the EU attempt to face increasing competition through improvement of product quality (Antonio, 2011). The author found that productivity gains and innovation cannot be achieved on the basis of low-skilled work. As such SMEs need to invest in human resource development in order to gain a sustainable competitive advantage.

A research by Dean (2002) on the determinants of management training within smaller firms in the UK, agreed that within the UK there is a poor level of investment in formal training and development. This is particularly evident within the small firm sector. Findings were drawn from empirical research on a sample of firms where investment had been made in such training in the last 24 months; the indications being that such investment was not strategic or proactive but prompted by problems which threatened business performance.

Researchers argued that smaller less “glamorous” firms are more prevalent in the US economy than high-technology companies (Linda, *et Al.* (2002). These small firms are known for their inability to erect barriers to imitation, making the development of competitive advantage difficult. The findings indicated that small less glamorous firms should follow strategies that bring them closer to their customers, rather than innovation strategies that may be more appropriate for their high-technology counterparts.

Analysis made by Ahmad, N. H., Halim, H. A., and Zainal, S. R. M. (2010) on the contribution of entrepreneurs in terms of their management skills towards the success of small and medium enterprises (SMEs) in the services sector in Malaysia was conducted.

An investigation by Hala (2014) on the impact of entrepreneurship education on the entrepreneurial intentions of university students in Egypt to start a new venture using Linen’s model. The findings suggested positive relationship between entrepreneurship education and intentions and perceived desirability while no relation existed with perceived feasibility or self-efficacy. Given the significance and importance of entrepreneurship, it is desirable to reform the educational system to encourage creativity and innovativeness of students.

The study by Louise (2010) on whether managerial marketing skills of small and medium enterprises (SMEs) contribute to high business failure rate in South Africa concluded that the lack of marketing skills has a negative impact on the success of small businesses. The conclusion was that a positive correlation between lack of marketing skills and business failure exists in South Africa. The challenge was to improve the marketing skills of small business owners.

A study by Fred (2012) investigated how the implementation of quality management practices will impact on the performance and growth of small and medium sized enterprises (SMEs) in a developing country, Ghana. The results have established that if firms implement quality management practices, it will have a tremendous impact on the performance and growth of SMEs in Ghana. The study also found support for the argument that quality management practices improve organizational performance both in large and small businesses and in any part of the world. The study has demonstrated that Ghanaian owner managers believe that quality management is a key-contributing factor to firm growth and performance.

A study was conducted by Renee, *et al.* (2002) on people management in SMEs: an analysis of human resource strategies in family and non-family businesses. The survey utilized a sample of 1,369 organizations representing every company employing between 20-100 people in Northern Ireland. This paper analyzed key issues emerging from the 219 (16 per cent) responses received and provides a comparison of HRM practices in family and non-family businesses. Overall, the findings suggested that family business practices within HRM were different from their non-family counterparts.

A study was conducted on influence of entrepreneurial skills on the level of innovation performance in youth enterprises in Kenya by Mukulu *et al.* (2016). The results indicated that entrepreneurial skills that were manifested in youth enterprises play a key role in determining the levels of innovation in those enterprises. Limited entrepreneurial skills existed because very little attention is given to training the youths before they are funded. It is assumed that the youths possess basic skills in entrepreneurship yet very small elements of the soft skills were observed.

A study on Entrepreneurship Skills for Growth-Orientated Businesses by Cover and Thomas (2012) found that each entrepreneur requires a different 'game plan' Four main dimensions of skill identified: (1) Technical, (2) Managerial, (3) Entrepreneurial, and (4) Personal Maturity . Econometric models showed poor relationship between existing management training and enhanced firm performance. New models of teaching and training entrepreneurship should focus on development of entrepreneurial attributes.

This study is informed by: The resource based theory, competence based theory and Neo-classical theory.

III. RESEARCH METHODOLOGY

The study adopted the descriptive survey research design. The target population of the study were SMEs that have been in operation for a period of 5 and above years in Kakamega County, Kenya. To be included in the study, the SME was both registered small and medium firms in the county. Kakamega county was selected because has the second largest population in the country. There is a possibility of employees spinning off to self employment making SMEs a vibrant sector in the county. In this study the sample frame was drawn from the list of SMEs that have been in business for at least 5 and above years in kakamega county, Kenya. Kerlinger (2006) indicates that a sample of size, 10% of the target population is large enough so long as it allows for reliable data analysis. This was also the case for (Ngugi, 2012) on the influence of intellectual capital on the growth of Small and Medium Enterprises in Kenya. Therefore, a sample size of 127 SMEs which is 10% of the population (N=1270) was adequate for the study.

The study used quantitative primary data. Primary data were be obtained from questionnaires. Secondary data were gathered from the financial statements and annual reports of the firms, from historical documents such as official publications of the Municipal council which lists all registered SMEs in the district and published documents. Information was also obtained from libraries, internet, public and private organizations and largely desk review of published literature on SME growth.

To check the validity and reliability of the questionnaires in gathering the data required for purpose of the study, pilot study was carried out.

Descriptive statistics was used to perform data analysis. SPSS was used to produce descriptive and inferential statistics which was used to derive conclusions and generalizations regarding the population. The particular descriptive statistics was mean scores and standard deviation. The particular inferential statistic was regression and correlation analysis. The analysis of variance (ANOVA) was checked to reveal the overall model significance. In particular, the calculated F statistic was compared with the tabulated F statistic. A critical p value of 0.05 was also be used to determine whether the overall model was significant or not. A critical p value of 0.05 was also used to determine whether the individual variables were significant or not.

A multiple linear regression model was used to link the independent variable to the dependent variable as follows:

$$Y = \beta_0 + \beta_1 X_1 + e$$

Where: Y= SMEs survival, X_1 = Entrepreneurial skills (ES), B_0 = Constant, β_1 , = Regression coefficients to be estimated, e= stochastic term

IV. FINDINGS AND DISCUSSION

4.2 Response rate

One hundred and twenty seven questionnaires (127) were given out and only one hundred and twelve questionnaires (112) were completed and returned representing a response rate of 88.2% and none response rate of 11.8%.

Table 4.1: Response Rate

Response rate	Sample size	Percentage (%)
Questionnaires Returned	112	88.2
Questionnaires not returned	15	11.8
Total	127	100

4.3. Gender of the respondents

Out of 112 respondents, 55.35% (62) were male respondents while 44.64% (50) were female respondents. These findings indicate that there were more male respondents in this study as compared to the female respondents. Since the population was mainly targeting small and medium enterprises in Kakamega County, the findings suggest that there was gender imbalance between male and females in small and medium enterprises in Kakamega County, in other words many firms are owned by males compared to females.

4.4 Age bracket of the respondents

From the findings, 4.3% indicated that they were aged between 21 - 30 years, 39.3% of the respondent indicated that they were aged between 31 - 40 years, 47.9% indicated that they were aged between 41 -50 years and 8.5% indicated that they were aged between 51-60 years. This shows that most of the respondents were aged between 41- 50 years.

4.5 SMEs Categories

The study sought to establish the SMEs categories. The findings were presented in table 4.2. From the study findings, the majority 39.29% of the SMEs were categorized as General Trade, 27.68% of the SMEs was categorized as Service Industry, 20.54% of the SMEs were categorized as Agricultural Activities, and 6.25% of the SMEs were categorized as Health Care, 3.57% of the SMEs were categorized as Educational and Training and 2.68% of the SMEs were categorized as others. Finding implies that most of the SMEs were categorized under general trade.

Table 4.2: SMEs Categories

Public institution	Frequency	Percent
General Trade	44	39.29
Service Industry	31	27.68
Health Care	7	6.25
Agricultural Activities	23	20.54
Educational and Training	4	3.57
Other Categories	3	2.68
Total	112	100.00

4.6. Length of business

The study sought to establish how long the business has been in existence. The results presented in table 4.6 indicate that, majority (56.25%) of the SMEs have existed for a period of 6-8 Years while 21.43% of the SMEs have existed for a period of 9-10 Years, (11.61%) of the SMEs have existed for a period of 3-5 Years, lastly 10.74% the SMEs have existed for a period of more than 10 Years. This implies that the SMEs which have existed for a period more than 6 years were more likely to be aware of the issues/challenges that affect their SMEs.

Table 4.3: Length of Business

Length of service	Frequency	Percent
3-5 Years	13	11.61
6-8 Years	63	56.25
9-10 Years	24	21.43
More than 10 Years	12	10.74
Total	112	100.00

4.7. Position of the respondents in the business

The study sought to establish the Position of the Respondent in the Business. The results presented in table 4.4 indicate that, majority (54.46%) of the SMEs are managed by their owners, followed by 20.54% being managed by Family members, 15.18% being managed by employees while 9.82% being managed by managers. This suggests that most of the SMEs in Kakamega County are not large enough to employ many people.

Table 4.4: Position of the Respondent in the Business

Length of service	Frequency	Percent
Owner	61	54.46
Manager	11	9.82
Employer	17	15.18
Family member	23	20.54
Total	112	100.00

4.8. Level of education of respondents

Further analysis indicates that majority at 55.56% of the respondent have secondary level of education, 22.22% of the respondent have tertiary level of education, 11.14% of the respondent have primary level of education and lastly 8.9% of the respondent have no level of education and 2.18% of respondents have degrees. The finding also suggests many SMEs in Kakamega County are mainly managed by those who have secondary level of education.

4.9 Pilot results

4.9.1 Reliability and Validity of Research Instrument.

Based on the variable Entrepreneurial Skills had 8 factors, Cronbach constant was 0.731 which was slightly above 0.7 before no factor was removed. The dependent (SMEs survival) variable had alpha constant 0.743 so no factor was removed.

Table 4.5: Reliability of instruments

Variables	Cronbach's Alpha before removing some items	Cronbach's Alpha after removing Some items	No of Items before removing some factors	No of Items after removing some factors
Entrepreneurial Skills	0.731	0.731	8	8
SMEs survival	0.743	0.743	3	3
AVERAGE	0.6938	0.7732		

4.9.2 Factor analysis

The study adopted factor analysis to reduce the number of indicators which do not explain the effect of Entrepreneurial Skills on SMEs survival in Kakamega county and retain the indicators which are capable of explaining the effect. Entrepreneurial Skills had eight items with factor loadings 67.3%. The dependent variable SMEs survival was also subjected to factor analysis. All the factor loadings were above 55.8% which implies that all items fall within the acceptable threshold as no item was dropped from table 4.6. It indicates that all the factor loading of all the items were above 40% and thus all were considered for further statistical analysis.

Table 4.6 Summary of Factor Analysis

Entrepreneurial Skills	Number of Items	Factor Loadings
1 Entrepreneurial Skills	8	.673
5 SMEs survival	3	.558

4.10 Descriptive statistics

4.10.1 Entrepreneurial Skills

The respondents were asked to rate various statements on entrepreneurial skills on a likert scale of 1 to 5. The statements were based on a likert scale ranging from strongly disagree, disagree, neutral, agree and strongly. The results are presented in Table 4.7.

Table 4.7: Entrepreneurial Skills Descriptive Analysis

Statement	SD	DA	Neutral	A	SA	Mean	Std. Deviation
Business plan skills have led to increase in sales and profitability	1.4%	14.4%	20.3%	33.9%	29.9%	3.9	1.315
Proposal development skills have led to increase in sale profitability	13.7%	6.6%	15.9%	32.8%	31.0%	4.2	1.348
Keeping records skills have led to increase in sale profitability	18.5%	14.0%	18.5%	21.0%	28.0%	3.1	1.302
Communication skills have led to increase in sale profitability.	5.5%	12.5%	17.0%	21.0%	43.9%	3.6	1.546
Budget control skills have led to increase in sale profitability	11.1%	12.5%	26.2%	24.0%	26.2%	3.3	1.386
Marketing skills have led to increase in sale profitability	12.5%	12.5%	20.0%	27.0%	28.0%	3.2	1.302
Decision making skills have led to increase in sale profitability	5.5%	9.5%	10.0%	29.0%	40.9%	3.6	1.546
Time management skills have led to increase in sale profitability	17.0%	12.5%	5.5%	21.5%	43.4%	3.6	1.546
Average						3.56	1.41

The first objective of the study sought to determine the influence of Entrepreneurial Skills on SMEs survival in Kakamega County. The respondents were asked to indicate the extent to which

they think the following statements contribute to survival of SMEs in Kakamega county and the findings were as follows: Business plan skills have led to increase in sales and profitability was rated 29.9% Strongly Agree, 33% Agree, 20.3% Neutral, 14.4% Disagree and 1.4% Strongly Disagree. Proposal development skills have led to increase in sale profitability was rated 31.0% Strongly Agree, 32.8% Agree, Neutral 12.9% Disagree, 1.4% strongly Disagree. Keeping records skills have led to increase in sale profitability was rated, 31.0 % strongly agree, 32.8% Agree 15.9% Neutral, 6.6% Disagree and 13.7% Strongly Disagree. Communication skills have led to increase in sale profitability was also rated as follows: 18.5% strongly Agree, 18.5% Agree 28.0% Neutral, 21.0% Disagree while 14.0% strongly Disagree. Budget control skills have led to increase in sale profitability was rated 31.0% Strongly Agree, 32.8% Agree 15.9% Neutral, 6.6% Disagree and 13.7% strongly Disagree. Marketing skills have led to increase in sale profitability was rated 31.0% strongly Agree, 32.8% Agree 15.9% Neutral, 6.6% Disagree and 13.7% Strongly Disagree the rest of the findings are shown in table 4.23. Decision making has led to increase in sale profitability was rated 40.9% strongly Agree, 29% Agree 10% Neutral, 9.5% Disagree and 5.5% strongly Disagree. Time management has led to increase in sale profitability was rated 43.4% strongly Agree, 21.5% Agree 5.5% Neutral, 12.5% Disagree and 17% Strongly Disagree. On a five point scale, the average mean of the responses was 3.56 which means that majority of the respondents were agreeing to the statements in the questionnaire. The standard deviation was 1.41 meaning that the responses were clustered around the mean response.

4.10.2 SMEs survival

The respondents were asked to rate various statements on SMEs survival on a likert scale of 1 to 5. The statements were based on a likert scale ranging from strongly disagree, disagree, neutral, agree and strongly. The results are presented in Table 4.11.

Table 4.11: SMEs survival Descriptive Analysis:

Statement	S.D	D	N	A	S.A	Mean	Std. D
Profitability has increased for the last five year	3.0%	10.7%	11.3%	34.6%	40.4%	3.6	1.315
Sales turnover has increased for the last five year	7.0%	17.3%	18.2%	25.5%	32.0%	3.7	1.348
Number of SMEs has increased in Kakamega county	4.0%	19.0%	26.0%	26.5%	24.5%	3.1	1.302
Average						3.4	1.321

The results were as follows: Profitability has increased for the last five year were rated as 3.0% Strongly Disagree, 10.7% Disagree 11.3% Neutral, 34.6% Strongly Agree 40.4% % Agree. Sales turnover has increased for the last five year were rated as 7.0% Strongly Disagree, 17.3% Disagree 18.2% Neutral, 25.5% Strongly Agree 32.0% Agree. Kakamega County was rated as 4.0% strongly disagree, 19.0% Disagree 26.0% Neutral, 26.5% Strongly Agree 24.5% Agree. On a five point scale, the average mean of the responses was 3.4 which means that majority of the respondents were agreeing to the statements in the questionnaire. The standard deviation was 1.321 meaning that the responses were clustered around the mean response.

4.11 Effect of Entrepreneurial skills on SMEs survival

4.11.1 Entrepreneurial skills Linearity Test

To find out whether there was linear relationship between Entrepreneurial Skills and SMEs survival Pearson moment's correlation coefficients was used as suggested by Cohen, West and Aiken, (2003). The result of the finding is presented on table 4.18. The result indicates that the variables SMEs survival and Entrepreneurial Skills had a strong positive relationship indicated by a correlation coefficient value of 0.631^{**}. This suggests that there was a linear positive relationship between Entrepreneurial Skills and SMEs survival which means that an increase in Entrepreneurial Skills would lead to a linear increase in SMEs survival.

Table 4.18: Entrepreneurial Skills Correlations Coefficients

		SMEs Survival	Entrepreneurial Skills
	Pearson Correlation	1	.631 ^{**}
	Sig. (2-tailed)		.000
SMEs Survival	N	127	127
	Pearson Correlation	.631 ^{**}	1
	Sig. (2-tailed)	.000	
Entrepreneurial Skills	N	127	127

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

4.11.2 Regression Analysis for Entrepreneurial Skills

Table 4.19 indicates the model summary for the regression between Entrepreneurial Skills and SMEs survival. An R squared of 0.398 indicates that 39.8% of SMEs Survival is explained by changes in Entrepreneurial Skills.

Table 4.19: Model Summary Entrepreneurial Skills

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.631 ^a	.398	.375	.10376

a. Predictors: (Constant), Entrepreneurial Skills

The ANOVA table 4.20 shows that the regression model between Entrepreneurial Skills and SMEs Survival was significant (it indicates the goodness of fit for the regression model established between dependant variable and independent variable). F statistic of 82.349 indicated

that the overall model was significant as this was further supported by a probability value of 0.000 which less than 0.05 ($p=0.00 > 0.05$).

Table 4.20: ANOVA- Entrepreneurial Skills

Indicator	Sum of Squares	df	Mean Square	F	Sig.
Regression	4.824	1	4.824	82.349	.000 ^b
Residual	7.381	126	.058		
Total	12.205	127			

The regression coefficient table 4.21 shows that the regression model between Entrepreneurial Skills and SMEs survival was given as $Y=2.741+0.184X_1$ which indicate that there was a positive and significant relationship between Entrepreneurial Skills and SMEs survival. The regression coefficient of 0.184 indicates that for unit increase of Entrepreneurial Skills, SMEs Survival increases by 0.184.

Table 4.21: Regression Coefficients- Entrepreneurial Skills

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	2.741	.054		50.759	.000
1 Entrepreneurial Skills	0.184	.017	.633	69.53	.000

a. Dependent Variable: SMEs Survival

In addition to that, the hypotheses:-

H_{01} : Entrepreneurial Skills do not have an effect on SMEs survival in Kakamega ($H_0: \beta_1 = 0$ vs $H_1: \beta_1 \neq 0$) was tested and the results also indicates the hypotheses was rejected. The table below show the the hypotheses rejected.

Table 4.37: Overall Regression Coefficients

Hypotheses	t- value	Sig value	Decision
$H_0: \beta_1 = 0$.476	.000	Reject H_0
$H_1: \beta_1 \neq 0$			

IV. CONCLUSION

According to the findings of this study indicated that there was a positive and significant relationship between Entrepreneurial Skills and SMEs survival. The findings are supported by the study conducted by Mukulu *et al.* (2016), Hala (2014), Thomas (2012), Fred (2012), Tamara (2011) and Ahmad *et al.* (2011). Analysis made by Ahmad, N. H., Halim, H. A., and Zainal, S. R. M. (2010) on the contribution of entrepreneurs in terms of their management skills towards the success of small and medium enterprises (SMEs) in the services sector in Malaysia found that high entrepreneurial success was associated with high business operating skills, skills to obtain market share that suits their size and capability and skills to offer more special services. An investigation by Hala (2014) suggested positive relationship between entrepreneurship education and intentions and perceived desirability. The study by Louise (2010) concluded that the lack of marketing skills has a negative impact on the success of small businesses. The conclusion was that a positive correlation between lack of marketing skills and business failure exists in South Africa. The challenge was to improve the marketing skills of small business owners. A study conducted by Mukulu *et al.* (2016) indicated that entrepreneurial skills that were manifested in youth enterprises play a key role in determining the levels of innovation in those enterprises and then affect positively their survival.

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