

THE EFFECTS OF HUMAN RESOURCE MANAGEMENT FUNCTION ON THE GROWTH OF MICRO ENTERPRISES, KENYA

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ABSTRACT

Globally, Micro and small enterprises (MSEs) have been accepted as the means through which accelerated economic growth and rapid industrialization have been achieved. In most developing countries like Kenya, MSEs are generally regarded as the driving force of economic growth in job creation and poverty reduction. Besides, various studies have been conducted highlighting the constraints which affect the growth of micro enterprises but to no success since they still stagnate and eventually fail. To fill the gap, the researcher conducted a research on the effects of human resource on growth of micro enterprises. The research objective that guided the study was to investigate how human resource affects the growth of micro enterprises. The study sample was drawn from a population of 210 enterprises comprising six different business trade areas whose owner/managers are registered with Murang'a Jua kali Pioneer Association. Stratified random sampling was used since the population was not homogeneous. To constitute the study sample, respondents from each stratum were selected using Systematic sampling. The researcher collected Data from a sample size of 70 respondents of various enterprises using the administration of structured questionnaires. The quantitative data was processed by statistical package for social sciences (SPSS). The analysis was done using descriptive statistics. Simple regression analysis was used to test relationships between variables. The results showed that human resource is very significant since p-values $0.002 < 0.05$ influence change in the growth of the enterprises. The study found out that there is need for micro enterprises to consider human resource function to boost the growth of micro enterprises. In view of the findings, the study recommended government intervention in organizing regular training and skill development since human resource has an important effect on the growth of micro enterprises.

Key Words: human resource, enterprise growth, job creation and poverty reduction

Introduction

Globally, Micro and small enterprises (MSEs) have been accepted as the means through which accelerated economic growth and rapid industrialization have been achieved (Harris & Gibson, 2006). In most developing countries, MSEs are generally regarded as the driving force of economic growth in job creation and poverty reduction. In Kenya, according to the Economic Survey (2006), the sector contributed over 50 percent of new jobs created in the year 2005 but despite the challenges of failure of at least three out five within the first few months of operation. (K N B S, 2007). Despite the challenge, the sector has generated income and provided a source of livelihood for the low income in the country accounting for 12-14 % of GDP (Ngugi & Muturi, 2012). According to Maundu, (1997) the term Jua kali is a term derived from two Kiswahili words 'Jua' meaning sun and 'kali' meaning hot which is synonymous with micro enterprise that employ between one ten employees including the owner.

Numerous research on challenges facing micro-enterprises cite lack of planning, improper financing and poor human resources management as main cause of failure of growth small business in Kenya (Longneck, 2006). A simple management mistake like over or under employment is likely to lead to death of the enterprise (Kings & MacGrath, 2002 While the government has put good policies in place, it is imperative to note that entrepreneurs do not take the challenges in engaging qualified human resources to produce high quality goods and services, hence their goods are rejected in preference for high quality goods (Kibas, 2012). According to Jay & Barry, (2004), human capital remains as one of the necessary ingredients not only for production but also for an enterprise's survival. Hence the needs to investigate the effect of human resource management function in the growth of micro enterprises.

Objective of the Study

The main objective of the study was to investigate how human resource management functions affect the growth of the Jua kali enterprises in Murang'a County, Kenya.

Literature Review

Micro enterprise growth

According to Boswell, (1973), Growth of micro and small scale enterprises depends on the changing industry patterns and management; Storey, (1994) states that the growth of an enterprise is influenced by the background and the strategic decisions taken by the owner/manager. Kibera (2000) reaffirms that micro and small scale enterprises are engaged in a number of business activities characterised by the economic and political environment existing in the country. McMohan (2001) feels that business growth and performance by human capital outcomes are correlated. Starting and operating a small business includes a possibility of success as well as failure. Lack of planning, improper financing and poor human resources management have been suggested as the main causes of failure of small enterprises.

Micro and small enterprises with more educated and trained human resource are more likely to be successful than those who have no training and are less educated, hence the need for education and training of human capital in micro enterprises. (King & McGrath 2002)

According to Wanjohi & Mugure (2008) business environment is among the key factors that affect the growth of small scale enterprises. Lack of modern technology in human resource, marketing, production procedures and financial practices limits the number of alternatives that can be considered in operating the enterprises at a profit and realise growth.

Growth is an important variable in a Micro enterprise which can be measured in several manners, including growth in sales, profits, or number of workers. However, many scholars have measured the variable in different ways. Wiklund et al. (2009) argued that there is little agreement in the existing literature on how to measure growth. Most scholars have used a variety of different measures which include growth of sales, employees, assets, profit and equity. Janssen (2009) indicated that employment and sales are the two criteria most used in the literature on the determinants of micro and small enterprises growth. For The purpose of this research, the researcher adopted human employment.

Human resource management and the growth of micro enterprises

Good practise in human resource management in larger firms relies on formalized, written procedures and longer- term planning. Micro enterprises manage people through informal, unwritten and ad hoc practices. Much will depend on the management qualities of the owner-manager to make them work effectively and efficiently by right recruiting procedures, motivation, and training and development of the employees (Stokes & Wilson, 2010).

Most successful micro enterprises recognize people as a source of competitive advantage and treat their employees both as assets and as agents for growth. Gachunga (2012) reaffirms that enterprise's success and productivity is likely to depend increasingly on human resources.

Motivation of employees

A business is a part of the society in which it functions; it is therefore prudent that employees' policies are put in line with the societal needs. The competitiveness and survival of enterprises increasingly depend on the ability to ensure that employees are motivated and committed at work (Saleemi, 2009). Evidence suggests that employees are motivated by mostly creating a positive work environment which boosts not only morale but also productivity and competitiveness (Robert & Michael 2003).

Hisrich & Peters, (2002), consider that appropriate workplace practices, including conditions of work particularly that relate to occupational safety and health, as well as sound labour–management relations and human resource development policies, are vitally important for the promotion of sustainable micro enterprises.

Recruitment of employees

Every enterprise aims at recruiting and retaining competitive loyal and mentally well attuned team of workers with a sense of belonging. Saleemi, (2009) argues that most micro enterprise owner/managers perform all the functions of the enterprise alone. This is a common problem and a significant reason for many failures. The entrepreneur sometime feels that he can do everything hence unwilling to give up responsibility to other or even include them in the management team (Saleemi, 2009). Regardless of whether, there is one or more individual involved in the start-up as the work increases the enterprise structure, Hisrich & Peters, (2002) feel there is need to include additional employees with defined roles through effective interviewing and hiring procedures

Recruitment theory advocates the formal stages to undergo the selection of the right person for the job namely: job description, which carefully analyses the work to be done and details the responsibilities and levels of authority of the job; person specification which attempts to match the ideal candidate to the job, reflecting essential and desirable qualifications, experience, skills and characteristics; promotion campaign; advertising the vacancy to attract the best possible candidates, using website, media advertisement and possibly recruitment agencies (Stokes & Wilson 2010). In practise most micro and small enterprises, tend to follow a much less structured approach where Interviews tend to be with owner/manager who is concerned to see how well the person fits into the team than with their formal qualifications and experience (Hisrich & Peters, 2002).

Training

Training is basically a learning experience, which seeks a relatively permanent change in an individual's skills, knowledge, attitudes or social behavior (De Cenzo and Robbins 1996:237). Training the owner/manager and the employees in the enterprise is one of the factors that impact more positively on growth of enterprises (Omar, et al., 2009). It has also been established by Twoli & Maundu, (1994) that most entrepreneurs and artisans acquire their skills through on-the-job training and apprenticeship that are normally brought in through family ties or friendship and generally possess low academic qualifications. The owner/managers are reluctant to pay the price of external training particularly the cost of losing staff for the time needed (Omar, et al., 2009).

According to Stokes & Wilson, (2010), good management in human resource is the single most important factor that affects the growth of enterprises, while Poor management or lack of training leads to mistakes in staffing, planning and implementation. Indarti & Langenberg (2004) also support that Entrepreneurship educations, training and skill development of employees in an enterprise increased sales, and eventual growth, while an owner/manager who lacks management training and hires incompetent employees eventually turns away customers. Nyanga'u (1999) supports the facts and considers as one of the crucial factors that affect the growth of small

enterprises. Twoli & Maundu, (1994), likened people without training with a wheelbarrow which needs somebody to push it because by itself it cannot move at all. Training of Human capital therefore becomes the most important tool for the growth of micro and small enterprises.

Human capital theory

The term human capital was originally used by Nobel economist Becker, (1993) to refer to the stored valued of knowledge or skills of members of the workforce in an enterprise. The consensus among scholars is that human capital is critical to the formation and growth of entrepreneurial ventures (Smart, 1998). Heckman, (2000) referred Human capital in terms of the time, experience, knowledge and abilities of an individual which can be used in the production process in an ongoing concern. Human capital theory proposes that the level of education, area of training, previous entrepreneurial experience and business skills influence the growth of the enterprise (Becker, 1993). In the study, human capital was considered as the skills and training an entrepreneur acquires, e.g., apprenticeship, work experience, and training in various skills. Birley et al 1989. The objective of the study was to investigate how human resource management functions affect the growth more specifically on recruitment, training skill and motivation of which were pertinent to jua kali enterprises. After the study, it can be concluded that human resource influences most significantly the growth of jua kali enterprises.

Research Methodology

The study was conducted in Murang'a County which is one of the 47 counties in Central Kenya. The county has a total area of 2,325.8 square km and a total population of 942,581 (population census 2009). The study adopted the descriptive research design. The target population comprised 210 owner/managers of the enterprises. Stratified random sampling was used to determine the sample size of 70 respondents from a sampling frame of six different trade areas (table.1) which form the strata since the population was not homogeneous. The sample size of each stratum was calculated using the formula $i = n (N/P)$, (Kothari, 2009) as tabulated in table 1 below.

Out of 70 respondents, (owner /manager) of Murang'a Jua kali enterprises served with questionnaire, 50 (71.4%) filled and returned the questionnaires, which according to Mugenda & Mugenda (2003) are adequate. The study employed quantitative research method to collect primary data from the respondents through a structured questionnaire which was administered to owner/ mangers of jua kali enterprises to address the specific objective.

Descriptive statistics was used with the help of the Statistical Package for Social Sciences (SPSS) software which offers extensive data handling and numerous statistical details (Muijis, 2004). In order to determine the relationship between the human resource management function and growth of micro enterprises, a simple correlation and regression analysis were under taken. Pearson's correlation coefficient was used to show how each independent variable relates with

the dependent variable. Further simple regression analysis was employed to determine the degree of relationship between enterprise growth and the human resources management function.

Research Findings

Gender disparity

The study found out that there was gender disparity in Murang'a Jua kali pioneer association with 45 (90 %) dominance by male while female forms only 5(10 %). This could be attributed to women roles and also considering that most enterprises are primarily engaged in manufacturing which are male dominated.

The study revealed that 25(50 %) of owner/managers of Murang'a were graduates of Kenya Certificate of Secondary Education (KCSE) followed closely by Kenya Certificate of primary education (KCPE) with 21(42 %), while only 3(6 %) had education above KCSE. It can be inferred that micro businesses in Murang'a pioneer Jua kali are dominated by people with relatively low levels of education. The results show 70 % of the employees in Murang'a jua kali are trained in the job compared with 30 % who have undergone some form of training related to their businesses. Twoli & Maundu, (1994) confirms the findings that most entrepreneurs and artisans acquire their skills through on-the-job training in the enterprises and very few in apprenticeship courses.

Although the findings show that 70% rely mainly on the job training, Omar, et al., (2009) felt that Education and Training by the employees in the enterprise is one of the factors that impact more positively on growth of enterprises. Twoli & Maundu, (1994) support Omar, et al., (2009) by adding that a business with people without education and training is like a wheelbarrow which needs somebody to push it because by itself, it cannot move at all. Training is therefore the most important tool for the growth of micro and small enterprises without which the enterprise is destined to fail.

The study revealed that 22(44 %) of the respondents have been in operation for a period between one year to five years after which, 15(30 %) of the respondents closed the business. This can be attributed to the owner/ manager, either graduating the business to next level of business or closure due to dwindling capital or poor management. Indarti & Langenberg, (2004) confirm that poor management and lack of training lead to mistakes in staffing, planning and implementation. This causes deterioration in performance and subsequent failure of the business.

Findings on the effects of Human resources on enterprise growth

The study established that 25(50 %) of the Owner/ managers are the sole decision makers in their enterprises. The study further revealed that 23(46 %) of owner/ managers involved their employees in making some decisions concerning their businesses. These Employees were expected to implement the outcome of decision in consultation with the owner/manager. Only

3(6 %) involved their employees fully in decision making. Gachunga (2012) supports the findings that micro enterprises should recognize human resource as a source of competitive advantage by giving responsibilities to their employees.

The result of the study shows that most entrepreneurs run their businesses with little assistance from their employees and do not trust them. Hence all decisions concerning human capital, finance, marketing and production were prerogative of the owner manager. Stokes & Wilson (2006) supported the findings by describing most owner/managers of micro enterprises as generalists who do almost everything in the enterprise. Hisrich & Peters, (2002) agree that those micro enterprise owner/managers perform all the functions of the enterprise alone consequently feel reluctant to recruit.

The results show that on delegation, 14(28 %) of the owner managers delegate the responsibilities to their wives/husbands and 7(14 %) engaged one of the senior most employees to take charge when they are away while 15(30 %) do not delegate to anybody when they are away from their businesses. It was established that 2(4 %) of the enterprises are partnership who engage a manager to manage the partnership on their behalf. Robert & Michael (2003) differ with the results of findings and feel that competitiveness and survival of enterprises increasingly depend on the ability to ensure that employees are motivated and given responsibilities at work place, without which, can jeopardise positive work environment which can affect productivity and competitiveness.

Summary of the findings

Human resource impacts strongly on the growth though it has not been embraced by micro enterprises to a larger extent. This came out clearly in delegation, decision making, and motivation. However these results are consistent with the literature review. It was found that the main concern of owner / managers of the enterprise are to see the business grow (without considering the level of growth) and if that happens, then human resources who are deemed to be expensive are of little value. However, Gachunga (2012) disagrees with the owner / manager of micro enterprises and maintains that enterprise's growth depends increasingly on proper human resources management to realise high growth levels. The finding by Bower et al (2009) confirms the finding of this study that there was a relationship between business performance and level of training in the actual line of enterprise.

Conclusions and Recommendations

Based on the finding it can be concluded that the level of growth acquired by jua kali enterprises in Murang'a pioneer Jua kali is low. However human resource management function had a strong positive relationship on the growth of MSEs with a Pearson correlations coefficient (r) of 0.601 at 99.8% significance level (p=0.002). It is therefore imperative that micro enterprises have adequate level of training and skilled work force to run effectively and efficiently for rapid growth.

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