MANAGEMENT COMPETENCE AND GROWTH OF MICRO AND SMALL MANUFACTURING ENTERPRISES IN KENYA

Agnes Nyambura Kiwara (PhD)
Jomo Kenyatta University of Agriculture and Technology

Dr. Patrick Ngugi (PhD)
Jomo Kenyatta University of Agriculture and Technology

Dr. John Karanja (PhD)
Jomo Kenyatta University of Agriculture and Technology

ABSTRACT

In Kenya, MSEs contribute over 80% of the country’s employment and over 40% of the country’s GDP. Statistics show that MSEs have high collapse rate. Low utilization of entrepreneurial management leads to poor quality of products and technology. Entrepreneurial management has been identified as having capability to innovate, an important effect on the enterprise growth and gives to enterprises a better competitive advantage. MSE growth is often closely associated with firm overall success and survival. Growth is the most appropriate indicator of the performance for surviving small firms. It is generally accepted that MSEs are becoming increasingly important in terms of employment, wealth creation, and the development of innovation. The main objective of this study was to establish the role of entrepreneurial management practices on the growth of manufacturing Micro and Small Manufacturing Enterprises in Nairobi County, Kenya. The study was guided by the independent variable: management competence with firm characteristics as the intervening variable. Fisher, Laing & Stockel formulae for determination of sample size was employed and further stratified to select a sample of 379 manufacturing MSEs. Data was presented in tables, charts and graphs. Content analysis was used to analyze qualitative data. A regression model was applied to determine the relationship between each of the five variables with respect to performance of manufacturing MSEs. The study found that owner manager level of education; experience in the enterprise a critical factor affecting growth of MSEs. Entrepreneurs who provide enabling environment for employees within the enterprise are likely to increase growth capacity of the enterprise. The study recommends that managers should ensure that they practice high profile management skills for the growth of MSMEs.

Key Words: Management competence, Growth of MSMEs
1. INTRODUCTION

1.1 Background to the Study

Contemporary definitions of entrepreneurial management tend to center around the pursuit of an opportunity (Agbim, 2013), their common characteristics are that they define entrepreneurial management as a “mode of management” that is proactive, opportunity-driven, and action-oriented. Entrepreneurial management style is evidenced by the firm’s strategic decisions and operating management philosophies. Entrepreneurial management tries to establish and balance the innovation abilities of the organization with the efficient and effective use of resources. It can both initiate changes and react to changes quickly and flexibly (Bin, Yunus and Abd, 2013).

In the course of the entrepreneurial process, the entrepreneurial manager creates new value through identifying new opportunities, attracting the resources needed to pursue those opportunities, and building an organization to manage those resources (Wickham, 2006). An entrepreneurial manager seized any promising business opportunity irrespective of the level and nature of resources currently controlled (Evbuomwan, Ikpi, Okoruwa & Akinyosoye, 2013). Consequently, an entrepreneurial manager is someone who acts with ambition beyond that supportable by the resources currently under his or her control, in relentless pursuit of an opportunity (Evbuomwan, et al. 2013). In spite of the fact that the concept of entrepreneurial management has been explored since long ago, and its scope and depth were have been enhanced by prolific authors like Stevenson and Gumpert (2006), and Timmons (2014), the empirical study of the phenomenon is still in its infancy (Kamunge, Njeru and Tirimba, 2014).

Entrepreneurial management has been acknowledged as a determinant for a firm’s growth and profitability. High growth would be a result of innovativeness, pro-activeness and risk-taking orientation by the firm. In current business environments, where product and business model life
cycles are shortened such characteristics are positively associated with better performance (Onakoya, Onakoya, Jimi-Salami, Odedairo, 2013). Thus, entrepreneurial management would be taken into consideration as a key ingredient for the success of a firm. Entrepreneurs are socially important not because they exist, but because they contribute to productivity and growth. Qureshi (2012) found empirical support that entrepreneurship exerts a positive impact on a region’s output as measured in terms of Gross Domestic Product. The role of entrepreneurship has been reversed completely, and entrepreneurship was perceived as an engine of economic and social development throughout the world. Sarwoko, Surachman and Hadiwidjojo, (2013), and Alvarez (2010) provide statistics indicating that the USA’s 23 million small businesses continue to be a strong driving force in their economy. The small businesses absorb 52% of the private work force and contribute 51% to GDP in the USA (Longenecker et al, 2013). Thaimuta, & Moronge (2014) also suggest that a study conducted by the Small Business Administration in the USA reveal that small business accounted for half of all new innovations in the USA.

According to Fatoki (2011) small firms in the United Kingdom employs 62% of the labour force and contribute 25% to GDP. In the European Community as a whole, small firms employ 66 percent of the work force. Burns emphasizes the major role small firms’ play in the European Community, by citing the employment generated by small firms in various European countries. He suggests that small businesses contribute 79%, 63% and 60% to employment creation in Italy, France and Germany respectively. According to SENET (2014) over 99% of the 3.2 million businesses in the UK are Micro and Small Manufacturing Enterprises (MSEs) and they account for more than two thirds of the business turnover.

The MSE industry in Kenya is characterized capital assets of a substantial amount of about Kshs2 million. It is agreed by virtually all stakeholders in this market that Micro and Small Manufacturing
Enterprises in Kenya are the “missing middle” (Ngugi, 2013). Their size and credit demand have outgrown the capacity of microfinance institutions, which offer small, short loans via group-lending methodologies, while the opacity of the MSE risk profile combined with the lenders’ lack of sophisticated risk assessment techniques makes many of them appear undesirable as credit customers for business banking (Ngugi & Bwisa, 2013).

1.2 Statement of the Problem

The collapse ratio of manufacturing MSEs is alarming for developing countries as well as developed countries (Ferreira, Azevedo & Ortiz, 2011). Past studies identified that a significant number of new manufacturing MSEs fail within first five years of their business operation (Ngugi, 2013). Several studies from Australia, USA and England showed that approximately 80% to 90% of MSEs fail within 5-10 years (Zimmerer, Searborough & Wilson 2015; Ahmad, Rani & Kassim 2011). Data obtained from the Kenya Institute for Public Policy Research and Analysis on MSEs shows that over 50% of MSEs continue to have a deteriorating performance with three in every five MSEs failing within months of establishment (KIPPRA, 2013). Reports from World Bank (WB) show that MSEs are known to experience stagnation with no significant graduation from one enterprise level to the next (WB, 2013). Kenyan MSEs contribute heavily to the GDP yet there is little empirical evidence available on this important sector of the economy. Therefore, could entrepreneurial management competence be the solution to this phenomenon? This was the subject of this study.

1.3 Research Objective

The main objective of the study was to establish the influence of management competence on growth of manufacturing MSEs in Kenya as well as assess the intervening effect of firm
characteristics on the relationship between management competence and growth of manufacturing MSEs in Kenya.

2. LITERATURE REVIEW

2.1 Theoretical Review

2.1.1 Competency Theory

Competency theory (Kruger & Dunning, 1999) suggests that non-proficient individuals are less likely than proficient students to be able to self-assess their skill set accurately. The global move to competency based training has introduced a number of new concepts and chief among these concepts is the concept of competence (Mansfield, 2014). The concept has created confusions and a host of conceptual misunderstandings at global (Van Loo & Semeijn, 2011), national (Kushnir, 2010) and State (Mitchelmore & Rowley, 2010) levels. According to Boyatzis (2016), maximum performance is believed to occur when the person’s capability or competency is consistent with the needs of the job demands (roles and responsibilities) and the organizational environment, systems and structures. Competencies are framed as abilities related to motive and personality constructs that influence the frequency and intrinsic affective value associated with the execution of specific behaviours and cognitive-affective processes. In this way, competencies not only imply what an individual is capable of doing but what they want to do. Employing discriminant analysis, Xiang (2009) found empirical evidence that the business owners generally possess higher level of entrepreneurial competencies than the managers, and the business owners and the managers can be discriminated based on their entrepreneurial competency level, which supports our hypothesis.
2.1.2 McClelland’s Psychological Theory

This theory argues that a person with a high need for achievement sets challenging goals and accomplishes these goals through efforts and skills, takes personal responsibility for the decisions and is a moderate risk-taker (McClelland 1961). In this regard, it is argued that both managers and entrepreneurs have a high need for achievement, therefore it is meaningless to assume that entrepreneurs take more risks than managers (Othman and Rosli, 2011). This implies that there is no significant difference in risk taking between managers and entrepreneurs. Due to this contradictory result, some researchers have concluded that entrepreneurs do not have a unique risk-taking propensity compared with managers (Tan & Tay, 2015). Previous empirical studies concerning such a relationship have revealed conflicting results. In this study, psychological theories anchor the study on the fact that risk taking has been found to be associated with entrepreneurial inclination.

2.2 Empirical Review

According to Awasthi, 2011), competency is what people need to be able to perform a job well. It’s an ability to meet performance expectations in a role and deliver the required results. Competencies include specific skills, knowledge, attitude, behaviors and techniques which include expertise resulting from training and experience necessary to fulfill a task. Cant, Gerber-Nel, Nel & Kotze (2011) noted that, an MSE is said to be competent if its management demonstrates a good knowledge of the industry in terms of how to position the MSE in the market, how and where to mobilize the startup and or growth capital and how to deal with suppliers and competitors.

In spite of the fact that the concept of entrepreneurial management has been explored since long ago, and its scope and depth were have been enhanced by prolific authors like Burgelman (1984), Stevenson and Gumpert (1985), and Timmons (1994), the empirical study of the phenomenon is
still in its infancy (Sexton & Landström, 2010). Our knowledge about entrepreneurial practices cannot be extended without a valid and reliable measurement, analysis, and interpretation of the key variables. Unfortunately, only a few explicatory variables have been validated until now (Brown et al., 2001), although some remarkable studies have already been published.

Hortoványi (2010) studied Entrepreneurial Management in Hungarian MSEs and revealed three dimensions. The first dimension was “entrepreneurial orientation” besides “speculation” and “product push” orientations. The three dimensions were named as: Entrepreneurial orientation [EO], Speculation orientation [SPO] and Product push orientation [PPO]. Each of the new dimensions also represents a conceptual continuum, just like entrepreneurial orientation does. A firm’s position on any of the three continua is determined by the level of its orientation.

Hortoványi (2010) found that innovation efforts tend to be directed toward potential marketable improvements to an existing product or service. Hence innovation is perceived as an incremental, clearly defined, and time-tested process designed to prove or disprove its value to the company. In the case of poor results, the management prefers to abandon the activity quickly. On the other hand, however, the single-product orientation implies that the manager is committed to the development of a single but radically innovative product idea and persistence is a key element of the processes. A low level of product push orientation is also characterized by a relatively high level of uncertainty tolerance and a simultaneous effort to reduce risks to a manageable level and it is also associated with the aim of breaking traditional ways of conducting business (Hortoványi, 2010).

Shehu, Aminu, Kamariah, Mat & Nasiru (2013) in his descriptive study on Entrepreneurial Behaviour and Growth of selected MSEs in Uganda revealed that individuals need a wide range of competencies in order to face the complex challenges of today’s world, but it would be of limited
practical value to produce very long lists of everything that they may need to be able to do in various contexts at some point in their lives. He went ahead and argued that, key competencies are not determined by arbitrary decisions about what personal qualities and cognitive skills are desirable, but by careful consideration of the psychosocial prerequisites for a successful life and a well-functioning society. However, Shehu, Aminu, Kamariah, Mat & Nasiru (2013) recommended that though competencies are needed to help accomplish collective goals, the selection of key competencies needs to some extent to be informed by an understanding of shared values.

Company characteristics may explain the wide variations of voluntary disclosure in the annual report, the company's characteristics is a predictor of the quality of disclosure (Arogundade, 2011). Every company has different characteristics to one entity with another entity. The size of a firm is inversely related to profit growth lending support to findings by Ayanda & Laraba (2011). Company size can be determined based on the value of market capitalization, total assets, sales, labor, and so forth which correlates to high. The size of the company will affect the company's funding structure. The need for greater funding has a tendency that the company wanted the growth in profits (Riyadi, 2016). The company size is based on total assets, because based on the research of Fitriani (2016) total assets shows the size of company more than the market capitalization. Sembiring (2015) states that larger companies probably will have shareholders who pay attention to social programs that created the company in its annual report, which is a medium to disseminate information about the social responsibility of the company's finances.

MSEs have been identified as one of the growth engines for various countries in the world, since MSEs make up over 90 per cent of all enterprises (Nevado & López 2002). Besides, Asia-Pacific Economic Cooperation (APEC) (2002) pointed out that MSEs are deemed as supporters to larger enterprises as well as an important foundation in expanding business activities and sustaining
economic growth. Moreover, the contribution of MSEs in emergent economies had also been acknowledged to have played crucial role in the development of economy (Schlogl, 2004). There is no doubt that most of large size businesses start as a small business or at micro level. Many researchers agree that the MSEs are the backbone of economic development and growth.

2.3 Research Gaps
From a Kenyan perspective, the importance of small-to-medium sized enterprises in contributing to national wealth is critical. The Kenyan economy is growing at a rate of 1.7% per annum (KIPPRA, 2013) whilst the population was growing at a rate of 2.7% (World Bank, 2013a) per annum. For Kenya to maintain its existing level of wealth, it is generally accepted by economists that the economy needs to grow at twice the rate of its population growth rate per annum. Various strategies can be formulated by government and business aimed at achieving this growth rate but the need to stimulate the growth of small-to-medium sized enterprises is widely acknowledged as having the best potential to achieve the required growth (DTI, 2006). For this reason, policy-makers need to seriously look at the growth potential of MSEs.

With this in mind, there is a need to:

Undertake a detailed examination of the management of small firms with respect to the linkages between the owner-manager; their competencies (experience and expertise); the resources available to the firm and the management of these internal and external resources; and the effect of the external environment and how the entrepreneurs manage change; Understand the regional context of the development of small firms in a peripheral region and the problems specific to such firms; Examine how policies could be improved to make small businesses more efficient and effective in their management techniques, to address their weaknesses and build on their strengths. Based on the criticisms and studies done, this research seeks to bridge the identified gaps by addressing them, this will be done by establishing the influence of entrepreneurial management
practices on the growth of Micro and Small Manufacturing Enterprises in Kenya and why it is important for MSEs to consider the critical factors through an in depth study of the independent variables.

3. METHODOLOGY

3.1 Research Design
A descriptive survey research design was used in this study. The design is chosen since it is more precise and accurate as it involves description of events in a carefully planned way (Babbie, 2012). This research design also portrays the characteristics of a population fully (Chandran, 2014).

3.2 Population of the study
The target population of this study comprised of Micro and Small Manufacturing Enterprises in Nairobi County, Kenya since the area has a wide variety of MSEs. Data available from Nairobi City County (2014) shows that there are twenty eight thousand, six hundred and one (28,601) manufacturing MSEs in Kariobangi (7,755), Kasarani (4,012), Embakassi (8,425) and Industrial area (8,409) from which the sample will be computed.

3.3 Sampling
The study will use (0.5) to be the values of p and q in the formula (Pillay, 2010). Kura (2012) recommended that if there are no estimates in the target population assumed to have interest, 50% should be used as the proportion of the target population with characteristics being measured. From the study, the sample will comprise 379 entrepreneurs/owner managers working in manufacturing MSEs in Kariobangi, Kasarani, Embakassi and Industrial area, Nairobi County.

3.4 Data Collection
The data for this study was collected through individually administered questionnaires to retrieve necessary information. Care and control was exercised to ensure that all questionnaires issued to
the respondents were returned. To achieve this, the researcher maintained a register of
questionnaires, tracking questionnaires that were sent out, against those received. The
questionnaire were administered using a drop and pick later method to the entrepreneurs/owner
managers. This was expected to take place at their place of work.

3.5 Data Analysis

The researcher utilized mixed method which includes qualitative and quantitative techniques in
analyzing the data. After receiving questionnaires from the respondents, the responses were
cleaned (checking for outliers), edited, classified, coded and tabulated to analyze quantitative data
using Statistical Package for Social Science (SPSS) software and descriptive and inferential
statistics. Descriptive statistical analysis focuses on the exhaustive measurement of sample
characteristics. Inferential statistical analysis involved using information from the sample to make
inferences, or estimates; about the population. Multiple regression was applied to test the effect of
independent variables on MSE growth. The results were presented in form of tables and figures
because they are the relevant forms of data display.

4. FINDINGS

4.1 Response Rate

The study had a sample size of 379 respondents and 250 of all the dispatched questionnaires were
closely monitored giving a response rate of 73%. This response rate was good and representative
and conforms to Mugenda (2010) stipulation that a response rate of 50% is adequate for analysis
and reporting; a rate of 60% is good and a response rate of 70% and over is excellent.
4.2 Management Competence

Generally, the study confirms that management competence among the entrepreneurs play a crucial role in small business growth. The findings of this study support a study by Rahman et al. (2011), which showed that generic skills helped individuals to perform effectively, and they directly contributed to a firm’s growth. Therefore it can be inferred that owner manager level of education, experience in the enterprise a critical factor affecting growth of MSEs. Therefore it can be deduced that management competencies is a critical factor contributing to growth of businesses.

From Table 4.5.1, statistics shows that majority of the respondents had level of education comprising of primary certificate (19%) and secondary certificate (32%). Others had tertiary education (30%) and university education (11%) as well as other academic qualifications (8%). Level of experience as owner/manager was rated as follows: 5 years and above (33%); 4 years (19%); 3 years (25%); 2 years (12%) and 1 year (11%). Findings also reveal that most of MSEs owners/managers have been trained to manage their businesses through workshops (34%) and professional certificates (23%). Others had been trained through social clubs (17%) and seminars (10%). Generally, this study confirms that management competence among the entrepreneurs play a crucial role in small business growth. The findings of this study support a study by Rahman et al. (2011), which showed that generic skills helped individuals to perform effectively, and they directly contributed to a firm’s growth. Therefore it can be inferred that owner manager level of education, experience in the enterprise a critical factor affecting growth of MSEs. Therefore it can be deduced that management competencies is a critical factor contributing to growth of businesses.

Table 1: Various aspects of management competence

<table>
<thead>
<tr>
<th>Statement</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>What is your level of education as</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>owner/manager?</td>
<td></td>
<td>Primary</td>
<td>Secondary</td>
<td>Tertiary</td>
<td>Other</td>
</tr>
<tr>
<td></td>
<td></td>
<td>y</td>
<td>y</td>
<td>y</td>
<td></td>
</tr>
</tbody>
</table>

http://www.ijsse.org  ISSN  2307-6305  Page 41
What is your level of experience as owner/manager?

<table>
<thead>
<tr>
<th>Experience Level</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 year</td>
<td>11%</td>
</tr>
<tr>
<td>2 years</td>
<td>12%</td>
</tr>
<tr>
<td>3 years</td>
<td>25%</td>
</tr>
<tr>
<td>4 years</td>
<td>19%</td>
</tr>
<tr>
<td>5 years and above</td>
<td>33%</td>
</tr>
</tbody>
</table>

Have you had any training in management?

<table>
<thead>
<tr>
<th>Training Type</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Certificate</td>
<td>23%</td>
</tr>
<tr>
<td>Workshop</td>
<td>34%</td>
</tr>
<tr>
<td>Seminar</td>
<td>10%</td>
</tr>
<tr>
<td>Social Clubs</td>
<td>17%</td>
</tr>
<tr>
<td>None</td>
<td>16%</td>
</tr>
</tbody>
</table>

How do you communicate to your staff?

<table>
<thead>
<tr>
<th>Communication Method</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Letters</td>
<td>4%</td>
</tr>
<tr>
<td>Memos</td>
<td>5%</td>
</tr>
<tr>
<td>Telephone</td>
<td>36%</td>
</tr>
<tr>
<td>Emails</td>
<td>12%</td>
</tr>
<tr>
<td>Verbal</td>
<td>43%</td>
</tr>
</tbody>
</table>

To what extent do you think technical skills influence growth of Micro and Small Manufacturing Enterprises?

<table>
<thead>
<tr>
<th>Extent</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Not at all</td>
<td>3%</td>
</tr>
<tr>
<td>Less extent</td>
<td>9%</td>
</tr>
<tr>
<td>Moderate extent</td>
<td>18%</td>
</tr>
<tr>
<td>Great extent</td>
<td>31%</td>
</tr>
<tr>
<td>Very great extent</td>
<td>39%</td>
</tr>
</tbody>
</table>

To what extent do you think interpersonal skills influence growth of Micro and Small Manufacturing Enterprises?

<table>
<thead>
<tr>
<th>Extent</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Not at all</td>
<td>7%</td>
</tr>
<tr>
<td>Less extent</td>
<td>11%</td>
</tr>
<tr>
<td>Moderate extent</td>
<td>11%</td>
</tr>
<tr>
<td>Great extent</td>
<td>56%</td>
</tr>
<tr>
<td>Very great extent</td>
<td>15%</td>
</tr>
</tbody>
</table>

**Technical Skills**

The study sought to find out whether technical Skills influence the growth of MSEs. From figure 4.4, 39% of the respondents indicated that technical skills influence the growth of MSEs to a very great extent, 31% indicated that technical skills influence the growth of MSEs to a great extent, 18% indicated that technical skills influence the growth of MSEs to a moderate extent while 9% indicated that technical skills influence the growth of MSEs to a less extent. The remaining 3% said that technical skills do not affect the growth of MSEs at all. The findings imply that technical skills contribute to great extent on the growth of MSEs in Kenya. This concur with previous studies by Mano et al (2012) assertions that technical or functional competencies were positively related to firm growth, besides the ability to recognise opportunities, political competency, drive venture through to fruition and human competency. Moreover, managers and employees are advised to possess a wide variety of technical workplace skills to allow them work with advanced technologies.
Interpersonal Skills

Interpersonal skills were highly approved by the respondents as key in growth of MSEs with 15% indicating the influence as very great; 56% approving the skills to a great extent; 11% said the effect is moderate; 11% said that the effect is low while 7% of the respondents were of the view that interpersonal skills do not at all influence growth of MSEs. According to the findings interpersonal skills are of great essence towards the growth of MSEs. Gagoitseope and Pansiri (2012) indicated that interpersonal skills are a factor contributing to the success of a small business. The findings relate with the findings of Rahman, Mokhtar, Yassin and Hamzah (2011) who postulates that interpersonal skills are the foundation of intellectual capital as everything in the current market environment relies on the individual’s ideas, knowledge and skills. It is asserted that the interpersonal skills in an organization are the most important intangible asset, especially in terms of innovation.
Figure 2: Influence of interpersonal skills on growth of MSEs

**Generic Skills**

Analysis shows that verbal communication is the most used means of interaction between the MSE owner/manager and the staff (43%) with telephone, emails, memos and letters being used by 36%, 12%, 5% and 4% respectively. This study also found that conceptual skills of the entrepreneur are important in contributing to business growth in line with numerous studies specifically in developing countries (see Rahman, Mokhtar, Yassin & Hamzah, 2011). Edvinsson (2000) postulated that interpersonal skills are the foundation of intellectual capital as everything in the current market environment relies on the individual’s ideas, knowledge and skills.
Figure 3: Influence of generic skills on growth of MSEs

**Normality Test**

**Table 2: Tests of normality for management competence/growth of MSEs**

<table>
<thead>
<tr>
<th></th>
<th>Kolmogorov-Smirnov*</th>
<th>Shapiro-Wilk</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Statistic</td>
<td>Sig.</td>
</tr>
<tr>
<td>Unstandardized Residual</td>
<td>.133</td>
<td>.237*</td>
</tr>
</tbody>
</table>

* This is a lower bound of the true significance.

**Lilliefors Significance Correction**

Kolmogorov-Smirnov and Shapiro-Wilk test for normality were used to detect all departures from normality (Math-Statistics-Tutor, 2010). The tests reject the hypothesis of normality when the p-value is less than or equal to 0.05 (Sharpiro and Wilk, 1965). Table 4.6.2 shows that the Kolmogorov-Smirnova and Shapiro-Wilk statistics were .133 and .871 respectively. The associated P-value was .237 and .795. Since the p-values were greater than the significance level (0.05) (not significant at p<.05), this implies that the variables were normally distributed.

**Linear Regression**
From Table 3, the results of the linear regression indicate that $R^2=0.773$ and $R = 0.879$ this is an indication that there is a strong linear relationship between management competence and growth of MSEs in Kenya. This implies that an increase in management competence such as education and experience leads to an increase in growth of MSEs. Islam et al (2011) found that management competence as measured by education, management experience, start-up experience and knowledge of the industry positively impact on the growth of MSEs. Katwalo (2010) also found that management competence is an important element of intellectual capital in growth of MSEs as found by. Surviving on a small scale, MSEs tend to be creative, aggressive in exploiting the opportunity and produce more products compared to their competitors. Size gives MSEs an advantage to create a friendly atmosphere, be creative and have a close network to nurture cooperation of the employees. It can be inferred that growth of MSEs is associated by the level; of experience and education of the entrepreneurs. Knowledge of the entrepreneurs regarding markets and products is a key factor for the growth of MSEs.

The results of ANOVA test (see Table 4.6.2) revealed that management competence have significant effect on growth of MSEs. Since the P value is actual 0.045 which is less than 5% level of significance. This is depicted by linear regression model $Y=B_0+B_1X_1+E$ where $X_1$ is the management competence the P value was 0.045 implying that the model $Y=B_0+B_1X_1+E$ was significant. Furthermore, the regression coefficients indicate that there is positive gradient which reveals that an increase in management competence lead to increased growth of MSEs. Katwalo (2010) indicated that management competence includes aspects such as competence, intellectual agility, innovation and creativity, skills, values and experiences and individual’s education. Inferences can be drawn from the findings and literature that entrepreneur should be innovative creative regarding the management of MSEs.
Table 3: Regression estimates for growth of MSEs/ management competence

<table>
<thead>
<tr>
<th></th>
<th>Model Summary</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>R Square</td>
<td>R Square</td>
</tr>
<tr>
<td></td>
<td>0.879</td>
<td>0.773</td>
</tr>
</tbody>
</table>

<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>98.10</td>
<td>5</td>
<td>19.62</td>
<td>28.73</td>
<td>.007b</td>
</tr>
<tr>
<td>Residual</td>
<td>166.41</td>
<td>244</td>
<td>0.682</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>264.51</td>
<td>249</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

a. Dependent Variable: Enterprise Growth
b. Predictors: (Constant), Management competence

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Constant)</td>
<td>3.332</td>
<td>.165</td>
<td>.000</td>
</tr>
<tr>
<td>Management competence</td>
<td>.072</td>
<td>.036</td>
<td>.045</td>
</tr>
</tbody>
</table>

CONCLUSIONS

From the findings, it can be inferred that owner manager level of education, experience in the enterprise a critical factor affecting growth of MSEs. Thus, it can be deduced that management competencies is a critical factor contributing to growth of businesses. Technical skills and interpersonal skills are of great essence in the contribution towards the growth of MSEs. Since year 2011, it can be concluded that the MSEs have gradually and steadily introduced new products/services. Furthermore, they have consistently increased their market penetration. From the results, it can also be deduced that entrepreneurs who provide incentives to innovative employees are likely to encourage the employees to be creative and thus lead to emergence of new products and new markets and hence influence the growth of MSEs. It is also inferred that innovative management on employees’ innovation through material rewards influence growth of MSEs. Thus, entrepreneurs who provide enabling environment for employees within the enterprise...
are likely to increase growth capacity of the enterprise. Entrepreneurs should also invest in research and development such as advertisement and getting feedback from customers in order to bring products that are needed in the market.

**RECOMMENDATIONS**

MSEs that ensures effective entrepreneurial management practices are likely to experience a positive growth trend. As such, it is advisable that MSEs see to it that there is high management competence in the entrepreneurs owning/running the firms particularly in terms of technical and interpersonal skills. It is vital that the managers engage in continuous training in the course of business to enhance these skills in them. The managers should also continuously remain innovative in bringing new products to the market while at the same time seeking ways to motivate staff. Staff motivation is critical since employees will play a major role in ensuring effective marketing of the product.

**REFERENCES**


