INFLUENCE OF MENTORSHIP ON PERFORMANCE OF TOP 100 SMALL AND MEDIUM ENTERPRISES IN KENYA

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ABSTRACT

Close to half a million small enterprises in Kenya die annually as the business environment in the country gets bumpy. A significant 46 per cent MSMEs collapse in their first year of establishment in Kenya. Scholars have argued that leadership plays a significant role on performance of organizations. This study therefore sought to establish the leadership characteristics of SMEs in Kenya and then link it to performance. The study focused on mentorship aspect of leadership. The study adopted descriptive survey design on top 100 SMEs in Kenya. A simple and systematic sampling was used to select 84 SMEs. Questionnaires were used to collect data which was analyzed through correlation and regression methods. A univariate regression model was used to establish the influence of mentorship on performance of SMEs. The findings showed that mentorship positively and significantly affect performance of SMEs in Kenya, indicating that increasing the frequency of mentorship practices like organization engaging in social counseling/mentorship with their employees, the organization engaging in emotional counseling with their employees and the organization engaging in performance counseling with their employees leads to a significant positive effect on performance of SMEs in Kenya. The study recommended that SMEs should also invest more resources in mentorship practices like engaging in social counseling/mentorship with their employees, emotional counselling and performance counselling with their employees since it positively influences performance.

Key Words: Mentorship, Performance, Small and Medium Enterprises
Introduction

Knowledge about leadership and its impact on organizational performance is still lacking especially leadership behaviors of leaders within businesses (Idris, Wahab & Jaapar, 2015). Entrepreneurs are needed to develop solid leadership behaviors in order to take their firms into good and bad times. Appropriate leadership behavior within the enterprise will keep employees to stay focus and be motivated especially at times of crisis. Tedla (2016) proposed that leadership style is critical to the success of a small business and suggested that leaders of small businesses need to develop a better understanding of leadership behaviors in order to achieve their organizational goals and objectives. Some researchers contend that failures of small businesses are associated with poor leadership. Development of good leadership is one of the driving forces for the success of SMEs in the future, and evidences suggest that inadequate leadership and management skills as primary factors contributing towards the failure of SMEs (Ghosh & Dutta, 2016). An enterprise requires entrepreneurship, but what is needed to maintain the operation and guide an enterprise to success is the leadership that exists within the organization.

Organizational performance is an important indicator of organizational success. Apart from organizational performance, organizational success also relates to employee skills levels, personnel development, quality of strategic planning and the ability to understand and adapt to the nature and dynamics of the business environment (Carvalho et al., 2016). However, organizational performance is arguably the most important indicator of organizational success. In India, much has been written recently by both management thinkers and other observers about the uniquely Indian characteristics of successful business leaders operating in India. These characteristics include a commitment to inclusive growth (Jayaram, Dixit & Motwani, 2014).

An entrepreneur who holds the top position in an organization is seen as the leader of the organization that has certain leadership attributes and entrepreneurial characteristics. Many previous researches have coined the idea of entrepreneurs as the leader of the organization (Gray & Jones, 2016). Numerous studies have tried to understand the factors that affect organizational performance and leadership has appeared to become one of the most significant factors contributing to organizational performance. Therefore, entrepreneurs who are committed with the right leadership style may be the key towards organizational
performance. Leadership vision and corporate direction are some of the internal challenges facing SMEs in Africa (Arham, 2014). The extent to which members of an organization contribute in harnessing resources equally depends on how well the leaders of the organization understand and adopt appropriate leadership style in performing their roles as managers and leaders (Gbandi & Amissah, 2014).

Statement of the Problem

The informal sector is estimated to constitute 98% of business in Kenya, contributing 30% of jobs and 3% of Kenya’s GDP. SMEs represent the largest sector in the economy employing up to 83% of the Kenya’s workforce and contributing up to 18.4% of the country’s Gross Domestic Product (GDP) (Economic Survey, 2013). However, it is also a sector that faces challenges day in day out. According the Kenya National Bureau of Statistics (KNBS) survey, (2016), approximately 400,000 micro, small and medium enterprises (MSMEs) did not get to celebrate their second anniversary in the last five years raising concern over sustainability of this critical sector.

In the KNBS report, a total of 2.2 million MSMEs were closed in the last five years, 2016 inclusive. This represents a significant 46 per cent of the MSMEs surveyed that died in their first year of establishment. Research has claimed that the success or failure of an organization solely rest on the capabilities of the leader (Yıldız, Baştürk & Boz, 2014). Poor leadership which doesn’t involve the employees in decision making hinder the achievement of organization goals (Arham, 2014). Yıldız, Baştürk and Boz (2014) further postulate that it’s appropriate for the management of SMEs to be conscious of the leadership approach they adopt as this is essential in directing the organization towards the attainment of the preset goals.

On the other hand, Mwangi and Ngugi (2014) show that lack of elementary leadership skills has been blamed for numerous failures of small organizations due to lack of strategic direction towards enhancing organization performance. The growth of any enterprise is dependent on a number of factors, among the principal elements that drive the growth of a firm is having the right management team within the organization (Arham, 2014). These assertions support the role of leadership on growth of firms. Given the high failure rate of SMEs in Kenya, as revealed in the statistics, there was perhaps a need to establish the leadership practices being exemplified by the top 100SMEs and link it to performance. This
is because; leadership is always identified as the missing link on organizational performance (Gawal, Ajonbadi & Otokiti, 2014). The study focused on the influence of mentorship, which is a leadership aspect, on performance of SMEs in Kenya.

**Study Objective**

To establish the influence of mentorship on the performance of small and medium enterprises in Kenya

**Literature Review**

**Theoretical Literature Review**

**Kram’s Mentor Role Theory**

Kram’s (1985) mentor role theory provided the basis of this research. In this theory, Kram categorized mentoring as providing dual function roles; career development and psychosocial support. Kram’s conceptualization of mentoring as a two-dimensional (career and psychosocial) construct received empirical support in later studies. However, some researchers conceptualize mentor functions slightly differently. While Kram described role modeling as a form of psychosocial support, in subsequent studies conducted by Scandura and Viator (1994), role modeling emerged as a distinct mentoring function. In addition, Ragins and McFarlin (1990) suggested 11 mentor roles, including coaching, protection, sponsorship, exposure and visibility, challenging assignments, role-modeling, acceptance and confirmation, counselling friendship, social role and parent role. The theory links mentoring to better employee development which leads to improved performance.

**Resource Dependence Theory**

The Resource Dependence Theory was developed in the 1970s by Davis and Cobb. The theory is based on the premise that organizations acquire power when they possess resources that are valued by other organizations. The resource dependency theory draws attention to the firm’s internal environment as a driver for competitive advantage and emphasizes the resources that firms have developed to compete in the environment. In this study, the overall concept of leadership and mentorship refers to a valuable resource which is in form of a capability. This resource is linked to better performance through ensuring competitive advantage. A good workforce, which is a capability, according to the theory, plays a
significant role in ensuring that there is competitive advantage and better performance of a firm.

**Enterprise Growth Theory**

The theory was proposed by Greiner in the year 1990. According to the theory, an entrepreneurial venture is successful if it is growing. Growth has various connotations. (Kruger & Kumar, 2004). There are many factors like characteristics of the entrepreneur, access to resources like finance, and manpower which affect the growth of the enterprise and differentiate it from a non-growing enterprise. Gilbert et al. (2006) suggested how and where questions are important in the context of the growth of the enterprise. It has been highlighted that growth is a function of the decisions an entrepreneur makes, like how to grow internally or externally and where to grow in domestic market or international market. The theory is relevant to the study as it explains that various factors such as characteristics of the entrepreneur, access to resources like finance, and manpower affect the growth of the enterprise and differentiate it from a non-growing enterprise. In line with this study, the theory links growth of the firm to mentorship.

**Conceptual Framework**

![Conceptual Framework](image)

**Mentorship**
- Exposure
- Role modelling
- Sponsorship

**Performance of SMEs**
- Profitability
- Sales turnover
- Returns on Investment

**Independent Variables**

**Dependent Variable**

**Figure 1: Conceptual Framework**

**Mentorship**

Effective and efficient mentorship programs tend to raise entrepreneurial outcomes among upcoming entrepreneurs operating SMEs. In addition, mentorship of apprentices benefits from the wisdom and skills of the masters which when skillfully passed raise the level of entrepreneurial outcomes. According to (Clutterbuck, 2010), modern day mentoring originated from apprenticeships where masters, passed their wisdom and skill onto more junior persons or apprentices. The junior persons could be young in age or young in
experience of managing an enterprise. Mentorship therefore anchored on wisdom and skill of the mentor improves apprentice competence in boosting outcomes.

It would then be expected that the benefits received from entrepreneurial mentoring by the mentors would be as a result of the mentored entrepreneurs’ entrepreneurial outcomes. The mentees would measure their entrepreneurial achievements from the entrepreneurial outcomes experienced within their SMEs. Promotion rate and compensation are some of the factors that have been used in past research to measure mentoring outcomes (Ragins & Cotton, 2009). In this research, these are some of the factors that were used to measure entrepreneurial outcomes as a result of mentoring.

**Performance of SMEs**

A study by Kanyari and Namusonge (2011) sought to determine the determinants of SMEs. Using a descriptive research design, it was established that the major determinants of performance were among other factors, skills of the entrepreneur, training, and leadership which can be shown by the management. According to the findings 71% of the respondents who had received entrepreneurship training reported that they were now able to carry out daily book keeping of their business transactions. The findings also revealed that managerial skills and leadership positively affects performance. Another study by Stuetzer, (2014) in assessing the relentless pursuit of opportunities, all entrepreneurial activities originate in the creative acts of individuals. This places significant importance on the individuals within an entrepreneurial firm. Entrepreneurial organizations need individuals who are alert to opportunities.

Individuals are more susceptible to identify opportunities through their opportunity recognition capabilities (ORC), defined and outlined as: the individual’s prior knowledge of industries, markets, or customers (Stuetzer, 2014). In reviewing personal risk, studies by Singapore Government (2012) prove that the most significant risk among small businesses involves human factor. High degree of employee turnover and shortage of know-how experts both result in wastage of manpower and additional cost of training. In long term, human factor will lower the productivity and affect the brand image of small businesses as an employer.
Research Methodology

The study employed a descriptive survey research design. The total population for this study comprised of the top 100 mid-sized SMEs in Kenya in the year 2012 - 2016. This yielded 279 SMEs (KPMG, 2016). The study sampled 30% of the target population. According to Mugenda and Mugenda (2003) and Kothari (2004) a sample size of 10% - 30% is adequate for a descriptive study which has a small population. The study used quantitative primary data collected using closed questions set in a five point likert form. Data analysis was through descriptive statistics and inferential statistics. The specific descriptive statistics included percentages and frequencies while the inferential statistics included a multiple linear regression model. A univariate linear regression model was used to measure the relationship between the independent variable and the dependent variable which is explained in the model. The regression model helped in explains of the magnitude and direction of relationship between the variables of the study through the use of coefficients like the correlation, coefficient of determination and the level of significance. 

\[ Y = \beta_0 + \beta_1 X_1 + \epsilon \]

Where: \( Y \) = Performance of SMEs, \( X_1 \) = Mentorship

In the model \( a \) is the constant term while the coefficient \( \beta_1 \) is used to measure the sensitivity of the dependent variable (\( Y \)) to unit change in the independent variable (\( X_1 \)). \( \epsilon \) is the error term which captures the unexplained variations in the model. The results were presented in form of tables, pie charts and graphs.

Results

The number of questionnaires administered was 84 out of which 80 were properly filled, returned and found suitable for analysis. This represented an overall response rate of 95.2% which according to Mugenda (2008) and Kothari (2004), is good enough.

Demographic Results

The study sought to establish the demographic characteristics of the respondents ranging from the level of education, the duration of the respondents in the organization and age of the respondents.
Table 1 Respondent’s Background Information

<table>
<thead>
<tr>
<th>Demographic Characteristic</th>
<th>Category</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Respondents Education Level</td>
<td>University</td>
<td>35%</td>
</tr>
<tr>
<td></td>
<td>College</td>
<td>31%</td>
</tr>
<tr>
<td></td>
<td>Secondary</td>
<td>34%</td>
</tr>
<tr>
<td>Respondents Work Experience</td>
<td>Below 1 Year</td>
<td>19%</td>
</tr>
<tr>
<td></td>
<td>1 to 2 years</td>
<td>25%</td>
</tr>
<tr>
<td></td>
<td>3 to 5 Years</td>
<td>37%</td>
</tr>
<tr>
<td></td>
<td>More than 5 years</td>
<td>19%</td>
</tr>
<tr>
<td>Respondents Age Bracket</td>
<td>Less than 30 Years</td>
<td>41%</td>
</tr>
<tr>
<td></td>
<td>31 to 40 Years</td>
<td>24%</td>
</tr>
<tr>
<td></td>
<td>41 to 50 Years</td>
<td>18%</td>
</tr>
<tr>
<td></td>
<td>51 and above</td>
<td>17%</td>
</tr>
</tbody>
</table>

Descriptive Findings and Analysis

Descriptive findings were used to establish the mean and standard deviation of the responses on the Likert scales used in the study. A scale of 1 to 5 was used in the study. The study weighed the rating and presented the average response per statement. The standard deviation was also presented to indicate the variations in the responses. The respondents were asked to rate statements on mentorship on a five point Likert scale. The average responses are as indicated in Table 3. The findings indicate that the respondents agreed that there is exposure tours arranged every year as a form of mentorship and also encourages role modeling as a form of mentorship (3.56 and 4.19 respectively). Some respondents neither agreed nor disagreed that the organization engages respondents in performance counselling, mean (3.40). Additionally, the respondents agreed that the organization engages employees in psychological debriefing, mean (3.55). The respondents also agreed that the organization engages employees in group support, mean (3.67).

On average the respondents agreed with the statements that mentorship affect the performance of SMES in Kenya. The standard deviation also indicates that there was a small variation in the responses given by the respondents. These results agree with, to the mentors it often contributes to their advancement in personal growth, pride and experience and to the
mentees it is important in the skills that they acquire and the confidence that they gain (Klasen, 2011).

Table 2: Mentorship

<table>
<thead>
<tr>
<th>Statements</th>
<th>Mean</th>
<th>Standard Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>There is exposure tours arranged every year as a form of mentorship</td>
<td>3.56</td>
<td>1.50</td>
</tr>
<tr>
<td>The organization encourages role modeling as a form of mentorship</td>
<td>4.19</td>
<td>1.28</td>
</tr>
<tr>
<td>The organization engages in performance counselling</td>
<td>3.40</td>
<td>1.37</td>
</tr>
<tr>
<td>The organization engages in psychological debriefing</td>
<td>3.55</td>
<td>1.11</td>
</tr>
<tr>
<td>The organization engages in group support</td>
<td>4.06</td>
<td>1.29</td>
</tr>
<tr>
<td>Average</td>
<td>3.75</td>
<td>1.31</td>
</tr>
</tbody>
</table>

Performance of SMEs

The respondents were asked to rate statements on performance of SMEs on a five point Likert scale. The respondents were asked to indicate whether they achieved any of the following effects in their business. The average responses are as indicated in Table 3. The findings shows that the respondents agreed that their business has experienced an increase in the market share since its inception, their business has experienced an increase in revenue since its inception, their business has continued to experience a reliable cash flow, their business has continued to experience a high employee retention rate and their business’s branches has increased over the years. The implication of the findings indicate that overall, the businesses experienced positive performance effects as shown by the average mean of 3.70. The standard deviation also indicates that there was a small variation in the responses given by the respondents.
Table 3: Performance of SMEs

<table>
<thead>
<tr>
<th>Statements</th>
<th>Mean</th>
<th>Standard Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>The business has experienced an increase in the market share since its inception</td>
<td>3.65</td>
<td>1.13</td>
</tr>
<tr>
<td>The business has experienced an increase in revenue since its inception</td>
<td>3.66</td>
<td>1.18</td>
</tr>
<tr>
<td>The business has continued to experience a reliable cash flow</td>
<td>3.56</td>
<td>1.03</td>
</tr>
<tr>
<td>The business has continued to experience a high employee retention rate</td>
<td>3.85</td>
<td>0.80</td>
</tr>
<tr>
<td>The business’s branches has increased over the years</td>
<td>3.79</td>
<td>0.94</td>
</tr>
<tr>
<td><strong>Average</strong></td>
<td><strong>3.70</strong></td>
<td><strong>1.01</strong></td>
</tr>
</tbody>
</table>

The study also established the average growth in the number of branches of the SMEs for a period of five years between 2012 and 2016. The findings in figure 2 reveal unsteady trends in the growth of the number of branches of the SMEs which imply unsteady performance.

Figure 2: Growth in Number of Branches
The study also established the trends for the market share on average of the top 100 SMEs in Kenya as shown in figure 3. The findings also show that there was fluctuations in the market share which reveals unsteady performance.

![Figure 3: Market Share](image)

**Figure 3: Market Share**

**Correlation Tests Results**

The study used a bivariate Pearson correlation to ascertain the association between the independent and dependent variables. Kothari (2014) further stated that the importance of correlation is to determine the extent to which changes in the value of an attribute is associated with changes in another attribute.

**Table 4: Correlation Tests Results**

<table>
<thead>
<tr>
<th>Correlations</th>
<th>Mentorship</th>
<th>Performance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mentorship</td>
<td>Pearson Correlation</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>Sig. (2-tailed)</td>
<td></td>
</tr>
<tr>
<td>Performance</td>
<td>Pearson Correlation</td>
<td>.290**</td>
</tr>
<tr>
<td></td>
<td>Sig. (2-tailed)</td>
<td>0.002</td>
</tr>
<tr>
<td></td>
<td>N</td>
<td>80</td>
</tr>
<tr>
<td></td>
<td></td>
<td>80</td>
</tr>
</tbody>
</table>

**Correlation is significant at the 0.01 level (2-tailed).**
The finding in Table 4 indicated that the correlation between mentorship and performance of SMEs in Kenya was 0.290 with a corresponding p value of 0.002. The results implied that mentoring had a positive and significant correlation with performance of SMEs in Kenya. Similarly, Chan (2011) study indicated that workplace mentorship improves employee well-being; the intervention helps employees in alleviating symptoms of workplace stress, burnout and depression.

**Regression Analysis**

The results presented in Table 5 revealed a relationship $R=0.858$, indicating a strong positive association between mentorship and performance of SMEs. $R$-squared $= 0.736$ indicated that 73.6% of variation in the performance of SMEs in Kenya can be explained by mentorship.

**Table 5: 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></td>
<td>0.858</td>
<td>0.736</td>
<td>0.722</td>
<td>0.220224</td>
</tr>
</tbody>
</table>

**Predictors:** (Constant), Mentorship

The results of ANOVA test in table 6 showed that the F value was 52.363 with a significance of p value $= 0.000$ which was less than 0.05, meaning that there is a significant relationship between mentorship and performance SMEs in Kenya.

**Table 6: Analysis of Variance (Model Significance)**

<table>
<thead>
<tr>
<th></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>10.158</td>
<td>1</td>
<td>2.54</td>
<td>52.363</td>
<td>0.000</td>
</tr>
<tr>
<td>Residual</td>
<td>3.637</td>
<td>78</td>
<td>0.048</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>13.795</td>
<td>79</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Dependent Variable: Performance of SMEs

**Predictors:** (Constant), Mentorship
The results revealed that mentorship had a positive and significant effect in performance of SMEs in Kenya (Beta = 0.308, Sig = 0.000). The results implied that a unit increase in mentorship would result to an increase of 0.308 units in performance of SMEs in Kenya. These findings corresponds with the findings of David, John and Richard (2012) who revealed that workplace mentorship resulted in a positive impact on the workplace performance as measured using the scales of the Workplace Outcome Suite.

**Table 7: Regression Coefficients Results**

<table>
<thead>
<tr>
<th>Predictors</th>
<th>Unstandardized Coefficients</th>
<th>Standardized coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Constant)</td>
<td>0.042</td>
<td>0.313</td>
<td>0.134</td>
<td>0.894</td>
</tr>
<tr>
<td>Mentorship</td>
<td>0.308</td>
<td>0.026</td>
<td>0.440</td>
<td>11.846</td>
</tr>
</tbody>
</table>

Dependent Variable: Performance of SMEs

The optimal Regression Model Was

*Performance of SMEs = 0.042 + 0.308 (Mentorship)*

**Summary of Findings**

The findings further showed that mentorship positively and significantly affect performance of SMEs in Kenya, indicating that increasing the frequency of mentorship practices like organization engaging in social counseling/mentorship with their employees, the organization engaging in emotional counseling with their employees and the organization engaging in performance counseling with their employees leads to a significant positive effect on performance of SMEs in Kenya.

**Conclusion**

The study also concluded that mentorship positively and significantly affects performance of SMEs in Kenya. This shows that if SMEs in Kenya increases the frequency of mentorship practices like the organization engaging in social counseling/mentorship with their employees, the organization engaging in emotional counselling with their employees and the
organization engaging in performance counselling with their employees leads to a significant positive effect on performance of SMEs in Kenya.

**Recommendations of the Study**

The study also recommended that SMEs should also invest more resources in mentorship practices like engaging in social counseling/mentorship with their employees, emotional counselling and performance counselling with their employees since it positively influences performance.

**Acknowledgement**

Special thanks to my family, for their encouragement and emotional support, without which, this journey would not have been possible. I also acknowledge my supervisor, Dr. Kepha Ombui for his continuous support in writing this work. Finally, a thank you to my colleagues, whose insights and inspirations assisted in this study.

**References**


