
**THE RELATIONSHIP BETWEEN BUSINESS MANAGEMENT TRAINING
AND SMALL AND MEDIUM-SIZED ENTERPRISES' GROWTH IN KENYA**

By

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I84/7034/2003

**A Thesis Submitted to the School of Business in Fulfilment of the
Requirement of the Doctor of Philosophy in Entrepreneurship Development of
Kenyatta University**

JUNE 2012

DECLARATION

I, the undersigned, declare that this is my original work and has not been submitted to any other college, institution or university for the award of a degree or any other award.

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DEDICATION

I dedicate this masterpiece to my late Dad and Mum for laying a strong academic foundation upon which I have walked this journey.

ACKNOWLEDGEMENTS

I would like to acknowledge the many hands and minds that have gone into facilitating the achievement of this thesis. This masterpiece could not have been possible without the supervision and tutelage of Dr. Mary Namusonge and Dr. Mark Ogutu. I am especially grateful to both of them for their professional input, patience and commitment in taking me through this intellectual journey.

I am also grateful to all the School of Business faculty members at the Kenyatta University for their guidance in this process. The knowledge gained from the course work, prior to embarking on this project, made it possible to undertake my project.

To my husband Patrick, daughters Clare and Fiona, thank you for the patience and support accorded to me while I spent long hours putting together this thesis.

Above all, thanks to my Creator, the Almighty God for the wisdom, health and courage granted to me, which has enabled me to achieve this project.

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OPERATIONAL DEFINITIONS OF TERMS

For the purpose of the study and in the text, the following terms will be used as follows:

- **Business growth:** the increase in the number of employees, sales and profits of an SME business.
- **Business growth training:** skills imparted to entrepreneurs in existing businesses of not less than two years since inception in order to improve their skills, attitude and knowledge to face challenges of transforming their businesses from its current status to a successful one. The modules of training offered for the purpose of this study are: Financial Management, Human Resources Management and Marketing Management. The growth or success will be compared to changes in the level of the business turnover, number of employees in an established business, prior to, and after receiving the business growth training and new products and services introduced into the business after the training.
- **Business Management:** the setting up of appropriate management systems and procedure in a business in order to take care of areas such as finance, production, management, marketing and human resource management for professional running of the business.

- **Education:** activities which aimed at developing the knowledge, skills, moral values and understanding required in all aspects of life other than knowledge and skills related to a limited field of activity.
- **Entrepreneur:** a person who is able to scan the environment, identify an economic opportunity or a person who is able to fulfil the defined needs. The person also takes calculated risks.
- **Horizontal growth:** the formation of more businesses at the same level.
- **Informal sector:** unregistered businesses, which do not have permanent facilities, do not pay taxes and operate without full compliance of law and employees.
- **Intrapreneurship:** the practice of creative and internal innovation within an organisation.
- **Learning:** relatively permanent change in behaviour that occurs as a result of practice or experience.
- **Small and Medium enterprises:** the small business employs between 11 and 49 persons, while the medium set-ups employ between 50-100 people. They are formal and operate from a venue.

Most of the enterprises are registered with the Registrar of Companies. They have the potential to grow.

- **Training:** a planned process to modify attitude, knowledge or skill behaviour through learning experience to achieve effective performance in an activity or range of activities. The training modules in this study are bookkeeping, marketing, management, computer skills, customer care and technical skills.
- **Transfer of Learning:** involves the application, maintenance of new knowledge and skills gained under Mwezi Kali II Programme.
- **Vertical growth:** the graduation and transformation of micro businesses into more modern small and medium businesses.

ABBREVIATIONS AND ACRONYMS

BDS	Business Development Services
BGP	Business Growth Programme
CBS	Central Bureau of Statistics
DFID	Department for International Development
FKE	Federation of Kenya Employers
GDP	Gross Domestic Product
GOK	Government of Kenya
ICEG	International Centre for Economic Growth
ILO	International Labour Organization
IMF	International Monetary Fund
KIM	Kenya Institute of Management
KMAP	Kenya Management Assistance Programme
K-REP	Kenya Rural Enterprise Programme
KWFT	Kenya Women Finance Trust
NCCK	National Council of Churches of Kenya
NGO	Non-Government Organisation
OECD	Organisation for Economic Co-operation and Development
SMEs	Small and Medium Enterprises
SPO	Service Providing Organisation
WEDCO	Women in Enterprise Development Company

ABSTRACT

The study looked into the relationship between training and small and medium-sized enterprises' growth in Kenya. Lack of basic skills in business management and entrepreneurship seems to be a major drawback in the growth and development of the SME sector. Despite the various research studies conducted in the past on SME training, there has been poor coordination of the effect of the training offered. Service providers in the SME are not clear to what extent the entrepreneurs benefit from the business management training, specifically in terms of training and growth of the enterprises. The objectives of the study were to establish the relationship between business management training and small and medium-sized enterprises growth in Nairobi, Kenya. The specific objectives of the study were to establish the nature and types of training offered to enhance SME growth; investigate the relationship between factors that influence the transfer of learning/training and SME growth in Nairobi and establish the relationship between business management training and SMEs growth. The research design for this study was the descriptive method. The target population for this study were Nairobi based entrepreneurs who had successfully received business growth training under the Mwezi Kali II Project. The population consisted of 400 entrepreneurs who had operated their businesses for a minimum of two years prior to receiving the training. The enterprises were from a cross section of the sub-sectors representing trade, manufacturing and services in Kenya. Systematic and Stratified sampling strategies were used to select the sample of 80 respondents in this study. The researcher collected data by administering questionnaires to the entrepreneurs in the target group. The data was analysed using both descriptive statistics, such as the mean, percentage and frequencies and inferential techniques, such as multiple regression analysis. SPSS was used to aid the analysis process. The results were that business management training had a positive effect on the entrepreneurs and as such, new products and services were introduced in the enterprise after the training. The businesses were also able to hire more employees after the training as compared to before the training. The main conclusions were that appropriately timed and designed training programmes are likely to have positive effects on business growth; Most entrepreneurs value training, but cannot afford it; owner-managers need training most but have least time to attend management training in finance, production, marketing, ICT and human resources management are very vital to SME growth and there were positive change in the businesses after the training. The changes were as a result of attending the business management training. Finally, the key recommendations were that business management training should be provided to a larger number of enterprises at affordable costs; business management training programmes should meet the needs of the clients and should be tailor-made and networks and linkages amongst various support agencies should be promoted so that training providers can refer their clients for further support.

CHAPTER ONE

INTRODUCTION

1.1 **Background**

This chapter presents the research focus, including enterprise training and firm performance. It also highlights the research problem which leads to the research objectives. Finally, the chapter ends with the scope and limitations of the study.

1.2 **Entrepreneurship and Economic Development**

Entrepreneurship development in both developed and developing countries is key to sustainable economic development. An entrepreneur is an innovative risk bearer involved in the production and creation of new products, markets and the growth of enterprises (Schumpeter,1934). The entrepreneur also introduces competition, which leads to economic development. Kilby (1971) concurs by stating that an entrepreneur plays a critical role in the success of an economy by carrying out entrepreneurial activities: creating market opportunities, gaining command of resources, marketing of products, management of human resources, financial production management and dealing with the public. The success of entrepreneurs' development and management in any enterprise depends on its capacity to develop human resources through training, ability to start a business, create jobs, products and services that can compete in the global market.

Kenya is among the relatively more industrialized countries in Africa. At independence in 1963, it started with a well-established economic base and the country's industrial sector expanded rapidly between 1960 and 1970. Most of the progress was reversed in the 1980s as a result of economic mismanagement and structural adjustment policies that were hesitantly adopted. Earnings declined in the 1980s and 1990s and dropped by as much as 50 percent in the first half of the 1990s (Ikiara and Ndung'u, 1999). This in turn resulted in increased unemployment and an expanded informal sector as the residual recipient of labour.

The private sector has become the central focus for economic development in African countries in recent years primarily due to the failure of public sector-led economic development and the rise in globalization (UNIDO, 1999). In Kenya, the private sector, like in any other developing countries, plays a vital role in sustainable economic development. The Kenya Government (1988, 1997 and 2003) acknowledges the indispensable role of the private sector towards sustainable economic growth. The Economic Recovery Strategy Paper of 2003-2007 (GOK,2003) was therefore developed to enhance private sector growth and competitiveness, restructure public expenditure to support growth, ensure equity and reduce poverty (GOK, 2003). The major role of this sector is creation of wealth, and in so doing, contributes to generation of income, employment, savings and investment, economic growth and social welfare.

The SME sector forms the backbone of private sector development contributing to 90 percent of enterprises worldwide (UNIDO, 1999 and GOK, 2005). The Organisation for Economic Co-operation and Development (OECD, 1996) points out that SMEs provide the largest proportion of jobs - over two-thirds in the EU to over 50 percent in the United States. In Kenya, employment within the sector accounts for 87 percent of all the new jobs created and it employs 77 percent of the total number of employees in the country (GOK, 2005). In addition, the sector accounted for 85 per cent of the total number of employees in the manufacturing sector and 47 per cent of the manufacturing firms in 2005. Further, the micro and small enterprises (MSEs) sector contributes about 18 per cent of GDP in Kenya (KIPPRA, 2009). According to the Private Sector Development Strategy 2006– 2010 (GOK, 2006), the MSME sector comprised of the following estimated enterprises: 1,679,858 micro and small enterprises and 34,000 medium enterprises.

1.3 **Education and Work Skills in Kenya**

Kenya's education system was mainly geared towards national development. A big portion of the Kenyan labour force has not attained basic education and skills or requisite technical skills and knowledge necessary for improved labour productivity, competitiveness and innovation. According to KIPPRA (2009) the highest level of education acquired by the majority, over 86 percent of Kenyans, is primary education, followed by secondary education is represented by 25 percent. Education has been observed to be one of the factors that impact positively on

the growth of firms (Reed et al., 2000). According to the Baseline Survey (1999), incomes of enterprises tend to differ with levels of education, being highest for the postgraduate group and lowest for those with no education.

The education system focused on academic qualifications, which produced graduates for the formal sector until the 1970s. This resulted in the country producing a mass of educated school graduates who remain unabsorbed by the job market (Theochardes and Tolentino, 1991). The informal sector remains the major employer in the country. It accounted for over 75 percent of employment in 2006. The sector created over 400,000 new jobs as compared to the formal sector. With millions of Kenyans unemployed, there was need to implement strategies emphasizing the creation of employment and expansion of small enterprises.

The Government, in turn, recognised education as an agent of change in productivity, and particularly in the small and medium enterprises sector (McCormick and Pedersen, 1996). This led to changes in the education policies in the 1980s with the introduction of a more technical curriculum to cater for the small enterprises and informal sectors (Tairus and Lager, 2004). That resulted to the introduction of entrepreneurship courses at the tertiary and university levels of education. (McCormick and Pedersen, 1996). It was recommended that entrepreneurship training be introduced in technical institutions and university level as per Sessional Paper No 1 (1989). The Government, through Sessional Paper No 2 (2005), has

recognised the importance of entrepreneurship training and continues to encourage institutions providing tertiary and higher levels of education to develop demand-driven courses on entrepreneurship and business management.

According to Obura (1996), the objectives of the 8-4-4 system of education were noble. However, it failed to achieve its objectives due to its theoretical approach instead of the intended practical approach. The training curricula of various institutions and individuals offering training should be updated to match training needs. GOK (2009) state that there is still deficiencies in Kenya's technical and management skills in the sector. Gibbs (1998) also pointed out that for the small and medium enterprise to develop in Kenya, there has to be a change in perception towards the sector as the enterprise culture is an environment that prepares the population as a whole to take advantage of the abundant business opportunities and provides supportive measures for entrepreneurs at all levels. With the introduction of these courses at tertiary and university levels, such as the Kenya Technical Teachers College, Jomo Kenyatta University of Agriculture and Technology and Kenyatta University, Johnson and Nelson (1997) expect that the entrepreneurial culture will be instilled. The training contributes positively to the goals of increasing employment and a more equitable distribution of benefits of growth. (Gichira, 1988).

Entrepreneurs who had gone through some level of formal education are more likely to expand their business faster than those without such education. Research in the Kwa Zulu Natal area of South Africa shows that there is a direct correlation between education and the ability of entrepreneurs to carry out their business as pointed out by Wynne and Lyne (2003). Similarly, in Kenya, entrepreneurs who had completed secondary education were found to be more likely to expand their business (Parker, 1992). The Government, therefore, started by identifying the small enterprise, to support and assist them graduate into the formal sector, thereby becoming a major player in the creation of new jobs and economic growth as contained in Sessional Paper No 2 of 1992 (GOK, 1992).

1.4 **Training and Business Performance**

A high percentage of the Kenyan labour force has not attained basic education and skills or requisite technical skills and knowledge for improved labour productivity, competitiveness and innovation. According to KIPPRA (2009) the highest level of education acquired by the majority, over 86 percent of Kenyans is primary education, followed by secondary education which is represented by 25 percent. This structure of education system led to changes in the education policies in the 1980s with the introduction of the 8-4-4 system of education with a more technical approach to cater for the small enterprises and informal sectors' development (Tairus and Lager 2004). Similarly, the Government recommended that entrepreneurship training be introduced in technical

institutions and university level as per Sesimal Paper No 2 1992 and Sesimal Paper No 1 1998 (GOK, 1992 and 1998). According to Obura (1996), the objectives of the 8-4-4 system of education were noble. However, it failed to achieve its objectives due to its theoretical approach instead of the intended practical approach.

The informal sector remains the major employer in Kenya however, the level of management training accorded to the sector is still very low as pointed out in the Baseline Survey (1999) where the majority (85 percent) of entrepreneurs have not received business management training (GOK, 1999). The low levels of training by the firms were attributed mainly to lack of awareness of available training programs and lack of government support (World Bank, 2000). To counter this challenge, the Government through Sesimal Paper No 2 (GOK, 1992) introduced entrepreneurship courses at the tertiary levels of education (McCormick and Pedersen, 1996). The Government also introduced many entrepreneurship development programmes. However, there has not been major changes in this area and institutions' usage of training, is still very low, standing at only seven percent between 1995 and 1999, in spite of the increasing number of formal and informal organizations in Kenya (GOK, 1999).

There is need for entrants in both the formal and informal sectors to be trained to enhance their flexibility and response to rapidly changing technology (King and Abuodha,1990). This view is shared by Kinni

(1999) who emphasizes the importance of training for small businesses and the need to make training a core part of the business. The benefit of training is also emphasized by Hogarth-Scott and Jones (1993) who state that business owners should attend a course on how to run a business prior to the commencement of their trading. However, many small business owners feel that management courses are not practical and their style of delivery is too academic as found out by Richardson, et al (1993). This is in agreement with Goodale (1989), who stipulates that training methods are important when the target groups are owner-managers with low levels of literacy. He emphasizes that owner-managers need training the most, but at the same time, have limited time, mobility and the experience of a formal learning environment. He points out that training should be pursued in the context of training for existing or potential market opportunities.

Studies undertaken in the UK (Carter et al, 2002) indicate that there is an important and direct relationship between training and a firm's performance. Not only does training increase with firm size (as measured by turnover), but there also appears to be a relationship between training and growth performance in turnover. The highest uptake of training was reported in firms where turnover had increased considerably. In South Africa, successful clothing entrepreneurs were those who had undertaken a number of business and technical training programmes (Rogerson, 2000).

Enterprise development training provides the necessary skills to promote business and facilitate economic growth (Ndambiri, 2002). Owner-managers can be equipped with skills, such as how to identify their competitive advantage over their counterparts, both local and foreign. This would enable them to lay out strategies for the future. Through training, entrepreneurs can achieve their full potential. According to Buzzard and Edgecomb (1992) and Ongile and McCormick (1996), enterprises in the “missing middle” have the highest propensity to create jobs and improve the quality of manpower to graduate into the formal medium and large scale categories. This can also assist in solving the major problem of unemployment. In Kenya the labour force stood at 14.6 million in 2007 which was largely youth with about 58 percent being within the age bracket of 15-34 years as indicated by KIPRA (2009). Most of these people are either unemployed or under employed. The creation of jobs should expand at the same rate to absorb the rate of unemployment, which stood at about 12.7 percent in 2006 (KIPRA, 2009).

1.5 **Enterprise Growth**

Growth of the enterprises can either be horizontal or vertical (Liedholm, 1990). Vertical growth is the graduation and transformation into more modern small and medium businesses, while horizontal growth is formation of more businesses at the same level and employ the same number of staff per business set up (Carter, 2002). Sessional Paper No 2 (GOK, 2005) states that only a few MSEs grow to employ six or more

workers and their mortality rate is high, which makes it difficult for them to graduate into medium and large scale enterprises. With the expanding population, unemployment is a major concern in developing countries and particularly in Kenya according to the Economic Recovery Strategy (2003).

The number of people unemployed in Kenya stood at about 12.7 per cent of the labour force as stated by the World Bank (2007). The economy was required to absorb about 500,000 new labour market entrants annually and most of this was envisaged to come from the informal sector, which includes the SMEs (GOK 1997 and 2002). However, the economy is not able to absorb the new entrants into the labour market into productive work (NESC, 2010). The sector remains the major employer in the country, accounting for over 87 percent of employment. In 2006, 410,000 new jobs were created, engaging 7.5 million people. According to the Private Sector Development Strategy (2008), the informal sector was estimated to comprise an estimated 1.7 million enterprises in 2007 as compared to the formal sector which comprised an estimated 35,000 enterprises. The population living in poverty has declined according to KIPRA (2009). However, the number of people living below the poverty line is estimated to have increased from 13.4 million in 1997 to about 16.6 million in 2006. Growth of the SME sector if well managed and nurtured to grow can contain the levels of poverty in Kenya. Vertical growth plays a

crucial role in the development of the SME sector as it is associated with increased potential in job creation (Liedholm, 1990).

Vertical growth is, however, inhibited by lack of technical and managerial skills necessary for business expansion and diversification (Nelson, 1998). Research shows that business set-ups in Kenya continue to be established and most are unable to grow compared to their counterparts in the developed world as cited by King (1990), McCormick (1996) and World Bank (2000). According to the World Bank (2000), factors perceived as hindering firms' growth are lack of competitiveness, access and cost of capital and insufficient government support and promotion of the SME tier. There is need to improve the sector and create a conducive environment so that it expands to absorb Kenya's labour force, which grew at about three percent in the period 1990-2005 (KIPRA, 2009). One of the ways of imparting business growth is through business management training. Management training is offered by a variety of institutions in Kenya to improve quality and competitiveness amongst the SMEs. (ILO, 2001). The Government realised the importance of entrepreneurship training and Sessional Paper No 1 of 1988 was put in place to deal with this key issue. The paper recommended that entrepreneurship training be introduced in technical institutions and university level. Entrepreneurship training programs were, however, introduced earlier by various non-governmental organizations, private voluntary organizations and private training and consultancy firms. The Ministry of Trade and Industry,

through the Kenya Industrial Estates (KIE), conducts various training programmes (GOK, 1988). The Kenya Institute of Management, through the Centre for Enterprise Development also conducts SME training programmes at a small fee through its twenty three branch networks in Kenya. The courses include: Business Start-Up, Business Planning, Business Counselling and Small Business Counselling (KIM, 2010).

1.6 **Statement of the Problem**

Entrepreneurs venture into business without the vital skills to start, survive and grow their businesses. Lack of basic skills in business management and entrepreneurship is a major drawback in the growth and development of the SME sector as pointed out in Sessional Paper No 2 (GOK, 2005).

Not enough emphasis has been placed on SME training. Development of skills is an important ingredient for the growth of the small and medium enterprises sector, which contributes to 87 percent of employment in the country. Very little is known about the type of training offered and the factors that influence the transfer of training. It will be of great interest to SME training providers, institutions of higher learning, policy makers and scholars alike to know, from empirical research, the nature and types of training offered to enhance SME growth, factors that influences the transfer of learning among SMEs and the extent to which business management training leads to SMEs growth in Kenya. Training can, and

should, be a powerful agent of change, facilitating and enabling a firm to grow, expand and develop its capabilities (Jennings and Banfield, 1993).

In Kenya, entrepreneurs do not benefit from training due to lack of training policies to guide training providers. There has been poor coordination by the various training service providers. As a result, the impact of the training offered has been minimal. The training providers in the sector are not guided by a coherent training policy. This in turn makes it difficult to establish the effect of training on business growth and efficient performance. At the business start-up, survival and growth stages, the focus has been on business development services whose appropriateness needs appraisal to establish the extent to which they are demand driven and value adding.

Although various entrepreneurial development training programmes are offered by many institutions and various organisations in the country, including the Kenya Institute of Management (KIM) and the Federation of Kenya Employers (FKE), very little is known about the type of training offered, the factors that influence the transfer of training, the relationship between business management training and SME growth. Research in this area and the general aspects of training have been done among others (Jones, 2005; World Bank, 2000; Gichira and Nelson, 1997; Sergeant, 1996; Kinini, 1996) however, none focussed on the relationship between training and enterprise growth.

There is an inadequacy of research that focuses on the aspects of the business management training and small and medium enterprise growth. Past studies were mainly on determinants and demands of training in the sector. Others dealt with either growth or training alone. Few, if any, have looked at both the training aspect and firm's growth. In Kenya, as elsewhere, there is a dearth of empirical research investigating the relationship between training and SME growth. Growth of the SME sector is necessary for sustainable economic development. Enhancing the human resource capacity through business management training can inculcate the necessary skills for faster growth, reduce poverty and create more jobs (GOK, 1998 and Carter, 2002).

Very little has been done and literature shows that basic management training and business growth has been studied. This study sought to close the information gap by providing empirical evidence on the relationship between business management training and business growth in small and medium enterprises in Kenya. The study investigated the relationship between training and enterprise growth with particular focus on the entrepreneurs who successfully completed business growth training under the Mwezi Kali Project of the British Council, based in Nairobi.

1.7 **Objective of the Study**

The general objective of the study was to establish the relationship between business management training and small and medium-sized enterprises growth in Kenya.

Specific Objectives

The specific objectives that guided this study were :

- a) To establish the nature and types of training offered to enhance SME growth in Kenya.
- b) To investigate the relationship between the factors that influence the transfer of learning/training and SME growth in Kenya.
- c) To establish the extent to which business management training leads to SMEs growth in Kenya.

1.8 **Significance and Justification of the Study**

This study will be of importance to various stakeholders in Kenya in a number of ways:

Firstly, the private sector in Kenya, like in other developing countries, plays a major role in growing and sustaining economic development. It is recognised that the SME sector forms the backbone of the economy, contributing to 90 percent of enterprises worldwide (UNIDO, 1999). The Economic Recovery Strategy of 2003-2007 envisaged that the majority of jobs created in Kenya would be in the informal sector, which includes SMEs. Findings from the study will assist trainers operating in the SME sector broaden the syllabus and hence provide a deeper understanding of

the critical factors of training to enhance growth of enterprises in the country.

The findings of the study may also assist small and medium enterprises in Kenya with insights on the benefits of training to growing their businesses. The SME sector, and particularly entrepreneurs with the potential of growth, could use training results as a means to improve efficiency and effectiveness in their businesses by forecasting on management training.

The Government and Policy makers can also use the findings from this research in the formulation and development of a framework on factors affecting the growth of small and medium enterprises in Kenya. This is because the results of the study brings out training aspects, such as the nature and types of training offered, which in turn might lead to significant changes in the provision of training by business development services providers. This will not only be useful to individual trainers and organisations providing training, but also to the broader SME sector on how to improve their business management training programmes for enhanced effectiveness.

Finally, the results of the study will contribute towards filling the information gap on the subject matter. It is hoped that the findings of the study will make valuable additions to the literature in the field of SME

Business Management Training and Growth and stimulate further interest in the field of small and medium enterprises training and growth.

1.9 **Scope and Limitations of the Study**

The scope of the study was on business management training and the growth of small and medium entrepreneurs excluding policy, environment and infrastructure variables.

The study limited itself to small and medium entrepreneurs who benefited from business growth training under the Business Growth Training Programme (Mwezi Kali) and had been in business for a minimum period of two years prior to receiving the training. A sample of business respondents was selected from the study population of entrepreneurs based in Nairobi. The major limitations of the study were as follows:

The study was also limited to Nairobi, when ideally it should have covered more than one region of the country. This was not possible due to limited financial resources available to conduct the research. The researcher, however, worked within the budget allocation to achieve the objective of the study and also ensured that the study focused on training and growth of the SME sector. The study focused on business management training as the independent variable, leaving other factors that could contribute to SME growth. However, the researcher incorporated other variables, for example access to finance, in the study and all the sub-sectors, or a cross

section of the small and medium enterprise sector, which represented the wider population of entrepreneurs who fell into the research category in Kenya.

It was also possible that some respondents were biased in their response. However, triangulation of the research methods assisted to overcome this limitation.

Data on the sub-sector is scanty in Kenya due to the nature of the sector's activities. The researcher, however, did everything possible to mitigate the limitation by sourcing for data from the latest professional journals on the subject matters from well stocked libraries in the region and in the UK.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

The chapter begins by discussing the concept of entrepreneurship. It also undertakes the main review of empirical studies in the area of study. The chapter is organised as follows: concept of entrepreneurship development, main review of literature in this area of study such as entrepreneurship training in Kenya, business management training and SMEs, benefits of entrepreneurship training, factors that influence the transfer of learning, trainee characteristics, training design, work environment, business growth and SMEs and issues arising thereafter, the Theoretical Framework, the Conceptual Framework the summary and gaps to be filled by the study and finally the expected output of the research.

2.1.1 Concept of Entrepreneurship

The term entrepreneurship has been in use for over 200 years (Murphy, 2000), but there is still no agreement as to what it means. This is because entrepreneurship cuts across diverse disciplines, such as history, psychology, sociology and economics (Hagan, 2004).

From the psychological perspective, McClelland (1961) states that the driving force in a person is the need to achieve in accomplishing specific tasks. People are seen to have an inner trait of the need to achieve, which

is acquired during an individual's childhood or upbringing. An entrepreneur with a high n-Arch is likely to be motivated and thus is more probable to be successful.

An entrepreneur viewed from the economics discipline is an innovative risk bearer involved in the production and creation of new products, markets and the growth of enterprises Schumpeter (1934). The entrepreneur is an innovator and risk bearer who introduces competition, which leads to economic development. Schumpeter states that development is spontaneous and discontinuous change in the channels of the circular flow alters the equilibrium. Kilby (1971) also agrees with the economic theory by stating that an entrepreneur plays a critical role in the success of an economy. Kilby points out that the entrepreneurial activities include the exchange relations involving market opportunities, gaining command of resources, marketing of products, management of human resources, financial production management and dealing with the public. Studies have shown that the concept of entrepreneurship is one of the primary factors contributing to economic growth (Katzin, 1964 and Kilby, 1971). This fact is also emphasized in GOK (2005) which states that the sector is necessary for promoting private sector development and industrialization.

From the sociological perspective, Kilby (1971) points out that an individual's religious belief and influence from others has a bearing on

ones entrepreneurial drive. Cochran (1971) stipulates that the performance of the entrepreneur is based on three key elements - cultural values, social sanctions and role expectations. Peoples' attitudes and behaviour would adapt themselves to the new operational needs. A society can change its setups: educational, technological and training to operationalize the need of the entrepreneur as peoples' behaviours and attitudes would adapt to the newly operationalized needs.

Entrepreneurship, therefore, can mean different things to different people and it is important to understand the term from the different perspectives. Understanding entrepreneurship from the various disciplines mentioned above provides important insights on the development, growth and success of entrepreneurs and therefore, no single theory can be used in isolation of the others to adequately explain the entrepreneurship process.

2.2 Small and Medium Enterprises

The economy of a country relies on the small and medium enterprises (Kirby, 2003). The SME sector employs a large number of people and contributes to the national income as pointed out in Sessional Paper No. 2 (GOK, 2005). Various researchers have come up with different definitions of the MSME sector. The ILO (1972) report on Kenya featured the main characteristics of the informal activities as ease of entry, reliance on indigenous resources, family ownership of enterprise, small scale of

operation, labour-intensive and adapted technology, skills acquired outside the formal school system and unregulated and competitive markets.

On the other hand, GOK (2005) point out that the sector is not only a provider of goods and services, but also promotes competition and innovation necessary for employment creation.

According to Sessional Paper No. 2 (GOK, 2005), there is no clear and universally acceptable definition of Micro and Small Enterprises (MSEs). The number of employees engaged by the enterprises is the more commonly used unit of measurement of the size of a business than the turnover, the degree of formality or legitimacy of the enterprise, capital investment and degree of skills per worker. In Kenya, however, a micro-enterprise has 0 to 10 employees, a small enterprise has 11 to 49 employees and a medium one has 50 to 100 employees (GOK,1992 and CBS et al , 1999).

The MSME sector is fast growing. According to the Private Sector Development Strategy (2008), the number of enterprises in the sector has grown from 1.3 million in 1999 to about 1.7 million in 2007. Out of these, the strategy pointed out that 13.2 percent were in manufacturing, 22.2 percent in the services and 64.6 percent in trade. The Economic Recovery Strategy (ERS) 2003-2007 envisaged that the majority of jobs created in Kenya would come from this sector. The sector remains the major

employer in the country accounting for over 87 percent of employment and that in 2006 some 410,000 new jobs were created, engaging 7.5 million people.

According to the Private Sector Development Strategy (2008), the informal sector is estimated to comprise an estimated 1.7 million enterprises in 2007 as compared to the formal sector, which comprised an estimated 35,000 enterprises. The sector is not only a provider of goods and services but also a driver in promoting competition and innovation, and enhancing the enterprise culture, which is necessary for private sector development and industrialization.

The 1999 Baseline Survey indicated that the sector employed 2.4 million people, contributing to 15 percent of the total employment in all the sub-sectors of the economy which comprise trade, manufacturing and services. Two thirds of all the MSEs are located in rural areas and only one-third are in urban areas (even when urban areas are defined to include small rural towns). Of these, 17 percent are located in Nairobi and Mombasa. This figure has increased to 5.1 million persons in 2002 according to the Economic Survey (GOK, 2003), which in turn contributes to 18 percent of the country's GDP and accounts for 72.8 percent of all employment opportunities in the country.

The average MSE in Kenya employs one or two workers while over 70 percent employ only one person. Kenya's average annual labour force

growth rate was about three percent in the period 1990-2005 (KIPPRA, 2009). According to (GOK, 2005) only a few MSEs grow to employ six or more workers and their mortality rate is high, making it difficult for them to graduate into medium and large scale enterprises, thus creating the “missing middle,” which has in turn resulted in a weak base for industrial take-off.

Population growth and unemployment is a major concern in developing countries, and particularly in Kenya according to the Economic Recovery Strategy for Wealth and Employment Creation (2003). The number of people unemployed stands at about 12.7 per cent of the labour force as stated by the World Bank (2007). The economy was required to absorb about 500,000 new labour market entrants annually and most of these was envisaged to come from the informal sector. (GOK 1997 and 2002). Employment growth rates also declined from 3.6 percent every year in the period 1964 to 1973 to a mere 1.9 percent in the 1990s. The population living in poverty has declined according to KIPPRA (2009). However, the number of people living below the poverty line is estimated to have increased from 13.4 million in 1997 to about 16.6 million in 2006. Enterprise growth assists in employment creation as evidenced by an estimated 936,000 jobs created in the sector in 2001-2002.

2.3. **Importance of Human Capital Development**

Human capital is defined as the expenditure on education, training and medical care. It is the sum of abilities and knowledge of individuals. (Duetsche Bank, 2005). It measures the quality of labour supply and can be accumulated through education, further education and experience. It is known as human capital because people cannot be separated from their knowledge, skills, health or values. According to Becker (2002), education and training; which is the independent variable in this study, are the most important investments in human capital.

Human capital development is the most important factor of production in today's economies. Increases in human capital are crucial to achieving growth in GDP (Deutsche Bank Research, 2005). Globalisation and technological changes have increased the importance of human capital over the past years. Countries that expand their human capital are able to produce sophisticated products, especially in the SME sector.

According to Becker (2002), economic growth depends on the synergy between new knowledge and human capital, which is why large increases in education and training have accompanied major advances in technological knowledge in countries that have achieved significant economic growth. For example, one of the most important elements contributing to the economic success of Korea over the past decades has been the rapid rise in human capital, from seven years of education in the

early 1970s to around 13 years today. As a result, the Korean per-capita GDP has risen (Deutsche Bank Research 2005).

Formal education is not the only way to invest in human capital as workers can learn or train outside colleges and schools, especially on jobs. This applies to the employees in both large companies and the small enterprise sector. Social, human and financial capital thus comes into play both before the launch and during the various initial phases of a new firm (Jones, 2005). The significance of the human capital investment in entrepreneurship and enterprise development is too large to be ignored (Oketch, 1991). He argues that since human capital influences the proprietor's choice of business, its efficiency, the enterprise growth and expansion, there is need to strengthen their capabilities to realize further growth.

2.4 **Entrepreneurship Training**

Entrepreneurs who start a business are keen to see it begin, survive and eventually grow. Various barriers, including financial and non-financial problems, hinder their growth. The non-financial barriers include lack of the necessary skills, knowledge and linkages. Lack of cohesive skills training, a skills training policy and strategy are some of the growth barriers. Lack of management training in the SME sector is evidently a constraint to growth as pointed out by Karuri (1992) where he states that the "lack of business management skills was the major constraint in the development of the small scale enterprises". At the formation stage, the

owner-manager is able to run his business but as it grows, he needs to delegate tasks to employees with skills in business management. These include finance, sales, production and human resource management in order to meet the growing needs of the firm. Another barrier to growth as pointed out in the Global Competitiveness Index (GCI) Report (2007) is that the current Kenyan training curricular is obsolete and there are major deficiencies in the public training facilities and instructional capacities.

Training is a key factor for enhancing growth and competitiveness of SMEs in Kenya. This applies particularly to entrepreneurs in Africa, Kenya included, where enterprise have remained small over the years (Leidholm, 1998). The Government realised the importance of entrepreneurship training and Sessional Paper No 1 of 1988 was put in place to deal with this key issue. The paper recommended that entrepreneurship training be introduced in technical institutions and university level. Entrepreneurship training programs were, however, introduced earlier by various non-governmental organizations, private voluntary organizations and private training and consultancy firms. The Ministry of Trade and Industry, through the Kenya Industrial Estates (KIE), conducts various training programmes (GOK, 1988). Business management training programs are offered by a number of institutions in Kenya. Some of these include the British Council, which offered Business Start Up and Business Growth Training to entrepreneurs throughout the country under the *Mwezi Kali* programme. The Kenya Institute of

Management (KIM), through the Centre for Enterprise Development, offers various training programs, such as business management, business start-up and a business plan competition branded *Jitihada* started in 2009. Academic programs in entrepreneurship development are offered at various universities in the country, for example, Jomo Kenyatta University of Agriculture and Technology and Kenyatta University offer the course at post-graduate levels. To facilitate growth in the SME sector, training programs implemented in the country should be designed according to the sector's needs to address its challenges.

The training sector has generally proven to be incapable of responding to the changing needs of the labour market. The rapid growth of the labour force in many African countries, Kenya included, in the 1990s has resulted in the decrease of formal sector employment. In 1994, public sector employment declined from 36 percent to 21 percent and modern private sector employment from 54 percent to 24 percent (Ikiara and Ndung'u, 1999). As a result, more people are forced to engage in informal activities to supplement existing incomes (ILO, 2001). At the same time, purchasing power has seriously declined, especially among lower and middle classes. The purchase of goods and services from the MSE in turn declined. In order to remain competitive, there was need to improve productivity and quality through skills development.

The training offered is still focussed on the needs of wage-employment, while requirements for self-employment (e.g. basic management skills) are still inadequate (ILO, 2001). Hankinson (1994) in his research of small firms in the UK, found that only 25 per cent of respondents were engaged in meaningful training. The following types of training, in order of importance attached by firms, were most common: computing, health and safety, marketing and just-in-time (JIT). In Kenya, for instance, the number of new entrants in the labour market is estimated at 500,000, while the total training capacity is thought to reach some 33,000 or less than 7 percent. The majority of those working in the informal sector are in need of skills upgrading. Few studies were found that chart the exact training needs of the MSE sector (GOK, 1999).

Policies to stimulate the development of the MSE sector in Kenya have been formulated, but the implementation of these policies is still seriously lagging behind (ILO/EAMAT 1996). There is institutional confusion on SMEs responsibilities within Government ministries and agencies. This has resulted in entrepreneurship components scattered in several ministries: Industrialization, Local Government, Youth Affairs and Labour. The situation of the informal sector has improved in recent years. There is more recognition on the part of the Government for the important role it plays in providing incomes and employment to large numbers of the population. Government policies have improved although their implementation and lack of analytical capacity have remained weak.

(Mullei and Bokea 1999). This in turn makes it difficult to measure the impact of business skills education.

Most entrepreneurs and artisans acquire skills through on-the-job training and apprenticeship. The World Bank (1992) estimated that 40 percent of all trainees acquire their skills through apprenticeship. The duration of the training varies depending on the kind of trade or skill one is going in for (Twoli and Maundu, 1994). There is urgent need for training in the MSE sector to be demand-driven in order to take care of the changing demand for skills in the labour market by employers. This can be done by introducing appropriate and relevant small business courses for the job market. To prepare new entrants into the informal sector, technical skills training should be complemented with business skills development (GOK, 1999).

Training for the informal sector should be fundamentally different from training in the formal sector as it is characterised by a very close link with production, a distinct target group approach and an unconventional delivery for immediate results (Fluitman, 1989). This is also emphasized by the ILO (2001) that training for the informal sector should not be rigidly structured and examination-based long-term training provided in the past. The training courses should be short and modularized, a mixture of technical and business skills, and conducted in evenings and weekends. This can be done by revising the curriculum to include business skills

training and the mode of training delivery. Hogarth-Scott and Jones (1993) pointed out that the majority of small business owners would have preferred to have attended a course on running a business prior to the commencement of their trading. This is perceived as the immediate need, and subjects focusing on finance and accounting were considered most relevant. There appears to be great demand for various specialised training programmes in the SME sector. This depends on the individual entrepreneurs and the stages they are at in their respective businesses. Through training, the quality of the products and services is expected to improve. However, business development services are required to deliver services that are demanded by the market place (Tanburn, 2000). Skills have to be upgraded with the changes in the environment. The SMEs know what training they want and they should be involved in the design and implementation of the courses (Hogarth-Scott and Jones,1993).

2.4.1 **Benefits of Entrepreneurship Training**

There are definite benefits of utilizing small business training as cited in the Will Burt Co USA, case study below:

Will Burt Co in the USA is a small manufacturing business that came close to failure in the mid-1980s with a parts rejection rate of 35 per cent and severe industrial relations problems. On the verge of bankruptcy, the firm's owners invested over £200,000 in training and education. This was clearly a considerable gamble as there were undoubtedly many other

priorities which could have been considered appropriate for investment. However, the gamble paid off and within a few months, significant cost reductions were achieved in the manufacture of machine parts, coupled with a marked improvement in morale and staff turnover rates.

The key to the success of this venture appears to lie in the identification of the most pressing needs and the development of an appropriate training programme to meet those needs. Undoubtedly, the employees also felt that the company was committed to their future and assisted them perform their job roles. Indeed, the company was seen to care about its staff (Hogarty, 1993).

Another case of success is the Business Plan Competition funded by the Ministry of Industrialization in 2009 under the Micro Small and Medium Enterprises Competitiveness Project. The objective was to promote and support entrepreneurship and the development and growth of sustainable and globally competitive MSMEs, thus creating wealth and increasing employment, incomes and economic opportunity for the people of Kenya. This was done through a consortium of three partner organizations, led by the Kenya Institute of Management. The competition attracted over 2,000 business plans from all the eight provinces in the country and over 70 percent of the business ideas were turned into start-up businesses six months after receiving training on business planning (KIM, 2011).

As businesses reach turning points in their development, managers may need to acquire new skills. This can be achieved through training in order to enhance the economic growth rate. Skarr (1994) argues that without an appropriate support framework, such firms may fail to capitalize on their opportunities and argues that for a programme to be successful, firms must link training to their key strategies, forge a networking relationship with employees, redefine individual career paths, map out a plan for continuous learning and use interactive teaching, not lectures.

2.4.2 Entrepreneurship Training in Kenya

The ICEG (1999) study points out that there have been an increasing number of players involved in the provision of business skills training in the country but there is no coherent training policy. The major training programmes offered in the country in the past included the World Bank's Micro and Small Enterprises Training and Technology Project. This was a voucher training system where the voucher mechanism to stimulate demand for business development services, including training, technology and specialised management and marketing consultations was used. The Kenya Management Assistance Programme (K-MAP) was a private sector NGO established in 1986. K-MAP's Business Growth Training programme began as a project sponsored by the Department for International Development (DFID) with technical support from the University of Bristol (Gohil, 1998). K-MAP provided business start up (BSU) and business growth programmes (BGP) to clients in Nairobi. The

uniqueness of the programme was that clients are offered business counselling service at the end of the training. K-MAP closed shop in 2000.

The British Council took on the extension of the Business Growth Training Programme, also known as *Mwezi Kali*, from K-MAP in 1999 and extended the same services country-wide in a four-year project through the private sector Service Providing Organisations (SPOs). The training modules offered were financial management, marketing and human resource management.

2.4.3 *Mwezi Kali* Training Programme

The Business Growth Programme, dubbed *Mwezi Kali*, was a four-year programme, which started in 1999 and ended in 2003. The programme was managed by the British Council in all the eight provinces in Kenya. In Nairobi Province, 400 entrepreneurs were trained in the programme designed to provide small and medium businesses with access to improved management skills. By so doing, the project facilitated the growth of these businesses and the employment opportunities afforded to Kenyan employees and the unemployed (DFID, 1999).

The goal of the project was to generate sustainable increases in income and employment through the growth and development of small and medium scale enterprises in Kenya. The project was also justified by the fact that in

the foreseeable future, little or no new job creation will be afforded by either the large corporate sector or the Government to absorb the 500,000 young people entering the job market each year. Given the over-supply in micro and survivalist business sectors, solutions to the challenge of income generation rests with supporting the SME sector.

The initiative was aimed at providing existing established businesses with help in adopting more formal management techniques, which was consistent with Sessional Paper No 2 of 1996, which recognized that it is only through rapid and sustained economic growth that national wealth can be created and thus increase empowerment from viable enterprises. In this way, the SME support programme could contribute significantly to the reduction of poverty in both urban and rural areas of the country. Although Sessional Paper No 2 of 2005 introduced an affirmative policy on the MSE sector, there are still challenges for the policy to be operational. The forthcoming MSE Bill however, is expected to address the legal gap (KIPPRA, 2009).

In relation to this, the objective of the study is to investigate the effect of training on small and medium enterprises and specifically to find out what types and nature of training are offered to enhance SME growth, determine the impact of training on SME growth and evolve strategies and policies for improving training for SME growth.

2.4.4 **Business Management Training and SMEs**

To keep up with changes in the global market and compete effectively, it is necessary for entrepreneurs to change ways of conducting their businesses. Entrepreneurs with larger stocks of human capital, in terms of education and/or vocational training, are better able to adapt their enterprises to constantly changing business environments (Duchesneau and Gartner, 1990, John, 2007, and Meyer, 2001). Various factors related to the human capital or human resources affect business expansion. In 2003 the proportion of technologists to technician artisans in Kenya was 1:3:12 compared to the optimal ratio of 1:5:30 (GOK, 2003). No data is available in the country to show that this situation has changed. This imbalance of professionals in the labour force negatively affects efficiency, research and development, which are crucial elements for firm productivity and competitiveness (KIPPRA, 2009).

Research conducted on management training and development in SMEs, Thomson and Gray (1999) concluded that training is a decision by the organization, rather than the structural context (e.g. industry) within which an organization finds itself. Smith and Hayton (1999) argue that the final form that training takes depends on the nature of training, which includes organizational size; industry sector; occupational structure; industrial relations climate; government training policy; and senior management commitment to training. The duration of the training also varies and is dependent on the kind of trade or skills one is being trained for. Training

can range from six months to five years (World Bank, 1989 and Twoli and Maundu, 1994).

In many countries, training systems have had different characteristics although in all systems the curriculum has been altered to give it a greater orientation to work (King, 1996). There is also need for entrants in both the formal and informal sectors to be trained so as to enhance their flexibility and their response to rapidly changing technology according to King and Abuodha (1990). This is embraced by Kinni (1999) who emphasizes the importance of training for small businesses and the need to make training a core part of the business. He argues that if people are put through a training programme well in advance, their motivation will be lower than if they can see immediate benefits.

According to KIPPRA (2009), Kenya lacks a coherent national training policy framework and specific legislation for technical education. The Education Act, for instance, emphasizes issues related to primary and secondary education and gives limited focus on skills training, leading to under development of middle level training institutions. There are also low transition rates between school levels, low tertiary education enrolments in technical subjects and declining quality of industrial training.

Gakure (1995) states that training helps organisations acquire necessary competencies required to accomplish organisational goals. Since the environment surrounding businesses is very dynamic, organisations should develop their employees and the management skills to ensure that they have competent people. Goodale (1989) stipulates that training methods are important when the target groups are owner managers with low levels of literacy. He emphasizes that owner managers would need training the most, but they have least time, mobility and the experience of a formal learning environment. He also points out that training should be pursued in the context of training for existing or potential market opportunities.

In most African countries, entrepreneurs are generally not educated as evidenced in studies conducted by various researchers (Rogerson, 1998; Martins and Tuslin 1999a; Rwigema and Karungu, 1998) in South Africa. Kenyan entrepreneurs too are generally not educated but research has shown that entrepreneurs who complete post-secondary vocational training programmes are more likely to enrol for management training (Gichira and Nelson, 1997).

Training, and specifically business management training, also impacts on human capital as (Carter et al, 2002) found out that the highest uptake of training was reported in firms where turnover had increased considerably in the past year. Entrepreneurs with a high level of education are likely to succeed in business as evidenced by studies carried out by Trulsson (1997) in Tanzania where successful entrepreneurs are often much better educated

than the average. This is also supported by Jones (2004), who points out that managers with tertiary qualifications and undertake business/management training are more prevalent and concerns that are growing more rapidly. According to Rosa (1996), training also ensures that greater efficiency is achieved through the production of goods and services with a realistic profit margin. In doing so, the entrepreneur in turn is assured of his survival.

From the above, it is evident that training plays a critical role in the development and growth of the small and medium enterprises. Small firms are, however, much less likely than large firms to provide their employees and their managers with formal training (Kitching and Blackburn, 2002). Since skill levels are linked to national economic performance (Acemoglu and Pischke, 1998), the under-provision of training in small firms is viewed by some, but not all (Storey and Westhead, 1997), as justifying public programmes to raise training provision in small firms.

The level of management training accorded to the sector is still very low in Kenya as pointed out in the Baseline Survey, where the majority (85 percent) of entrepreneurs have not received business management training (GOK,1999). In this study, training is the independent variable. Training, especially business management programmes, should be given high priority in order to equip entrepreneurs with the necessary skills to grow and in turn contribute to the economic development of the country.

2.4.5 **Entrepreneurship Training and SME Performance**

Micro enterprises need to grow into small and medium sized firms for them to overcome some of their limitations and develop greater capacities to create employment (House, 1981 and GOK,2003). Demick and Reilly (2000) state that the issue of training cannot be overlooked as they point out that the provision of management training enhances long-term strategies and managerial competencies of SSEs. Studies have shown that innovative and creative entrepreneurs have a higher potential of developing their enterprises and expand.

According to Tairus and Lagar (2000), Governments in a number of African countries, including Kenya, have made concerted efforts to reform their educational systems and introduced a more technical curriculum to cater for the small and informal sector. This is also pointed out in Sessional Paper No 2 (GOK, 1996) where the Government places a lot of emphasis on technical skills and its importance for growth. Gichira and Nelson (1997) on the other hand stress that for training to be effective, training providers should ensure that a needs analysis is carried out to take care of the needs of the individuals, the business and the sector as a whole.

The duration of the training has to be taken into account when designing training programmes and the target groups as stated by Twoli and Maundu (1989) depending on the trade of skill one is going for. Training may range from six months to five years. The period of apprenticeship depends

on the economic activity undertaken. The World Bank Survey (1992) estimates that 40 percent of trainees acquire their skills through apprenticeship while the 1999 Baseline Survey on MSE states that most of them work in woodwork (41 percent retail and 32 percent in repair services), with the minority in pottery, construction and textiles.

Individual entrepreneurs have various reasons to grow as confirmed by Altafar (1983) who found that these motives include the need for occupational and social mobility, access to opportunities, financial gain and access to capital and possession of business experience and technical knowledge. An enterprise is said to be successful if it attains its goals. Growth of an enterprise can either be horizontal or vertical (Liedholm, 1990).

Vertical growth involves graduation and transformation into more modern small and medium enterprises while horizontal growth includes formation of more enterprises at the same level. Vertical growth is desired for any enterprise since it has been associated with increased capacity for employment generation. Liedholm (1990) found that the relative growth in a number of firms was highest in those with between 2 and 49 employees than in one-person enterprises. He concluded that there existed a high potential in these firms if given a conducive environment and resources.

According to World Bank (2007), the informal sector employment grew by 6.5 percent in 2006, creating about 410,000 new jobs. The sector mainly employs low-skilled workers. The majority of firms in the sector are stagnant and do not grow since starting up their business - most of them employ one or two people. The percentage of firms employing a higher number of workers decreases as the number of employees increases.

Firms employing 6-10 workers represent only 1.1 percent of the SME sector while those employing one worker represent 56.5 percent (GOK, 1995). The micro enterprise can transform into a small enterprise, and the small into a medium firm if the relevant supportive measures, for example, the provision of training, is in place. On the other hand, attention should be paid to the growth of the sector as a whole as stipulated by Ongile and McCormick (1996) that in order to build the small enterprise sector, growth should not just be in numbers, but also in the size of the firms.

Various studies have been conducted in the past on training as seen from the above. There is no clear policy in the sector on the coordination and implementation of business management training, and consequently this hinders the growth of the SME sector. In addition, in Kenya, as elsewhere, there is a dearth of empirical research investigating the relationship between training, and SME growth.

2.5 **Factors that Influence the Transfer of Learning**

2.5.1 **Concept of Transfer of Learning**

This section explores the concept of learning and factors influencing learning such as trainee characteristics, training design and work environment.

Transfer of learning occurs when the relevant training content is in place (Reid, 2000). It also involves the application and maintenance of new knowledge and skills.

A firm must be able to cope with functional skills and work within given economic environments. At each stage of development, the skills and attitudes realized of entrepreneurs could vary as pointed out by Vyakarraman (1999). The MSE sector forms the bedrock of improving skills, incubation for creativity and innovation and therefore should be supported (KIPPRA, 2009). Gakure (1995) concurs by stating that training helps organizations acquire the necessary competencies to accomplish organizational goals. The environment surrounding business is dynamic and organizations should develop their employees and the management skills to ensure that they have competent people in the organization. Failure to train affects the performance of SMEs.

According to Ford and Weissbein (1997), transfer of learning involves the transfer of the application, generalization and maintenance of new knowledge and skills. Transfer of training is core to linking individual change to the requirements of the organization. Kuchinke (1995) also argued that learning is a means, not a primary organizational outcome. Learning is an internal behaviour, whereas performance is usually a more external one. Therefore, training outputs should emphasize performance, not just learning. ILO (2001) argue that technical and other skills are prime for enhancing productivity and should be translated into performance. In Kenya, efforts at sector planning have been underway for several years (McGrath,1995). The national policy on vocational training, however, is yet to be put in place. There is, therefore, need to understand how to support transfer of training through policy formulation for SME transfer of learning to become efficient.

Baldwin and Ford (1986) classify factors affecting transfer of learning into three sets (1) trainee characteristics - why people desire to change their performance after attending a training program are (2) training design - what training design contributes to people's ability to transfer skills successfully and (3) work environment - what kind of organizational environment supports people as they apply their newly acquired knowledge and skills.

2.5.2 Trainee Characteristics

Motivation to transfer theory was developed by Holton (1996) and can be described as trainees' desire to use the knowledge and skills mastered in the training program on the job. Behavioural change will occur for trainees who learn the material presented in training and desire to apply that new knowledge or skills to work activities. Research has shown that the trainee characteristics that influence transfer of learning are the opportunity to learn, high achievement goals, learning materials are easy to absorb and confidence to succeed.

Demick and Reilly (2000) state that the issue of training cannot be overlooked as they point out that the provision of management training enhances long-term strategies and managerial competencies of SSEs. Gichira and Nelson (1997) state that for SME training to be effective, training providers should ensure that there is a thorough needs analysis carried out to cater for the needs of the individual, business and the sector. It has also been established that most entrepreneurs and artisans acquire their skills through on the job training and apprenticeship (World Bank, 1999). Therefore, the degree of transfer of training desired by the trainee is important in order to understand why individuals choose to apply their knowledge, skills, and attitudes in their workplace to achieve the desired results. Theories on human behaviour - expectancy, goal setting and equity assist in understanding and predicting these behaviours and how they contribute to performance at work. (Noe and Schmitt, 1986).

Expectancy theory: Vroom (1964) defined expectancy as a momentary belief concerning the likelihood that a particular act will precede a particular outcome. The theory suggested that job performance by the owner-manager or entrepreneur (P) is the result of the interaction of two components, force (F) and ability (A), with ability representing the potential for performing some task. After exerting considerable effort and going through the training programme, the entrepreneur expects to enhance his or her business performance. However, Porter and Lawler (1968) argued the reverse: if rewards are adequate, high levels of performance may lead to satisfaction.

Goal-Setting Theory: According to Locke (1968), a goal is the level of performance the individual is trying to accomplish; it is the object of behaviour. Goals direct attention and action. Intentions are viewed as the immediate precursors of human action. Therefore, goal-setting may explain how and why behaviour is facilitated or restrained in the pre-training, training, and post-training processes. The entrepreneur attending the training may exert considerable effort in order to make the most of the programme and set high goals upon return to his business. The goal-setting theory holds that, once a hard task is accepted, the only logical thing to do is to try until the goal is achieved or abandon (Locke, 1968). Research further suggests that both goals and feedback are necessary to improve performance and that participation, incentives, and individual differences

affect performance through goal-setting (Locke, Shaw, Sarri, and Latham, 1981).

Equity Theory: The Equity theory is defined by Adams (1963) as the belief that employees are being treated fairly in relation to others and inequity as the belief that employees are being treated unfairly in relation to others. Vroom (1964) recognized that individuals seek equity in their jobs and the greater the difference between these two amounts, the greater the tension or disequilibrium experienced by the person. Noe (1986, cited in Kilgore, 1997) explained that there is a greater chance that learning will occur on the job if the trainee is rewarded in term of enhancing the performance of the business.

According to the above theories, trainees are motivated at different levels to use on-the-job learning. Individuals who perceive what they learn in this study, the business management skills, as relevant to what they need to know, will be more motivated to transfer learning into on-the-job performance. Performance during training had an independent relationship, with post-training motivation (Tannenbaum, Mathieu, Salas, and Cannon-Bowers,1991). Individuals will be more motivated if they believe that their efforts will lead to enhanced performance (Vroom, 1964). Job involvement and career planning are antecedents of learning and behaviour change. Participants with more positive job attitudes would be expected to be more motivated to transfer the marketing, human

resource management, financial management and production management skills to performance (Tannenbaum, Mathieu, Salas, and Cannon-Bowers, 1991). Individuals will be more motivated to transfer their learning if they perceive that their effort will lead to rewards that they value (Porter and Lawler, 1968).

2.5.3 Training Design

Training content and design is critical to learning transfer (Ameel, 1992; Annette and Sparrow, 1985, Baldwin and Ford, 1988; Garavaglia, 1993). Past studies show that training-related motivation is positively related to trainees' belief that the training is appropriate and that it will lead to improved job performance (Clark et al 1993; Hicks and Klirroski, 1987; Seyler et al, 1998). They linked content validity to increased training motivation and a predictor of transfer performance. Bates and Carvalho (2000) state that content validity is important for training transfer. This, in turn, has implications for training design.

Training needs analysis conducted prior to the design of training provides the basis for identifying the specific training needs. This will also enable the training programme to incorporate the relevant training methods especially when the target groups are owner-managers with low levels of literacy and the least time to attend training (Goodale, 1999). For example, role-play and field visits as postulated by Bennett (1993) may be effective aids to learning. Unfortunately, this exercise is often neglected

(Campbell, 1988). In practice, needs assessments are not done prior to training design (Saari et al 1988) and the specification of the training objective is often neglected. Bates (1997) insisted that a key aspect of training design is formulating a training program that directly addresses individual and organizational problems.

The importance and relevance of training content is supported by Goldstein (1986) Ostroff and Ford (1989); Rothwell and Stedl (1992); Sleezer (1993) and Swanson (1994), who stress that needs assessment is an important initial stage in establishing the link between training and performance improvement. Goodale (1999) further asserts that training and education alone cannot suffice to increase productivity and incomes of the owner-manager in the SME sector. Training should be pursued in the context of existing or potential opportunities and an in-depth training needs analysis should be carried out to assess the opportunities. There is also need for continuous evaluation of the training content and objectives and its relevance to training.

According to Holton (1996), one cause of failure to transfer is that training design rarely provides for transfer of learning. This may be due to participants not having an opportunity to practice the training in a job context or apply their knowledge on the job. Training, therefore, can have a direct influence on the transfer of training. Training should also focus on the general principles necessary to learn a task so that the learner can apply

them to solve problems in the transfer environment. It is possible to design training environments without much concern about their similarity to the transfer situation, so long as it is possible to utilize underlying principles (Goldstein, 1986).

According to Laker (1990), transfer of training can be near or far. Near transfer is the application of learning to situations similar to those in which initial learning has taken place; far transfer is the application of learning to situations dissimilar to those of the original learning events. The better trainees understand the underlying principles, concepts, and assumptions of the skills and behaviours they are learning, the more successful the far transfer (Goldstein, 1986). It is also stated that the more encouragement trainees receive during training to discuss and apply the training in situations of their own choosing, the more successful the far transfer (Noe, 1986).

2.5.4 **Work Environment**

Past research shows that behaviour and attitudes of supervisors, managers and co-workers can either support or inhibit learning transfer in the workplace. This support is considered to be key to the utilization of workplace learning (Brenkeroff and Montesion, 1995, Noe and Schmitt 1986, Roiller and Goldstern 1993). Mosel (1957) and Pea (1987) are in agreement that lack of interpersonal support in the workplace is a key deterrent to transfer of learning in the workplace. However, Arneel, 1992,

Baumgartel and Jeanpierre 1972, Hand et al, 1973; Hastings et al 1995 and Noe et al, 1990) contradict this by stating that work-group-level interactions can be constraints or facilitators of individual performance.

Change resistance is attested to group resistance in introducing new learning from training. Resistance to change may result from perceptions that change requires extra work above the norm (Huczynski and Lewis, 1980). Resistance to change may also arise from the fact that training was introduced from outside or mandated by law. Hastings et al (1995) found that one environmental barrier to transfer was the trainees' belief that training would disrupt the functioning of current work groups. In this case, the owner-manager may not pass on the skills acquired to his workers in the belief that it would interfere with their routine activities.

According to Schneider and Rentsch (cited in Holton, Bates, Seyler, and Carvalho, 1997) transfer climate arises from a person's perception of his or her work environment. It influences the extent to which that person can use learned skills on the job. The transfer climate may either support or inhibit application of learning on the job. For example, the trainee or owner manager may return to the business, but there is no equipment available in the business to allow the transfer of skills. Organizational climate is at least as important as learning in facilitating transfer (Rouiller and Goldstein, 1993). They also found that a positive organizational

transfer climate appears to be important if transfer of training behaviour is to occur.

The need for change, the implementation of interventions, and the transfer of trained skills are embedded within work team, sub-unit, and organization levels. They also add that organizations, SMEs included, are open to external environmental influence and it is impossible to understand complex events if reduced to individual levels. If the transfer process does not support the use of new skills prior to the implementation of training, it is unlikely that trainees will be motivated to learn. (Kozlowski and Salas, 1997).

It can be concluded that trainee characteristics, training design and work environment or transfer climate assist human resource personnel understand the factors supporting transfer of training to enhance the use of appropriate training strategies. (Kozlowski and Salas, 1997). For training to be effective, all these factors – trainee characteristics, training design and work environment should be taken into consideration.

2.6 **Business Growth**

Business expansion is linked to success; a growing enterprise is said to be successful if it achieves its goals. Growth of an enterprise can either be horizontal or vertical (Leidholm, 1990). Vertical growth involves graduation and transformation into more modern small and medium enterprises. Horizontal growth, on the other hand, includes formation of

more enterprises at the same level. Vertical growth is necessary for any business set-up as it is linked to employment creation.

Entrepreneurs who are innovative are able to create markets and new methods of production to enable the enterprise gain competitive advantage in the market (Kanungo, 1998). Kenya's competitiveness depends on its ability to create a human resource base that will be constantly subjected to re-training and access to technological learning within employment. This will in turn contribute to efficient economic activities (GOK, 2004).

Enterprises that were likely to be efficient in generating employment per unit of scarce resources, according to Liedholm and Mead (1987), had used hired workers, operated in workshops away from home and dealt in selected product lines with better economic gains. The efficient use of resources is a contributing factor to firm growth and this is linked to the current study as the researcher is investigating training as part of human resources development and its effect on the number of quality jobs created after the skills acquisition.

Rostow (1960) is another contributor to the theory of economic growth and his approach was from a historical perspective. He distinguishes five stages in their growth process. The firms start with 1) the traditional society, 2) the transformation stage/pre-conditions for take off, 3) the take-off stage 4) maturity and 5) the age of high mass production.

The first stage, the traditional society, can be defined “as one whose structure is developed within limited production functions based on pre-Newtonian science and technology and attitudes towards the physical world.” This does not, however, mean there is little economic change in such societies, as the pattern of trade could be expanded, manufacturers could be developed and agricultural productivity could be raised along with increase in population and real income.

The second stage, the pre-conditions for take-off is a transitional era in which the pre-conditions for sustained growth are created. These pre-conditions were encouraged by four forces: Renaissance, the New Monarchy, the New World and the New Religion. These forces were instrumental in bringing out changes in the social attitudes, expectations, structure and values in that they promoted the idea that economic progress is possible.

During the take-off stage, which is the third stage, growth becomes the norm. Growth is the dependent variable in this research. Rostow defines the take-off “as an industrial revolution, tied directly to radical changes in the methods of production, having their decisive consequence over a relatively short period of time.”

The drive to maturity, the fourth stage, is defined by Rostow “as the period when a society has effectively applied the range of modern technology to the bulk of its resources.” It is a period of long sustained economic growth extending well over four decades.

The fifth and final stage, the age of high mass-consumption, is where the balance of attention of the society is shifted from supply to demand, from problems of production to problems of consumption and of welfare in the widest sense.

Rostow (1960), however, explained that the economic and environmental conditions have to be favourable for firms to successfully go through the entire process. The last condition is more important in the context of underdeveloped countries where monetary and political institutions, skills and technology are at a low level whereby they retard the expansion of the modern sector.

Rostow’s theory on economic growth is appropriate and will be adopted for this study as the entrepreneurs who form the population for the study would fall into the third stage of Rostow’s model, which is the “take-off” stage, where the focus of the enterprise is on growth.

2.6.1 Growth of the SME sector

The growth of SMEs according to Gichira (1998) contributes positively to the goals of increasing employment and a more equitable distribution of

benefits of growth. The sector accounts for 87 percent of all new jobs created in the country and absorbs about 77 per cent of the total number of employees (GoK, 2007). The growth in the micro and small enterprises can be defined in terms of increase in turnover, incomes and profits, leading to an increase in the number of employees/or capital investment and an increase in the overall worth of the enterprise (Fisher, 1998).

Though there are various indicators used to measure growth, size, longevity, employees and entrepreneurial size are used as indicated in the National Baseline Survey (GOK, 1999). For example, in a study conducted by Trulsson (2002), employment was the only indicator used to measure growth in his study. For the purpose of this study, the number of employees, profits and turnover and new products/services introduced was used as the measure of growth.

The business growth stage involves the growth and development of self-employed businesses, usually with fewer than 10 persons. As the entrepreneur gains experience, possibilities for expansion and growth of the business become available (Mullei and Bokea, 1999). The needs of entrepreneurs depend on the stages of entrepreneurial activity. Needs arise at different stages of entrepreneurship development and therefore the levels of knowledge, skills and attitude required vary with the sophistication and basic education of the entrepreneurs involved (Oketch and Parker, 1991).

Many firms fail simply because they do not prepare their managers for change (Skarr, 1994). Skarr argues that without an appropriate support framework, such firms may fail to capitalize on their opportunities. He argues that for a programme to be successful, firms must link training to their key strategies, forge a networking relationship with employees, redefine individual career paths, map out a plan for continuous learning and use interactive teaching, not lectures.

Research conducted in the past shows that relative growth in a number of firms was the highest in those that had between 2 and 49 employees than in one-person enterprises (Leidholm, 1990). The majority of surviving SMEs are the same size as when they started: 80.3 percent of one-person enterprises remained this size after several years of existence; 65.1 percent of two-person, 54.3 percent of three-person and 49 percent of four-person and over survived. The larger the size, the greater the risk of dropping in size over the years. It was observed that 19.8 percent of two-person enterprises had decreased the number of their workers. The same occurred for 30 percent of three-person enterprises and 51 percent of enterprises with four or more employees. The smaller the size of the business at start, the higher the probability of growing it with time. The risk of decreasing and the probability for increasing are, respectively, aggravated or lessened for women owners and trade businesses.

Frischman (1988) supports this theory in his studies conducted in Nigeria where only five percent of micro enterprises transformed to small enterprises over a period of eight years. According to the Baseline Survey (1999), employment in manufacturing and in services had slightly decreased while it increased in trade and restaurants, a trend observed in most African countries between 1993 and 1999.

An ILO survey conducted between 1974 and 1994 showed only 20 new enterprises with between 10-20 employees had been created each year. This raised concerns about the “missing middle” and how to fill it with growing small enterprises. Small enterprises play a critical role in developing countries. The promotion of the sector is a feasible way of achieving meaningful industrialisation in Kenya as observed in Sessional Paper No. 2 (1986). According to ILO (1972), Nelson (1987) and GOK (2003), enterprises contribute to the creation of jobs, resource allocation and utilisation, wider distribution of income, forward and backward linkages formation in industry and promotion of change. In order for these enterprises to contribute to the economic development, they need to expand and in turn increase their turnover, number of employees and introduce new products and services.

Business growth programmes are necessary in most developing countries in order to develop a strong and vibrant private sector. In this study, Business growth is the dependent variable, incorporating three aspects of

growth: profits and turnover, number of employees and introduction of new products/services.

The Schumpeter theory states that enterprises that expand are those that identify a unique opportunity to exploit a monopoly opportunity before other enterprises enter (Schumpeter, 1934/1993). In such companies, profits rise quickly, but when other companies enter the market, the profit then decreases due to competition. Training enables entrepreneurs to explore the environment and identify opportunities for improvement, mobilize resources and implement actions in order to maximize those opportunities (Patel, 1985). Research shows that turnover and profits go hand in hand (Trulson, 2002). According to Gakure and King'ong'o (2005), a majority of women entrepreneurs indicated that they required capital for their businesses to perform well by adding more stock, while others wanted to increase the working capital.

2.7 Intervening Variables

2.7.1 Policies

Kenya has done a lot to formulate policies to stimulate the development of its MSME sector. The Government first paid attention to the sector by developing Sessional Paper No. 1 of 1986 on economic management for renewed growth. The Sessional Paper notes that to stimulate growth of informal sector macro-economic policies have to be in place.

Sessional Paper No. 2 of 2005 focuses on the role of markets and how to make them work, create linkages between the private sector, civil society, NGOs and development partners to create synergy for effective resource mobilization, utilization for the development of the sector. The implementation of these policies have, however, been slow due to the lack of analytical and implementation capacity at the level of local government in relation to the MSE sector (Mullei and Bokea, 1999). The de-regulation of markets policy has also had an adverse impact on MSEs (Sessional Paper No. 2, 2005). The effects include increased macro-economic instability characterized by high inflation rate, current account deficits and policy uncertainty. The Poverty Reduction Strategy Paper (1999-2005) also takes cognizance of the cumbersome laws and regulations which prevent small entrepreneurs from engaging in trade.

The incorporation of technical training in the 8-4-4 education policy was designed to achieve the following objectives: increased opportunities for school leavers that would enable them to be self-supporting; allow the development of practical skills and attitudes which would lead the trainees to income-earning activities; allow for the provision of technical knowledge and vocational skills necessary for manpower development; and allow for the production of persons who can translate scientific knowledge into solution of environmental problems.

2.7.2 **Environment**

Businesses do not operate in a vacuum but within specific environments that have challenges and opportunities (Walter et al, 2008). Environmental forces create challenges and opportunities for the organization (Gibb, 2006 and Pearce and Robinson, 2007). If enterprises are to survive and remain competitive, they must adapt to changes in their internal and external environment. Relevant training may assist businesses overcome challenges and take advantage of opportunities in the environment. Increasing global competition calls for more emphasis on training human resources to become competitive workers at the global standards (GOK, 2008)

2.7.3 **Gender**

Perin (2004) states that some gender issues are important for the success of MSEs. Women entrepreneurs employ different strategies from those of male entrepreneurs. According to ILO (2008) women entrepreneurs have a heavier household financial burden than men. Access to finance in the country has favoured the male entrepreneur. (Ronge *et al.*, 2002). Studies show that 40 percent of entrepreneurs do not access credit; women entrepreneurs are the most affected. Of those who do, only four percent access credit from formal financial channels, such as NGOs, micro finance programs, commercial banks and savings, and credit cooperative societies as pointed out by (ILO, 2008). To counteract this issue, microfinance institutions such as the Kenya Women Finance Trust (KWFT) were set up to target women entrepreneurs for financial lending. As far as business size

is concerned, past research show that business owned by females tend to be smaller in size compared to their male counterparts. (Storey and Johnson 1993, ILO, 2009).

2.7.4 Poor Infrastructure

Access to roads, adequate power, water, sewage and telecommunication has been a major constraint in the development of MSEs (Bokea, Dondo and Mutiso, 2000). Access roads to MSMEs sites are in poor shape and this has meant higher costs of doing business. The high cost of electricity and lack of a policy on enhancing access to the supply of electricity to small and medium enterprises pose a challenge to the sector. Reliable water supply to most businesses both small and large business set-ups in the country, is still a challenge making the health and safety issues wanting.

2.8 Research Undertaken in the Area of SME Training and Growth

Jones (2005) studied 871 SMEs to empirically determine factors influencing the provision of training in Australian manufacturing SMEs that have embarked upon different growth development pathways. The research used a longitudinal design, enabling the study to examine the determinants of training over time. The data employed in this study was drawn from the business longitudinal survey conducted by the Australian

Bureau of Statistics (ABS) over the four financial years 1994-1995 to 1997-1998.

The research found that the introduction of business improvement programmes (quality assurance or just-in-time) are influential, and relatively consistent drivers of increased training in SMEs following each of the growth development pathways, and over time. Overall, the study supports other researchers (Smith and Dowling, 2001; Smith and Hayton, 1999 and Smith et al., 2003) that identified new technology, product innovation, and quality initiatives (including QA) as key determinants of training. The role of innovation was also found to influence increased training provision in high growth SMEs. The reasons for employers increase training, depend closely on the particular business needs and relevance to the enterprise.

To date, there has been a paucity of research examining the demand side of SME training. Yet, in order to better employ public resources and target training at specific kinds of SMEs, a clear understanding of why SMEs provide training is first required, as well as whether differences exist amongst different kinds of SMEs.

Gichira and Nelson (1997) support this argument by stating that entrepreneurs face formidable problems and one way of stimulating healthy growth in the small enterprise sector is to introduce specific

remedies for specific problems in the sector. Smith and Hayton (1999) and Osterman (1995), however, argue that workplace change is a more influential factor than new technology. Organizational change, can occur in the form of major change in production technology, innovation, or the introduction of business improvement programmes associated with increased training, which implies that with change, some form of training is inevitably necessary. It can be suggested that innovative and increased training, is required in order to follow the high growth development pathway.

The other finding is that the use of a business plan is a significant determinant of training in low growth SMEs (in three of the four years), and in moderate (1994-1995) and high growth SMEs (1995-1996). Business plans appear to be more consistent drivers of increased training provision over time in low, compared to higher growth SMEs. Business plans are positively related to SME growth paths. Higher growth SMEs are significantly more likely to make use of them. This finding is counter to what might intuitively be expected, given that business plans are characteristic of larger organizations (Kramar, 1999).

The importance of a business cannot be over emphasized, as the Government of Kenya is supporting entrepreneurs by training and developing business plans for the youth aged between 18 and 35 years through the Ministry of Gender, Sports and Youth Affairs. The first

Business Plan Competition under this Ministry, dubbed '*Chora Bizna*' was in 2008. It was also carried out in 2009. The Ministry of Industrialization too, has also realized the need of a business plan in the running and growth of a small and medium enterprise. It introduced a competition, 'Jitihada' in 2009, which was open to potential and existing entrepreneurs over the age of 18 years.

Sargeant (1996) in his research on training for growth studied 85 small business firms in Devon, UK. The research sample was stratified by the industry sector. Data was gathered through the use of a questionnaire, which was developed and dispatched to business owners. The study argued that reactive strategies by training providers to requests for training is not effective and education providers should segment their market in terms of the size of the firms they are attempting to serve.

The findings indicated that in-house training was preferred due to pressure on time associated with small business personnel. The perceived high costs of training involving outside institutions is not popular as only a few employers perceived training as central to their corporate strategy. This scenario is also confirmed by Hankinson (1994) who stipulates that only 25 percent of entrepreneurs were engaged in meaningful training and found that the following types of training were most common: computing (27 percent); health and safety (19 percent); industrial relations (15 percent); finance (12 percent); management of change (8 percent); marketing (8 percent); just-in-time (JIT) (6 percent). This established that

it is important to emphasize the advantages to be gained from engaging in training activities to the enterprises.

Training is important as businesses grow and employees in turn need to acquire new skills in order to exploit the market opportunities and maximize their potential. Hogarth-Scott and Jones (1993) support the benefits of training as they state that business owners preferred to have attended a course on running a business prior to the commencement of their trading because of the perceived immediacy of the need. When providing training, it is critical to carry out a needs analysis, tailor-make the course contents to the needs of the potential participants and place emphasis on the benefits of taking up the training programme.

Kinni (1994) emphasizes the importance of training for small businesses and suggests that, if anything, training is more important for the smaller enterprise to embrace. He argues that if personnel are put through a training programme well in advance, their motivation will be lower than if they can see immediate benefits. The study also identified a number of problems encountered by entrepreneurs.

Firstly, the entrepreneur is pre-occupied with the day-to-day needs of running the business and training is often not a priority.

Secondly, when it comes to the important decision of whether the small business should invest in training an employee, the risk that he/she may decide to move on to another employer after the investment in him/her, is also weighed. It is also noted that training in most cases is initiated by the employee.

The third challenge faced by the entrepreneur is the perceived cost of training. This is also confirmed by Richardson et al (1993) who found that small business managers were involved in carrying out a complex cost-benefit analysis and before undertaking any form of training, they justify training only on the basis of an immediate improvement in the bottom line.

Lack of awareness by entrepreneurs of various training providers was also brought out as the fourth problem and finally, many small business owners felt that management courses are not practical and their style of delivery is too academic. The study concluded that entrepreneurs will not come forward for training unless they are convinced of the utility it can offer.

Gichira and Nelson (1997) in their study on training needs perceptions of Kenyan entrepreneurs studied 106 entrepreneurs who enrolled and completed the Small Business Development Programme (SBDP) training. Ninety four entrepreneurs who had not received any business training were randomly selected from a list obtained from the Attorney General's

Chambers were the control group. Data was collected using an in-depth questionnaire and analyzed through descriptive statistics using percentages and frequencies. The research compared profiles of entrepreneurs who received business training with those who had not and to determine the profiles for topics included in the SBDP. The study pointed out that the trained group had higher educational levels and operate more complex business organizations than untrained entrepreneurs. It also had a different profile from the ones who did not receive training. The study takes cognizance of the fact that modern management practices developed in African countries address the problems and circumstances of medium to large scale enterprises and may not be appropriate for the needs of small enterprises in Africa (Little and Mazumdar, 1987).

The study concluded that there is need to modify and adapt the techniques currently taught by investigating the problems encountered by small entrepreneurs in their daily operations. The results of the investigations should highlight potential solutions to problems being perceived by entrepreneurs to assist in developing appropriate training programmes. The study also argues that entrepreneurs face formidable problems. One way of stimulating healthy growth in the small enterprise sector is to introduce specific remedies for specific problems to foster healthy growth in the sector. For example, entrepreneurs operating at the survival level, like many entrepreneurs in the untrained group, could require assistance in identifying sources of information and gaining access to government

markets. Entrepreneurs operating at a higher level, like the ones in the trained group, should be provided with advanced training and assistance in areas such as sub-contracting and franchising. Training should, therefore, be viewed by entrepreneurs as an ongoing activity which requires a series of interventions.

The World Bank (2000) studied the constraints to growth and employment in small, medium and micro enterprises employing less than 50 employees in South Africa. The research found that the critical issue was the shortage of skills as only 24-30 percent of firms with over five employees undertook formal skills training. The low levels of training by the firms were attributed mainly to lack of awareness of available training programmes and lack of government support. The study also found that employment grew by 23 percent between 1997 and 1999. However, growth in employment occurred due to the birth of new firms within the same period. Jobs were created in 41 percent of the firms, but at the same time job losses of 27 percent and no change in employment represented 32 percent. The study concluded that the primary reason for slow investment and employment growth was due to 'insufficient demand' for products/services, thereby making market conditions more important than labour or capital.

Ndavi (1999) researched on the role of training in the transition of micro and small scale textile enterprises into medium enterprises in Kenya. The research sought to establish the characteristics of the entrepreneurs and

their enterprises, the level of education attained by the entrepreneurs and the role education played in enhancing the growth of the enterprise. Findings from the study revealed that owners of the businesses had some form of education and over half stated that the subject/skills learnt in their formal education influenced them into their current trade – textile industry.

The majority (70 percent) of the entrepreneurs had received technical skills training in the textile industry prior to starting their businesses. The training was in the form of apprenticeship, courses, and seminars which enabled them to capture opportunities and expand their businesses. The study argued that the textile industry is facing stiff competition due to market liberalization. To counteract this challenge, efficient manpower is needed for survival, sustainability and growth. The research concluded that the training played a vital role in ensuring the businesses remained competitive, however, the training provided should address the specific needs of the entrepreneur.

An ILO (2008) study, which focused mainly on women entrepreneurs, found that in many developing countries, including Kenya, most businesses owned and managed by women are at the micro level, are located in rural areas and require little capital. Women do not use business development services because of the cost, access, necessity, or availability (Stevenson and St-Onge, 2005). The research also found that due to women's dual roles, and sometimes denial of husband's permission

to leave home, many of them are unable to access these services. These findings are supported by the (GOK, 1999) survey, which states that the usage of non-financial assistance, including training, is still very low, standing at only seven percent between 1995 and 1999, in spite of the increasing number of formal and informal organizations in Kenya. The access to non-financial assistance in the sector also varied by sector with 14.4 per cent of in the service sector, 6.2 per cent in manufacturing, 3.7 per cent in trade activities, and 3.4 per cent in construction.

The research concluded that 74.5 per cent of the women entrepreneurs did not have business management skills, such as finance, production management, marketing and human resources management. From the above

empirical studies, some were conducted across industries and sub-sectors, others used tools such as business plans as a means of training. Some were conducted within one industry, but very little has been done at studying the relationship between business management training and the growth of the enterprises.

2.8.1 **Theoretical Framework**

A theory according to Robson (2002) is an explanation of what is going on in the situation, phenomenon or what is being investigated, while Bull (1991) defines it as a set of interrelated constructs, definitions and propositions that present a systematic view of phenomena by specifying

relations among variables with the purpose of explaining or predicting the phenomena. In addition to the study being located in the literature on business management training and small and medium enterprises growth, the study will fall within the context of two theoretical models, one relating to Planned Training Model and the other to the Theory of Goal Pursuit (TGP). These were found to be useful in underpinning the investigations in this study on training and growth. The theories will help explain training and growth of SMEs in Kenya, the gaps and provide an analytical framework of the study in the Kenyan context.

2.8.2 **Theory of Goal Pursuit**

The study used the theory of goal pursuit (TGP) to understand the role of business management training and SME growth. The TGP model was initially developed by Warshaw, Shepperd and Hartherick (1982). It was modified from the theory of reasoned action by Ajzen and Fishbein (1980) and become an addition to the theory. The central concept is that of intention. TGP points out that an individual may succeed or fail in his or her attempt to an intended goal, a consideration that he/she is likely to take into account when initially forming the intention. According to Fishbein and Ajzen (1975), individuals under most circumstances do what they intend to do because they are convinced the behavior is good. According to Bird (1989), Kruger and Cursrad (1993), Autio et al (1997) venture creating is a planned behavior and hence an intentional behavior.

Success and failure represent future outcomes; that is, one will either achieve success or encounter failure at some future time, often after a good deal of goal-directed effort and activity. The TGP model of success or failure can apply to business set-ups. In Kenya, only a few MSEs grow to employ more workers and the mortality rate in the sector is high, with most of them not surviving beyond their third year in operation. According to the MSE Baseline Survey (1999), this phenomenon has made it difficult for the MSEs to grow into medium and large scale enterprises, thus creating the 'missing middle.'

A wide variety of cognitions, beliefs, feelings and values, as well as individuals and groups, are likely to be considered by each person. These cognitions reflect a variety of background factors, for example demographic variables and personal characteristics, personality traits, social, cultural and environmental factors. The study will investigate how all these factors affect the growth of businesses. The model has been applied and empirically tested and hence validated for research use. It will be used in the study rather than create a new model.

The expectancy, attitude, and normative components of TGP are believed to mediate the effects of such exogenous factors on the specific intentions formed by individuals. As such, the model components suggest a mechanism and process through which these factors exert their effects on intentions and action. The TGP model is similar to most expectancy

theories that have discussed success-related and failure-related consequences (Atkinson, 1964; Vroom, 1964; Fishbein and Ajzen, 1975; and Weiner, 1986). The premise of using the TGP model in this study is that although the model focuses both on success and failure related consequences, the success-related consequences can be adopted to the success and growth of the venture and thus contribute to the economic development of the country. The model is similar to success and failure theories and in this research it can also apply to the business growth as a success factor.

The following factors are central towards the pursuit of goals and to understand the entrepreneurial intentions:

1. *Success*

The needs (McClelland, 1961), values (Fagenson, 1993), motives (Dubini, 1988), beliefs (Cromie, 1988), expectancies (Galewood, 1993) and attitudes (Robinson *et al*, 1991) of entrepreneurs have success-related consequences, which are important to a decision to start a new business. A successful new venture can mean financial reward, a sense of personal accomplishment or achievement. It can also mean an individual can be autonomous and independent, elevated in personal status and prestige, power and influence and one's contribution to improved economic status at the family level and the community or society at large.

2. *Failure*

The possibility of failure is central when ambiguity, uncertainty and risk are considered (McClelland, 1961; Timmons, 1978). Such ideas normally focus on potential negative consequences of any new venture. Barriers and pitfalls which hinder entrepreneurial success have mainly challenged female entrepreneurs (Brush, 1992; Fischer *et al.*, 1993). Failure-related consequences have been found to lead to the need for achievement in entrepreneurship (McClelland, 1961). The theoretical models of need for achievement (Atkinson, 1964; Weiner, 1986) have used model components quite similar to the success and failure components hypothesized here.

3. *Pursuit*

Pursuit related consequences can be seen from different perspectives. The need for achievement construct have often invoked the notion of a Protestant work ethic (Weber, 1904; McClelland, 1961), stressing the desire of entrepreneurs to work hard for the simple pleasure of doing so. Positive job characteristics of entrepreneurial work-freedom, flexibility, autonomy, and control (Dubini, 1988; Cromie & Hayes, 1991; Fagenson, 1993) have also been associated with pursuit. Other descriptions include a sense of excitement, challenge, or simply having fun (Rockey, 1986; Fagenson, 1993). The positive considerations also bear several negative considerations.

Entrepreneurship development in Kenya is associated with job and wealth

creation and in turn alleviating poverty, which is considered a positive. There also exists a few guidelines and policy framework in place aimed at promoting micro, small and medium enterprise development in the country, which too can get positive consideration, for example The Economic Recovery Strategy for Wealth and Employment Creation (2003-2007) aims at giving Kenyans a better deal in their lives and build a prosperous nation. The down side of this strategy document is that the 500,000 jobs it intended to create annually over the four-year period to contribute to the economic growth rate is still a challenge.

4. *Subjective Norm*

The society can be seen as a great influence on determining whether or not a person starts a new business venture (Shapiro and Sokol, 1982; Nelson, 1989). The ILO has played a critical role in Kenya since 1972 when it recognized the important role of MSE in employment creation. Since then, various policies have been put in place to promote entrepreneurship development and growth of the sector. The National Baseline Survey, (GOK, 1999) reported that there were about 1.5 million MSEs employing some 2.3 million people. The Kenya Economic Survey of 2006 reported that the informal sector employed about 6.4 million while the formal sector employed 1,807,700. This prompted the Government to develop the policy documents aimed at fostering the growth of the micro, small and medium enterprises as a major vehicle for economic development in the country. Examples of these policy documents are the Sessional Paper No

2 of 2005 on Development of Micro and Small Enterprises for Wealth and Employment Creation for Poverty Reduction.

The policy framework provides a balanced policy in line with national goals of fostering economic growth, employment creation, income generation, poverty reduction and industrialization as stipulated in the Poverty Reduction and Economic Recovery Strategy for Wealth and Employment Creation of 2003-2007.

The role played by other people can also determine where a person starts a business. According to Bearse (1982), entrepreneurial ventures were much more likely in certain regions or communities. In Kenya this is evident as the Nairobi and Rift Valley Provinces have higher industrial establishments of entrepreneurs as compared to other regions (GOK, 2009). Support groups, networks, and mentors also encourage entrepreneurial activity (Glade, 1967; Birley, 1985; Olm et al., 1988; Aldrich, 1989). Entrepreneurial activity is more dominant in families which have also been entrepreneurs (Scherer et al., 1989).

The TGP model is heavily based on culture, which comprises beliefs, feelings, values, and norms developed by a group of people in response to their environment (Kluckhohn and Strodtbeck, 1961; Hofstede, 1980). The four dimensions of culture Hofstede (1980) are: individualism/collectivism, power distance, uncertainty avoidance, and

materialism/quality of life.

i) *Individualism/collectivism*: refers to the relationship between individuals and the group. People in individualistic cultures see themselves as distinct from the group; there is greater emphasis on self-interest, self-determination and autonomy. Those in collectivist cultures, however, see and define themselves in terms of the group and their focus is upon common objectives and goals. Women tend to form and work in groups more than men. In Kenya, a good example is the women who work in groups to make and sell *ciondos* at the Kariokor market (Ngau and Keino, 1996).

ii) *Power distance*: refers to the extent that members of a culture accept an unequal distribution of power. In high power distance cultures, individuals accept class differences in society, while members of low power distance cultures are far less likely to accept such differences. Kenya is a capitalist economy where organization hierarchy plays a minimal role in entrepreneurship development. Entrepreneurs run their businesses at various levels and success stories can be found across the board from the members of high to low power distance, who have in turn pursued their goals and succeeded in their own right in their respective businesses.

iii) *Uncertainty avoidance*: refers to the extent that individuals feel threatened by ambiguous, uncertain or unknown situations. In low uncertainty avoidance cultures, uncertainty and risk are accepted, but in high uncertainty avoidance cultures, stability is strongly preferred. People in such cultures believe in absolute truths, establish and adhere to numerous rules and regulations, reject deviant ideas, seek agreement and consensus, and desire stable, long-term employment relationships.

iv) *Materialism/quality of life*: refers to the level which material, as opposed to spiritual, ends are pursued by individuals. Individuals in materialistic cultures focus on work and ideas of self-worth. People live to work and are highly ambitious, assertively pursuing material acquisition and career success. On the contrary, individuals in less materialistic cultures emphasize quality of life and people work to live. The emphasis is on relationships among people and concern for others and the environment.

Entrepreneurs have been characterized as individuals pursuing moderate risks, successfully dealing with the uncertainties of new ventures and living for the challenges and rewards inherent in entrepreneurial endeavors. The concept of need for achievement, championed by McClelland and linked to both entrepreneurship and economic development, links successful performance with risk-taking. In addition, McGrath, MacMillan and Scheinberg (1992) suggest that this pattern of

beliefs and values characterizes the entrepreneurs from a variety of national cultures. Three aspects of culture of Hofstede's four dimensions (individualism/ collectivism, uncertainty avoidance, and materialism/quality of life) have been linked theoretically and empirically to entrepreneurship and economic development (McClelland, 1961; Hofstede, 1980; McGrath *et al.*, 1992a; McGrath *et al* 1992b). The world's strongest economic growth is occurring in East Asia in countries like Singapore, Hong Kong, Japan, South Korea, and Taiwan. The MSME sector in Kenya contributes to 18.4 percent of the GDP. All these are determinants of the theory of goal pursuit and are in this study captured and dealt with in the questionnaire. The instrument captures data on enterprise growth and business management training in the SME sector.

In conclusion, the theory of goal pursuit has been used and applied to entrepreneurship. Entrepreneurship is not a flush of inspiration or luck, it is the conscientious application of discipline to exploit resources, which are already on hand and can somehow be found. Entrepreneurs are mainly concerned with their success and growth and how it will be achieved. This applies to entrepreneurial intentions globally as evident in the case study below of a Kenyan woman entrepreneur narrating her goal and drive to succeed despite all odds:

Case study on Jocylene Jambo, director and founder of DOTCOM College. Jocylene is a 38-year old, mother of three children. She is the

second born in a middle class family of seven. Her father worked as a police officer and the mother a civil servant. Life drastically changed for her and her siblings when she was in Form One, parents divorced!

Life was never the same for Jocylene. Her father and mother remarried almost immediately after the divorce and at this point, Jocylene and her siblings were shared out. Jocylene went to live with a maternal uncle who worked as a lecturer at a national polytechnic at the coastal town of Mombasa. She joined a private day high school in Mombasa, having transferred from a prestigious girls boarding school.

She says that was the most difficult experience in her early life as she had to tend to her uncle's business most of the time – sometimes she had to miss classes to be at his business. However, she graduated from high school and immediately enrolled for a part-time secretarial course.

Her uncle relocated to Nairobi after two months and she was left alone in Mombasa. She eventually secured employment as a receptionist while she attended evening classes. She obtained a certificate and a Diploma in ICT at the local polytechnic. Thereafter, she got a job with an NGO where she served for eight years.

Jocylene got married to a civil servant, but due to his frequent transfers to various parts of the country, and given that they had school going children

and three other dependants (orphaned children) to support, she resigned from her job to care for the family.

With the savings from her former employer, she bought one computer and a printer and started a secretarial bureau in June 2005 in Bungoma town with an initial capital of Kshs 180,000. Despite challenges like competition, lack of finance, she saved whatever money she could and ploughed it back into the business.

The bureau expanded and transformed into a training institute. The Dominion Training Institute started in June 2006 with its primary objective to offer ICT courses and bureau services. With six computers, three rental rooms and some furniture, the institute was born with six students. Demand for other courses emerged, which led to collaborations with the Kenya Institute of Management (KIM) and KASNEB in January 2008. The college was also approved as a KNEC examination centre, which was a big boost to its growth.

As a woman entrepreneur, Jocylene faced a number of challenges, which included stringent conditions attached to credit such as requiring land title deed to access loans; cultural and customary beliefs that a woman cannot succeed in business and poverty in the community which lead to late school fees payment by students.

Despite the challenges, Jocylene has managed to register and train over 300 students from 2006 to date. The training facilities improved by acquiring 22 computers and created employment for over 17 workers. The institute offered seven training programs which focused on information communication and technology courses and business management/administration. The bureau section of the business also expanded at the same rate. Access to finance became easier as credit was accessed from the Kenya Women Finance Trust (KWFT), Barclays and Equity banks. However, before the loans were disbursed, Jocylene had to undergo a vetting process, which included getting consent from her husband that he would guarantee the loans.

In her business expansion strategy, Jocylene intends to acquire land to construct the institute's own premises and establish strategic alliances for collaboration with regional and foreign universities.

Jocylene concludes that it is possible to succeed in business as a woman, despite all odds. She stated that she started her business with KSh 200,000 in 2005 and three years later it was worth KSh 1.2 million. (ILO, 2008).

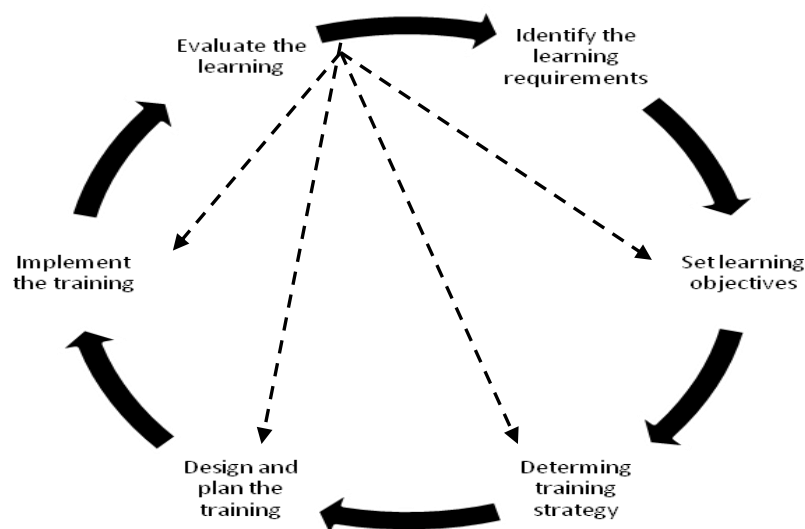
2.8.3 The Planned Training Model

This study discusses how Planned Training influences the growth of SMEs. The purpose is to explain and analyze within the theoretical

framework the SME training, change in managing the growth of the business and ultimately the sector.

Planned training may take different forms and can be defined as deliberate intervention aimed at achieving the learning necessary for improved performance (Kenney and Reid, 1986). This approach to training is summarized in four stages (Bramley, 1996) known as the systematic training approach: identify and specify the training needs, design a training programme, implement the training, and finally evaluate the training. . The SMEs require both business development and financial services support at different levels of firm growth, as stipulated in Sessional Paper No. 2 of 1996 (GOK, 1996).

Figure 2.1 Planned Training Model



Source: Kennedy and Reid, 1986

The processes involved in planned training include:

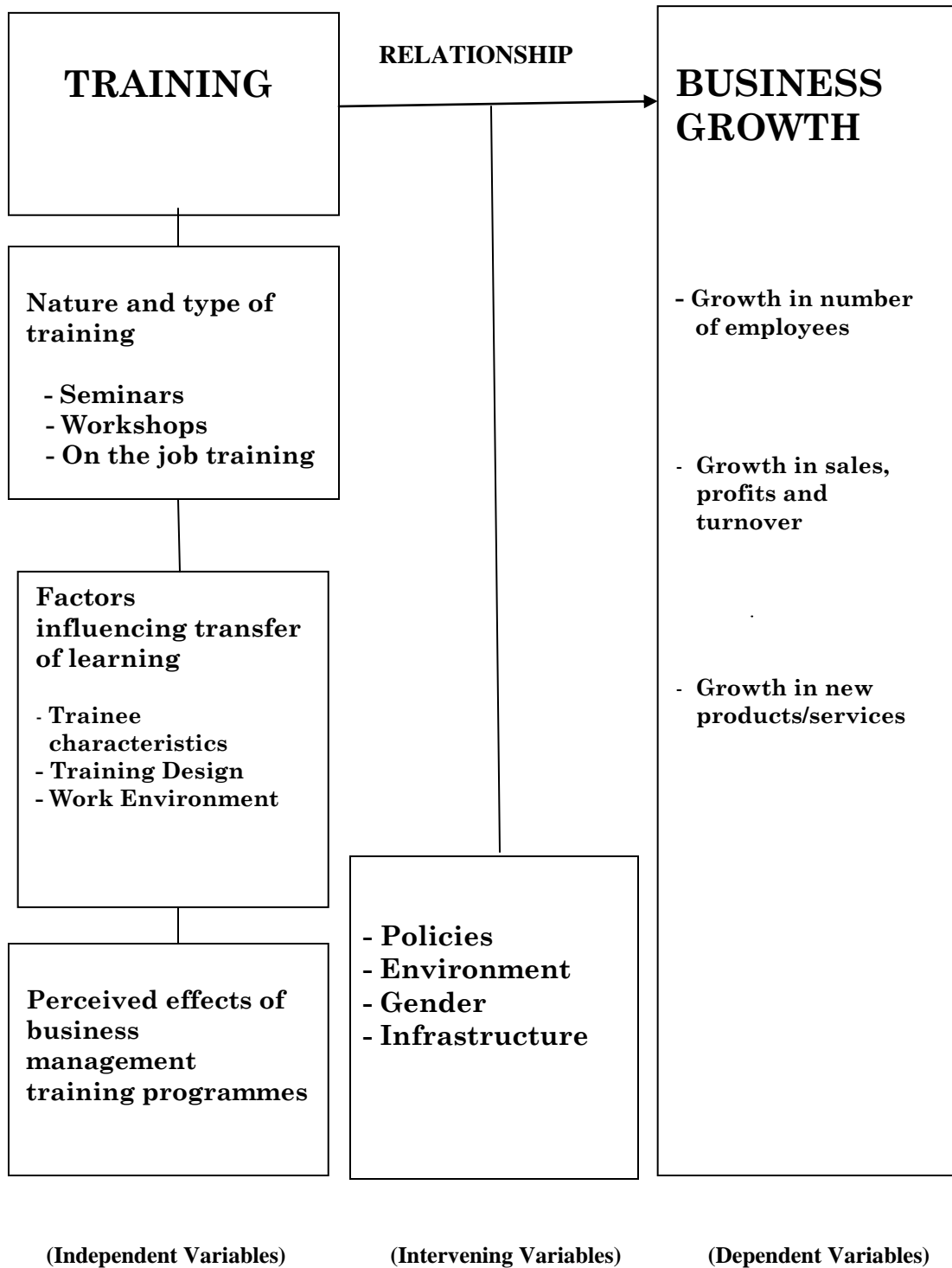
1. Deciding whether training can help to solve or prevent a problem, and if so, determining whether training is the most cost-effective approach.
2. Identifying what learning is the most cost-effective approach.
3. Identifying the learning/training objectives.
4. Deciding what training strategy or strategies to adopt; whether the training is going to be on-the-job, in-house, on the premises or the employees go away from their work places for the duration of the training programme.
5. Designing and planning appropriate training programmes. The preparation of training normally determines the success or failure of the programme – who the trainees are, at what levels are they in the organisation should also be taken into consideration. For training to be effective, training providers should ensure that there is a thorough needs analysis carried out to cater for all the needs for the individual, the business and the sector (Gichira and Nelson, 1997).
6. Implementing the training will depend on what skills will have been acquired during the training. Learning requires that old work habits/patterns be dropped and new ones established. Basic principles of learning to the training should therefore be considered. For example, trainee motivation is an important determinant of training effectiveness. The rate of learning by the trainee should also be taken into account as learning does not take place at the same rate for all individuals.

7. Evaluating the effectiveness of the training at appropriate times during and after the training. Evaluation of training effectiveness is the final step in the training cycle. Evaluation of training consists of making a “before and after” comparison of indicators of effectiveness of individual performance, which this study is investigating. The evaluator should establish a clear relationship between the advantages and disadvantages attributable to training, which forms the basis of this study.

8. Satisfying any residual learning/training requirements if further training is required. Evaluation of the training may lead to the development of new training needs. Planned training can lead to changed job performance and standards of the employees and in organizations.

Learning is the crux of any training programs (Fruitman, 1989; Guthrie, 1989). For learning to take place, appropriate training methods suitable to the level of trainees/participants should be used so as to instil motivation (Nzuve and Singh, 1992; Donaldson and Scannel, 1978). This can be enforced through the use of participatory methods of training as well as careful selection of trainers/facilitators to match the expectations of the participants. Training is a continuous process. Entrepreneurs who participate in training will gain new skills to implement in their businesses. After a while, there will be need for additional training to overcome new challenges that emerge in the firm.

Figure 2.2: Conceptual Framework



Source: Researcher 2007

2.9 Summary of the Literature Review and Gap to be filled

This chapter reviewed literature related to various studies in this area, which emphasized the importance of training in the SME sector (Kramar, 1995; Osterman, 1995; Gichira and Nelson, 1997; Hayton, 1999; Smith and Dowling, 2001; Smith et al, 2003; Jones, 2005). These studies were mainly conducted on determinants and demands of training in the sector and they revealed research gaps relating to the business training and SME growth. The literature also suggested that training enhances growth of the business (King and Abuodha, 1990; Kinni, 1995; Sergeant, 1996; Ndavi, 1999; World Bank, 2000; Carter, 2002). Most of these studies were conducted on the general SME sector or specific sub-sectors - woodwork, textiles and manufacturing (Ndavi, 1999; Jones, 2005; Mochache, 2005). Very limited research has been done on management training and growth of the SME sector. This study attempts to combine both business management training and growth of the SME sector and their outcomes. This is because most studies (Jones, 2005; World Bank, 2000; Gichira and Nelson, 1997; Sergeant, 1996; Kinini, 1996) dealt with either growth or training alone.

Skarr (1994) argued that for a firm to be successful and grow, it must link training to its key strategies, forge a networking relationship with employees, redefine individual career paths, map out a plan for continuous learning and use interactive teaching, not lectures. This study attempts to

provide empirical evidence on how business management training can enhance SME growth.

Becker (2002) postulates that business growth depends on the synergy between new knowledge which can be acquired through training and human capital. This implies that training forms a critical element in contributing to firm growth and in turn a country achieving a rise in its GDP. This study looked into business management training as a factor that would lead to firm growth and meet the framework proposed by Skarr (1994) and Becker (2002) above. Training alone may not necessarily lead to business growth, as there may be other contributing factors, such as access to finance and improved infrastructure which could also contribute to improved firm performance. Training, therefore, becomes one of the determining issues to look into when assessing business growth and firm performance.

The premise of this study was that growth of SME might not only create employment and reduce poverty, but also contribute to the GDP and support the economic pillar in Vision 2030, which aims to transform the country into a middle-income economy.

CHAPTER THREE

RESEARCH METHODOLOGY

3.0 Introduction

This chapter looks at the research methods that have been used in the study to collect and analyse the data. The chapter contains the following sub-topics: research design, the target population, sampling design, research instruments, data collection procedures and data analysis. The chapter finally ends with a summary of the statistical tests used in analysing the data.

3.1 Research Design

The study adopted a descriptive explanatory research design which sought to establish the relationship between business management training and small and medium enterprises growth. Descriptive statistics were used to analyse the variables of the study in order to gather insights of the entrepreneurs who received business training. The independent variable for this study was training, in terms of the nature and type of training, factors that influence training and perceived effect of training. The dependent variable for this study was business growth in terms of number of employees, sales, profits, turnover and new products and services. The explanatory part attempted to show the relationship between the independent and dependent variables.

Research design is a complex concept that may be viewed from different perspectives (Emory, 1995; Cooper and Schinder, 2003 and Nachmias and Machmias, 1996). This study investigates the relationship between business management training on small and medium enterprises and growth. This was a descriptive study that was triangulated by a qualitative approach. A detailed questionnaire was used. This approach was useful in the study as it applied the complimentary roles.

3.2 **Target Population**

The target population for this study were 400 firms that had successfully received business growth training under the Mwezi Kali II, Business Growth Training Programme. The accessible population were those firms that received training and were based in Nairobi and have been in business for a minimum of two years prior to receiving the training.

The enterprises were spread across the sub-sectors representing trade, manufacturing, and services in Kenya. Nairobi was chosen because it was one of the two cities (the other is Mombasa) with the highest number of growth enterprises (15.9 percent) compared with other cities with only 12.3 percent (CBS 1999) making the research worth undertaking. The names of the entrepreneurs who have received training were drawn from the target population. Enterprises targeted fell into the classification of the Small and Medium Enterprise business employing 11 to 49 people for the small enterprises, 50-100 for the medium enterprises respectively and

at the same time, were in business for a minimum period of two years prior to receiving the training.

To qualify to participate in the study, the entrepreneurs were the respondents who constituted the sample size and had to meet the following criteria: be the owner-manager; must have employed not less than 11 employees; must have been conducting business for at least two years prior to having received the business growth training; the owner-manager must have carried out business activities on a full time basis and the subject must be the founder of the business or bought an existing business.

3.3 Sampling Design and Sample Size

Sampling is drawing a portion of a target population for observation (Worthen and Sanders, 1987). Stratified random sampling was used to select the 80 participants from the 400 who had received business management training. Entrepreneurs were selected as respondents by use of stratified random sampling. The strata were trade, services and manufacturing. The respondents were picked from a list of entrepreneurs who had received business growth training from Nairobi province. The British Council data base of information on entrepreneurs who had received training under the *Mwezi Kali* Business Growth Programme was used. Nairobi province was selected for having the highest number of growth enterprises in the country, followed by Mombasa.

The population was then classified in Small and Medium Enterprise business employing 11 to 49 people for the small enterprises, 50 to 100 for the medium enterprises and at the same time, have been in business for a minimum period of two years prior to receiving the training.

The researcher then selected the 80 entrepreneurs using Stratified Random Sampling from the sampling frame of owner-managers who meet the criteria described above. This involved selecting the sample at regular intervals from the sampling frame and each entrepreneur in the sampling frame was allocated a number, starting with 0, the second number 1, the third 2 and so forth.

3.3.1 Sampling determination

The sampling fraction was then established as follows:

The total population selected was 400, and the actual sample size was 80.

Actual sample size was 80

Total population = 400

From the population, one in every five entrepreneur was selected, the nth number being the 5th entrepreneur from the sample size. The sample size comprised 80 respondents selected from the population of 400 entrepreneurs consisting of small and medium enterprises in the trade, services and manufacturing sectors.

3.4 **Data Collection Instrument**

This study used a questionnaire as the primary data collection tool. The Questionnaire was used as a primary tool of data collection. The Questionnaire comprised structured questions, open-ended and Likert-type scale of questions administered to the 80 selected entrepreneurs who qualified to participate in this study. The Questionnaire was developed by the researcher and it captured data on business growth. It included general information on the business - operational characteristics of the business, such as location, type of business, sector of business, business ownership and longevity of the business; nature and types of training; factors influencing training; relationship between training and growth of SMEs and perceived effect of training programmes.

3.4.1 **Reliability test**

This is the dependability, consistency or trustworthiness of a test. The test items were divided into two halves with items matched on content and difficulty and the scores of the two halves were scored separately. If a test is reliable, the scores on the two halves have high association (Cohen, Manion and Morrison, 2007). From the results, the two scores of each respondent were computed separately. The Pearson Product Moment Correlation co-efficient was used. The correlation co-efficient of 0.9 was obtained, which was interpreted to mean high level of reliability.

After ensuring a high degree of reliability of the instrument used in this study, the researcher personally collected the data to ensure consistency and reliability (Emory, 1985).

Finally, Cronbach's Co-efficient Alpha approach was used to measure internal consistency of the research instruments. This approach is recommended by Emory (1985) for its ability to give average split-half correlation for all possible ways of dividing the test into two parts. Cronbach's Co-efficient Alpha is a scale measurement tool appropriate in measuring internal consistency in descriptive survey research.

3.4.2 **Pilot Test**

Saunders et al (2003) suggest that prior to using the questionnaire to collect data it should be tested in order to refine it. The instrument was tested by the researcher for clarity of items, understanding of the whole process of the research. Based on the analysis of the pre-test results, the researcher made corrections, adjustments and additions to some research instruments. Once the validity and reliability tests were established, a pilot test was conducted on five entrepreneurs who were picked by using stratified random sampling from the population, but fell outside the actual study sample. The following steps were followed: The five entrepreneurs were contacted for their willingness to participate in the study. The five entrepreneurs then received and completed the research questionnaires. The researcher administered and monitored the data collection process to ensure that the 'wrong' people did not fill the questionnaires. In most

cases, the questionnaire was filled while the researcher waited; thereby providing clarification where necessary and raising the reliability. Finally, the responses received were taken into account and all ambiguities were removed from the instruments by modifying and replacing any questions that were not clear. Prior to the data collection, a research permit was obtained from the Ministry of Research, Science and Technology.

3.5 **Data Collection Procedures**

The Questionnaire (Appendix A) was administered to owner-managers selected from firms in the British Council database who had received business growth training and were based in the Nairobi area. The questionnaire was administered by the researcher to a sample of 80 entrepreneurs who had received training and selected to participate in the study. The researcher administered the questionnaire to the respondents who were guaranteed confidentiality. Data was collected from a cross-section of the sub-sectors, which included trade, manufacturing, and services as mentioned above.

3.6 **Data Analysis**

The data collected was analysed by using both descriptive and inferential statistical techniques. Descriptive statistics, according to McClave and Sincich (2003), utilizes numerical and graphical methods to look for patterns in a data set, to summarize the information revealed in a data set and to present the information in a convenient form. The main

descriptive statistical analysis techniques used were the means, the percentages and the frequencies. On the other hand, inferential statistics, t-test and multiplier regression utilized sample data to make estimates, decisions, predictions and other generalisations about a larger set of data. The examples that were applied were the t-test, ANOVA and multiple regression analysis.

3.6.1 The following techniques were used to analyse data along the research objectives:

Objective 1: establish the nature and types and nature of training offered to enhance SME growth – Descriptive Statistics, Correlation Co-efficient.

Objective 2: investigate the factors that influence the transfer of learning to SMEs in Nairobi – Descriptive Statistics.

Objective 3: establish the relationship between business management training and growth of SMEs – Descriptive Statistics, t-tests, Correlation Co-efficient and Regression Analysis, which is the process of calculating a regression co-efficient and regression equation using one independent variable and one dependent variable. The researcher chose this technique as it was relevant to the research being conducted in that the independent variable in this case was the training and the dependent variable was the growth aspect.

The statistical package for the social science programme (SPSS) was used to help generate tables, graphs, charts to allow ease of interpretation, and finally conclusion and recommendations.

The researcher took care of the Type I and Type II errors. The Type I error occurs when coming to a decision that something is true when in reality it is not. It may involve concluding that two variables are related when they are not. A Type II error involves the opposite of Type I error occurring. This means you conclude that something is not true, when in reality it is. This might involve concluding that two variables are not related when they are. To reduce the possibility of making Type I and II errors, the researcher contained this by spreading the significance level. Type I errors are considered more serious and thus avoided.

3.7 **Hypotheses**

The following two hypotheses were formulated from the objectives of the study and were tested by the researcher during the study:

Hypothesis Ho1: *There is no correlation between business management training and Small and Medium Enterprises' Growth.*

The above hypothesis used descriptive statistics to determine the characteristics of the respondents. Common measures such as central tendency using the mean, measure of spread – dispersion or standard

deviations, were also used. Correlation co-efficient was used to analyse the strength of the relationship between two variables in the data.

Hypothesis Ho2: *There is no statistically significant relationship between factors- trainee characteristics, training design and work environment that influence the transfer of learning among SMEs.*

Regression analysis was used to investigate the relationship between the factors that influence the transfer of learning amongst the SMEs. Descriptive statistics was also used to establish the central tendency (mode, median, mean) and the dispersion (range, variance, inter-quartile range, percentiles).

3.8 Methods Used for Testing the Hypotheses

Table 3.1 Indicates the Methods used to test the study Hypotheses

Hypothesis	Independent Variable	Dependent Variable	Statistical tests
Ho1: There is no correlation between business management training and Small and Medium Enterprises' Growth.	Business Management Training in HR, Finance, Marketing, Production, ICT	Business growth in number of employees, frequent sales, profits and turnover, new products/ services	Correlation co-efficient Descriptive Statistics
Ho2: There is no statistically significant relationship between factors that influence the transfer of learning among SMEs.	Factors that influence the transfer of learning which include Trainee characteristics, training design and work environment	Business growth in number of employees, frequent sales, profits and turnover, new products/ services	Regression Analysis Descriptive Statistics

The next step was the appropriate interpretation of the data, and finally the Conclusion and Recommendations will be discussed in the next chapters.

CHAPTER FOUR

RESULTS AND DISCUSSIONS

4.0 **Introduction**

This chapter presents data analysis on business management training and small and medium enterprises growth, which is then followed by discussion highlighting the research findings. The chapter starts with a summary of the demographic profile of the respondents selected. The data for this was captured in the first part of the Questionnaire (Appendix A), which was administered to the targeted entrepreneurs. This is followed by presentation of the results along each of the three study objectives. Discussions on the findings of each objective then follow. The chapter closes with a summary of the main findings.

Out of the 80 questionnaires administered to the respondents, 75 of these were returned for data analysis. This translates to 93.8 percent return rate of the respondents. Overall, the return rate can be considered to be high.

4.1 **Background Information of the Respondents**

This section discussed data which focused on the background or bio-data of the respondents.

4.1.1 Entrepreneur's Status in Business

The respondents were asked to indicate their status in their respective businesses. The findings in Table 4.1 show that the majority (95.0 percent) indicated that they owned and managed their businesses, while 5.0 percent were owners of the businesses.

Table 4.1: Entrepreneur's Status in Business

Response	Frequency	Percent
Owner manager	71	95.0
Owner	4	5.0
Total	75	100.0

This implies that most of the small and medium-sized businesses in the country are owned and managed by the same individual. The study noted that most SMEs in Kenya are owner-managers. It also shows the commitment of the entrepreneurs to manage the business as opposed to starting a business and hiring a manager to run it on their behalf. This also confirms one of the requirements that all the respondents in this research should be either an owner or owner-manager of the business.

4.1.2 Age of entrepreneur

The majority of the respondents were aged between 35-39 and 40-44 years with each represented by 28.3 percent. It can be concluded that as a person matures the potential of owning business growth firms increases. The success may be attributed to business experiences that prepared them to own and grow their businesses. Additionally, the older entrepreneurs who are mature people might have the knowledge of the business they are involved in and are more financially stable.

4.1.3 Gender of entrepreneur

It is evident that women represented by 56.7 percent are the majority of the respondents. Men are the minority with 43.3 percent as shown in Figure 4.1. This is positive but is contrary to past research by the National Baseline Survey (1999) and ILO (2008) that noted women entrepreneurs tend to operate enterprises associated with traditional women's role, such as hairdressing, restaurants, hotels, retail shops and wholesale outlets at the micro level.

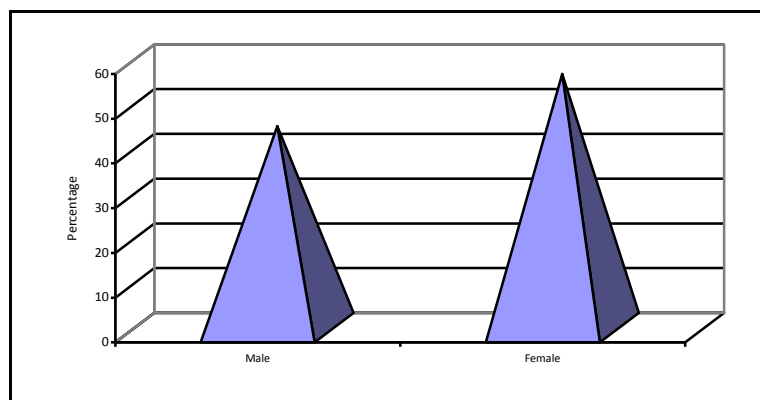


Figure 4.1: Gender of the entrepreneur

The increase of women owning growth orientated enterprises could be as a result of most small business owners being educated. According to the International Labour Organization (2008), small scale business owners are likely to be university graduates from an entrepreneurial family with managerial experience in the corporate world, access to finance and a supportive husband. It can be concluded that the majority of small and medium sized enterprises in Kenya who benefit from training are women entrepreneurs.

4.1.4 Marital Status

The research findings on the marital status of the respondents are presented in Figure 4.2. The majority (68.3 percent) of the respondents indicated they were married and could seek support from their spouses while attending training. 21.7 percent were single and 10.0 percent were divorced.

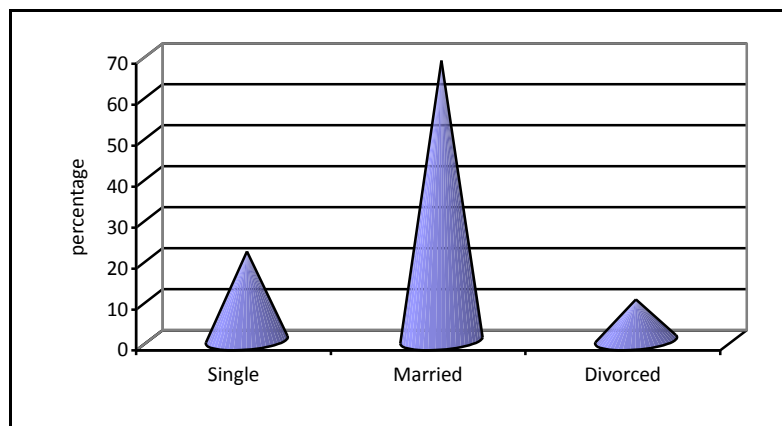


Figure 4.2: Marital status of the entrepreneur

4.1.5 Education level of the entrepreneur

From Figure 4.3, it is evident that a large number of respondents represented by 47 percent have attained college education, and only two per percent of the respondents were illiterate.

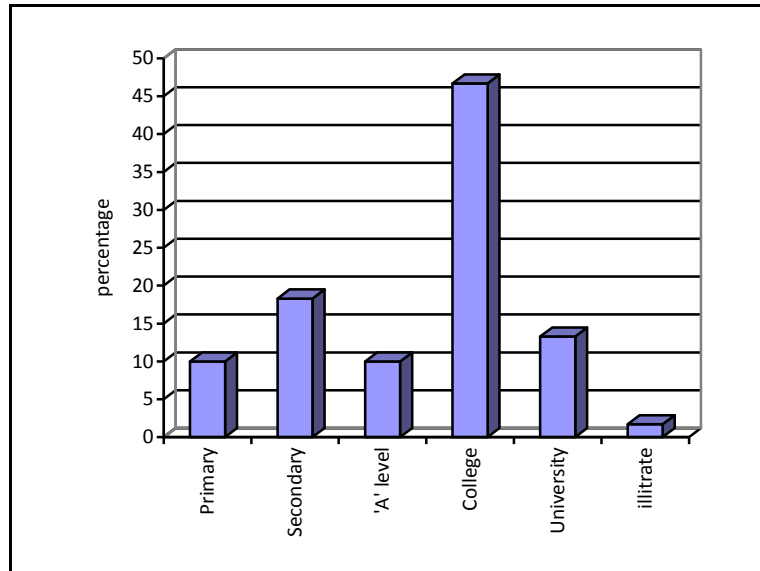


Figure 4.3: Education level of the entrepreneur

The majority of the entrepreneurs were literate and have attained either secondary school or tertiary levels of education and could therefore cope with the training programme. This concurs with Trulsson (1997) who indicated that entrepreneurs with a higher education are likely to succeed than the average.

4.1.6 Work experience

The majority (76.7 percent) of the respondents had over 10 years work experience, while 18.3 percent had over 15 years of work experience and

the minority represented by 5.0 percent indicated that they had no work experience.

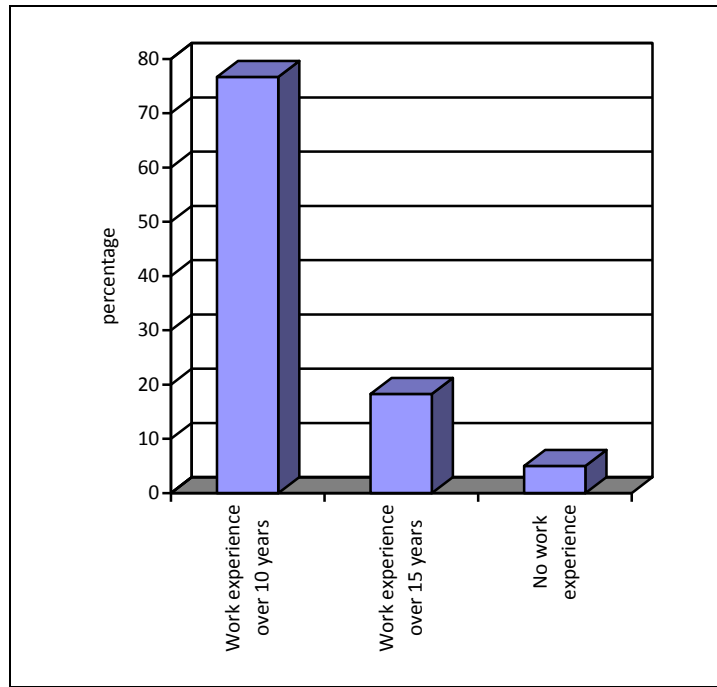


Figure 4.4: Work experience

This shows that most small and medium sized businesses are run by experienced people, while the few with no work experience could either have started their businesses immediately after school or college. The data was captured in Figure 4.4.

4.1.7 Number of years in business

It was important to find out the number of years their business had been in existence as this will show that the business went through the start-up stage, the survival stage and is in the growth stage and business training can enhance the skills for growth.

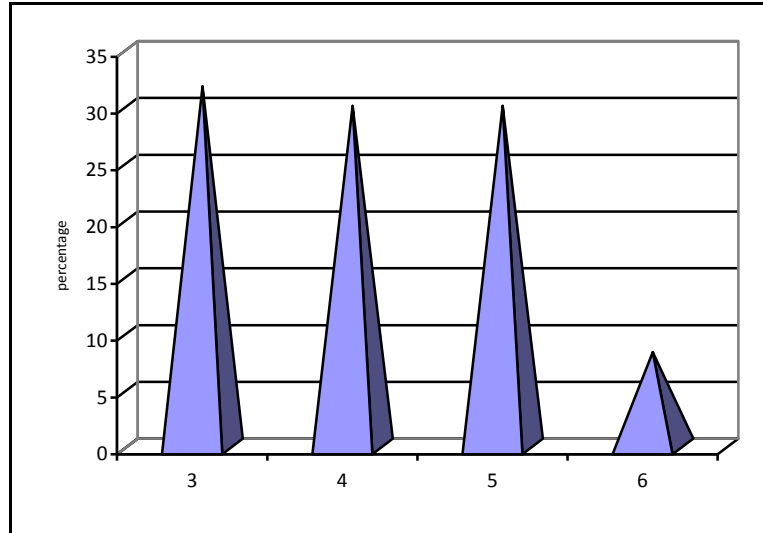


Figure 4.5: Number of years in business

The results are reflected in Figure 45. Most of the respondents (31.7 percent) have been running their respective businesses for periods of over three years while 8.3 percent, the minority, have been in business for six years. The results show that the businesses had been in operation for over two years, which was a prerequisite to participate in this study. This implied that the entrepreneurs are familiar with what it takes to run an SME in Kenya. The data shows that the majority of the entrepreneurs who take up training survive in the first five years of start-up and running the business. The longer the business has been in operation, the more likely the owner has gained the necessary experience to overcome the initial hurdles and succeed. This trend is positive as the owner-managers are equipped with the necessary skills to manage the business as it grows.

4.1.8 **Days a week the business operates**

The researcher sought to find out how many days in a week the respondents operate their businesses to assess the amount of time input into the business operation. All the respondents indicated that they operate their business full time, with 78.3 percent of the respondents' who work for six days a week, which is the norm in any business environment in Kenya, setting aside a day to rest. A small number (21.7 percent) extended their work days to seven a week. This confirms that the owner-manager or manager of the business' sole pre-occupation is running the business on a full time basis.

4.1.9 **Sector of business**

The findings revealed that the highest numbers of respondents were in the trade sector. Wholesale and retail trade sectors generate the highest number of jobs in the trade sector, employing about 59 percent of persons in 2007. During 2004/2005, employment in retail trade increased by 4.4 percent as indicated in the Economic Surveys (GoK). The remaining 33.2 per cent were in the services sector, while 31.7 percent are in manufacturing. The trade sector is easy to enter, requires less finance and is easier to exit should the business close down. The small and medium enterprise in the manufacturing sector, critical for the country's industrialization process, was least represented. KIPPRA (2009) is in agreement that manufacturing sector is a major contributor to economic development.

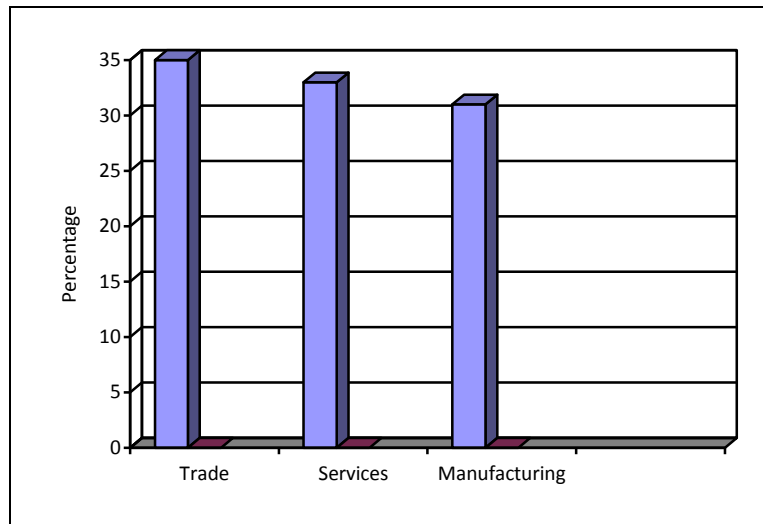


Figure 4.6: Sector of Business

This sector contributes to about 10.0 percent of the GDP and in 2007 accounted for 8.8 per cent of the growth of the GDP. Although manufacturing contributes a substantial percentage to the economic performance, it is not free from challenges of growth as compared by accessibility to finance and lack of technical and business management skills. There is need to promote the sector if the country is going to transform to a middle income economy as envisages in Vision 2030.

4.1.10 Number of employees by sector

The researcher sought to find out the number of employees the respondent had in the business by sector. The findings are presented in Table 4. 2. The majority of the respondents (75.0 percent) had 11 employees and only 1.7 percent had 16 employees. The trade sector had the highest numbers of employees, followed by services and manufacturing. Past studies show that

Table 4.2 Number of employees per sector

Response	Trade	Manufacturing	Service	Frequency	Percentage
11	26	12	18	56	75.0
12	4	1	1	6	8.3
13	3	2	3	8	10.0
14	3	0	1	4	5.0
16	1	0	0	1	1.7
Total	37	15	23	75	100.0

the wholesale and retail trade sector provide more opportunities for employment in the country (KIPPRA, 2009). The minimum number of employees required to be eligible to participate in this study was 11. This falls into the classification of the small enterprises which employ between 11-49 employees. According to KIPPRA (2009), the sector accounts for 87 per cent of new jobs created and employ 77 per cent of the total number of employees in the country. The small and medium enterprises have potential to grow and transform the country into an industrialized nation as contained in Sessional Paper No.2 (1999) and the Development Plan (1997).

There is need to support the creation and growth of enterprises to assist in addressing both the unemployment and poverty problems. From the above data, it is evident that the higher the number of employees, the less the enterprises. This attests to the “missing middle” where there is a gap

between the small, medium and large enterprises which should be addressed.

4.1.11 Amount of capital

Respondents who invested the highest amount of capital in all the categories fell in the trade sector, followed by the services sector as indicated in Figure 4.7.

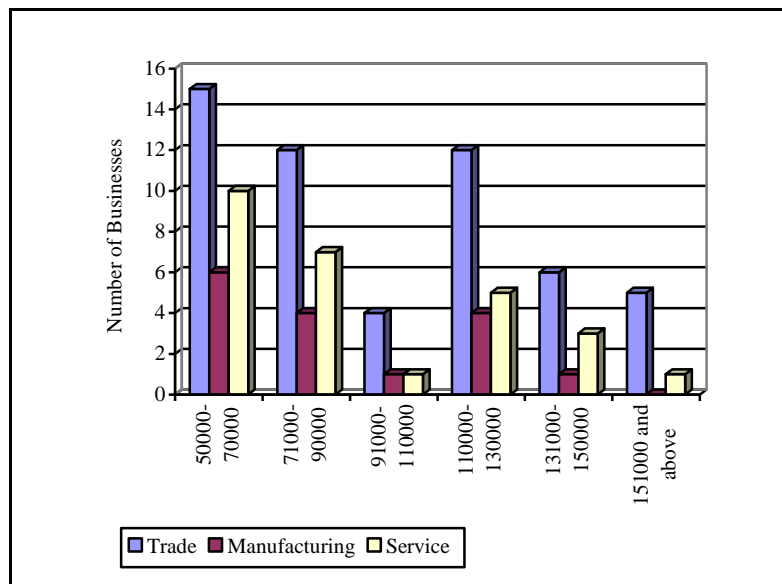


Figure 4.7: Amount of capital by sector

This can be interpreted that most businesses start with a modest amount of venture capital. The capital outlay for most businesses in the manufacturing sector is high and due to limited access of finance required for investment, the number of businesses in the manufacturing sector is therefore low. The research data shows that the larger amount of money in the investment, the fewer the number of businesses. Access to finance is a major barrier to start and grow a business in Kenya. The data can also

mean that the entrepreneurs choose to take a risk with a smaller amount of money to invest in their businesses, manage the reasonable risk and borrow a larger amount with the growth of the business.

4.1.12 Business ownership

The analysis showed that the majority (61.7 percent) of the respondents are sole proprietors, while 38.3 percent are in partnerships. There are various explanations that might have prompted the majority of respondents to start their businesses as sole proprietors and these include: it is easier to operate than partnerships or limited companies; likely to start with less capital as indicated in Figure 4.8 where the majority of businesses had lower investment figures. They also require less planning and require less legal processes and formalities than businesses having more complicated forms of ownership.

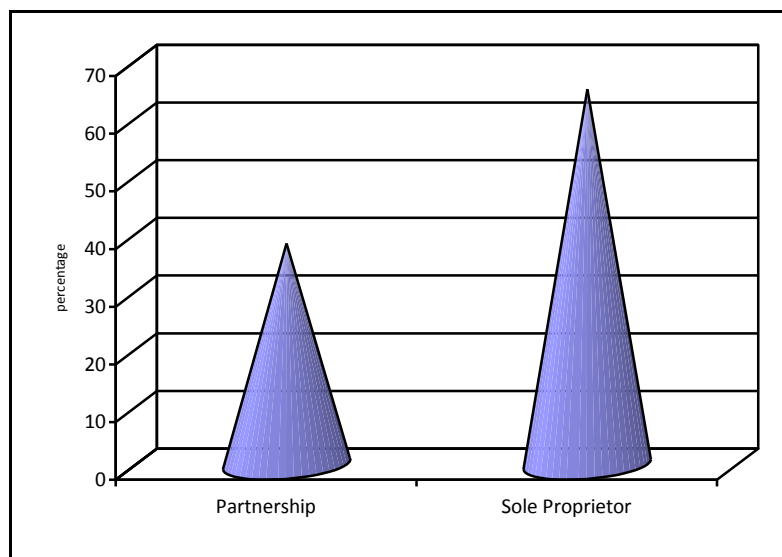


Figure 4.8: Business ownership

The advantage of most of the businesses which fall into this category is that the owners took a risk on their own while the owners of partnerships had at least one investor or partner to share the risks as revealed by the Baseline Survey (1999).

4.1.13 **Source of capital**

Respondents were asked to indicate where they sourced their seed or initial capital to start and grow their businesses. The findings in Figure 4.9 show that the highest number of respondents who sourced capital from bank loans (6.0 percent), personal savings (25 percent) and sold assets (14 percent) were in the trade sector while the highest number who sourced their capital from friends were in the services sector. Business in the trade sector had various sources of accessing initial capital, while the services sector relied on friends who in turn may benefit from the services offered by the owner-manager.

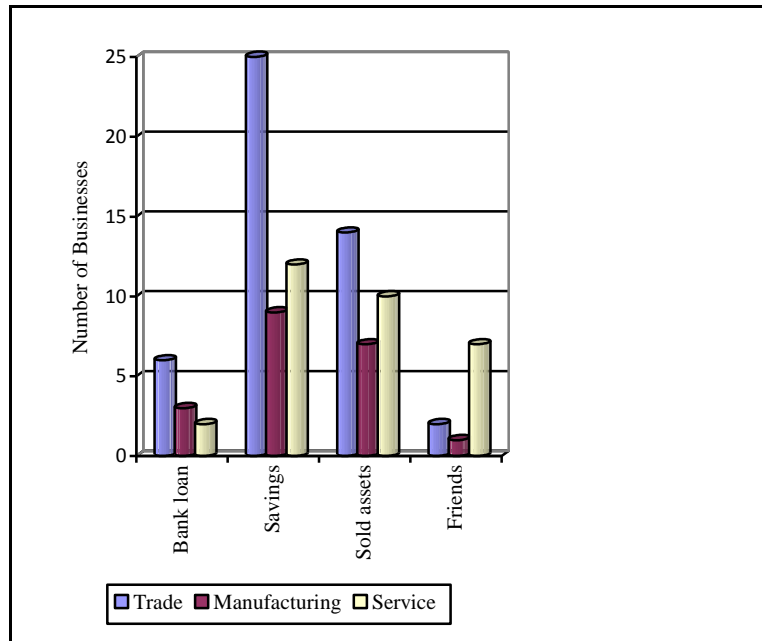


Figure 4.9: Source of capital

This research findings tallies with (Ondiege, 1996) who stipulated that a small number, 4 to 6 percent of entrepreneurs finance their businesses by borrowing from friends. The cost implication of the capital from the banks explains this trend. Savings have no adverse cost effects and that is why they are widely used by entrepreneurs as a source of capital for growth.

4.1.14 Record keeping

The entrepreneurs were asked whether they keep records, for example, the sales and profits the business has made over a period. The findings are shown in Table 4.3. Ninety five percent of the respondents keep business records while a small number, 5.0 percent, do not keep records. This is contrary to the Baseline Survey (1999) that indicate 64 per cent of entrepreneurs do not keep any business records.

Table 4.3: Record keeping

Record keeping	Frequency	Percent
Yes	71	95.0
No	4	5.0
Total	75	100.0

This is positive and can be interpreted to mean that the majority of the respondents understand the need for keeping records in business survival and growth. However, research data revealed that beyond keeping business records, there is not much that is done with such information. Keeping of proper business records can be used to assess finance for growth of the business, as well as provide information for strategic planning purposes where the business currently stands and the future projections.

4.1.15 Business Associations

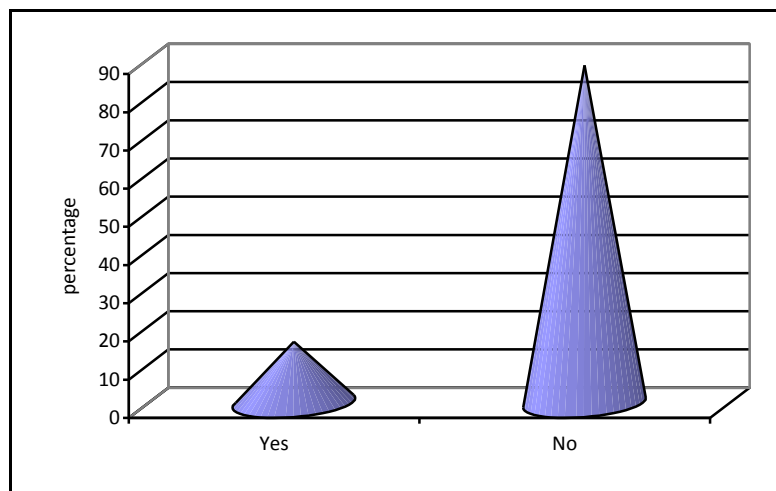


Figure 4.10: Business associations

Respondents were asked if they belonged to a business association. The majority (88.3 percent) of the respondents indicated that they did not belong to any business associations. This concurs with Ndambiri (2002) who state that most SMEs were not members of any business associations, while only 11.7 percent belonged to business associations. The results might suggest that the respondents see no benefits of belonging to a business association. This is contrary to other economies in the world where SMEs belong to business associations. Lack of associations and networks could also be affecting the growth of SMEs.

4.1.16 Name of business association

The respondents were asked to indicate the name of the business association they belong to. The findings are shown in Table 4.4.

Table 4.4: Name of business association

Name of Association	Frequency	Percent
N/A	66	88.3
Kenya National Chamber of Commerce	9	11.7
Total	75	100.0

The majority of the respondents (88.3 percent) indicated that they do not belong to any business association while a small percentage (11.7 percent)

indicated that they were members of the Kenya National Chamber of Commerce. The benefits that the majority of unregistered members could accrue by registering with the Kenya National Chamber of Commerce are information on where to market their products and networking. They could also benefit from various types of training offered by such organizations.

4.1.17 Existence of a Business Plan

There was need to find out if the respondent has a business plan, as it is important to have a laid out strategy for business growth. The findings are shown in Table 4.5.

Table 4.5: Existence of a business plan

Response	Frequency	Percent
Yes	10	13.3
No	65	86.7
Total	75	100.0

The results were disappointing as indicated in Table 4.6 above where the majority (86.7 percent) of the respondents do not have formal business plans, while only (13.3 percent) have formal business plan. This implies that the majority of the respondents do not have a strategy for their

businesses, making it difficult to plan for growth of their businesses. Important areas such as marketing, financial management, human resource development and operations are critical and need to be incorporated into a business plan as the firm expands.

Business plans are important tools which guide entrepreneurs and assist them to survey markets, access credit from financial institutions, monitor their performance and in turn adapt to new environments.

To operate a business without this important tool denied the entrepreneur the opportunities to expand. It was also difficult to monitor the performance of a business without a business plan and the entrepreneur was not able to take remedial action at the appropriate time. It was also important to note that the 13.3 percent of the respondents who had a business plan indicated that these were not formal bankable business plans. Training came in handy to ensure that entrepreneurs operated their businesses using a bankable and viable business plan.

4.1.18 **Market Research**

Respondents were asked to indicate whether they conducted market research. The majority (71.7 percent) of the respondents had conducted market research for demand for their services and products which was a positive sign. This was in agreement with Kinyanjui (1996) who stipulated that firm founders identified market opportunities prior to starting an

enterprise. However, research data showed that the market research was conducted informally with the entrepreneur offering a product or service because an existing business was providing the same and was successful. The 'copy cat' business might not survive with time as the results of the formal research on what the market demands were not known.

4.1.19 **Management of Competition**

The study sought to find out from the respondents how they manage competition. The results show that 20.0 percent of the respondents, who are the majority, manage competition by offering quality products and services. 18.3 percent of the respondents indicated that they use advertising/marketing and specialization; 16.7 percent use price reduction/promotions as a competition technique, 10.0 use better product display, 6.7 percent use strategic business location, 5.0 percent have employed competent staff, 3.3 percent use good customer care while the least, 1.7 percent offer after sales delivery of services as a means to manage competition. Quality control is key to retaining market shares both locally and for export market. This is one of the commonly used strategies applied by businesses to attract customers.

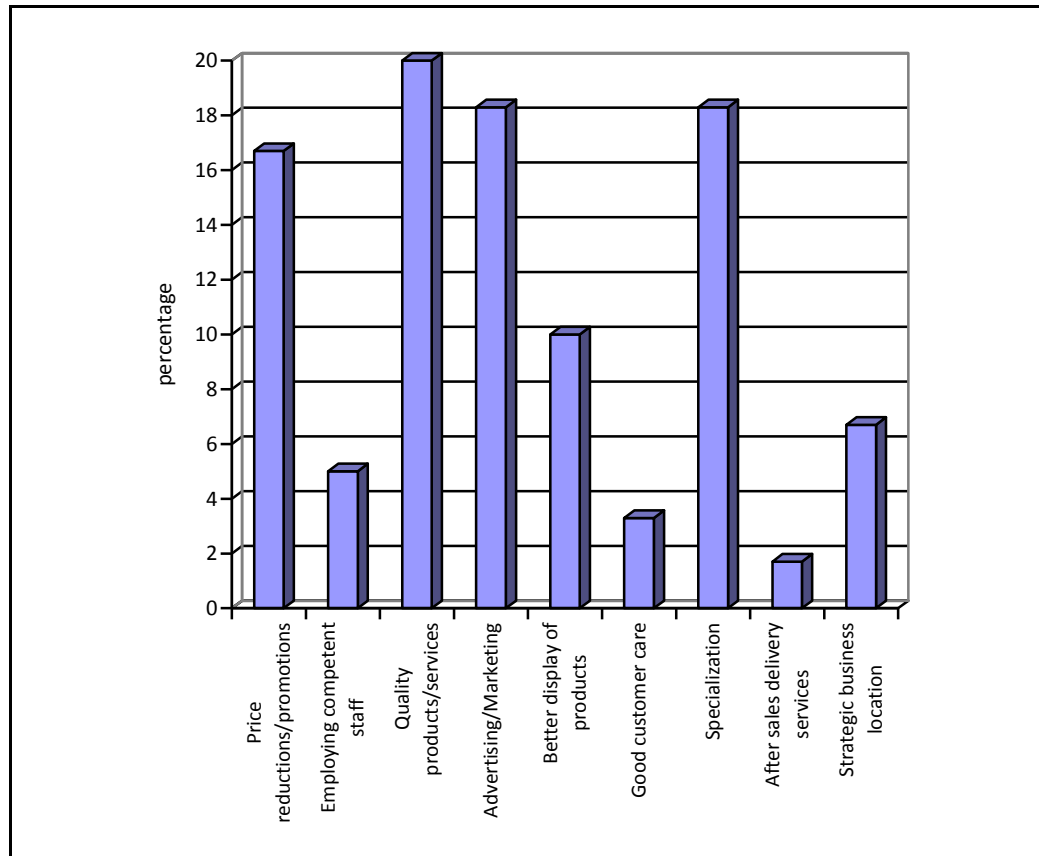


Figure 4.11: Management of competition

The research data also showed that entrepreneurs used advertising and specialization of the products/services offered to keep off competitors. The former is, however, an expensive way of keeping off competitors and more cost-effective ways can be adopted by the entrepreneurs through training.

This could imply that most small and medium sized enterprises have good competition management techniques. Although the majority of the respondents are aware of the importance of quality products and services to manage competition, this figure is still low.

4.1.20 Promotion of Business

A majority (40.0 percent) use promotions and competitive pricing to promote their businesses while 21.7 percent use strategic business location, 20.0 percent use quality products and services, 15.0 percent use advertising and 3.3 percent use after sales services as a promotion tool.

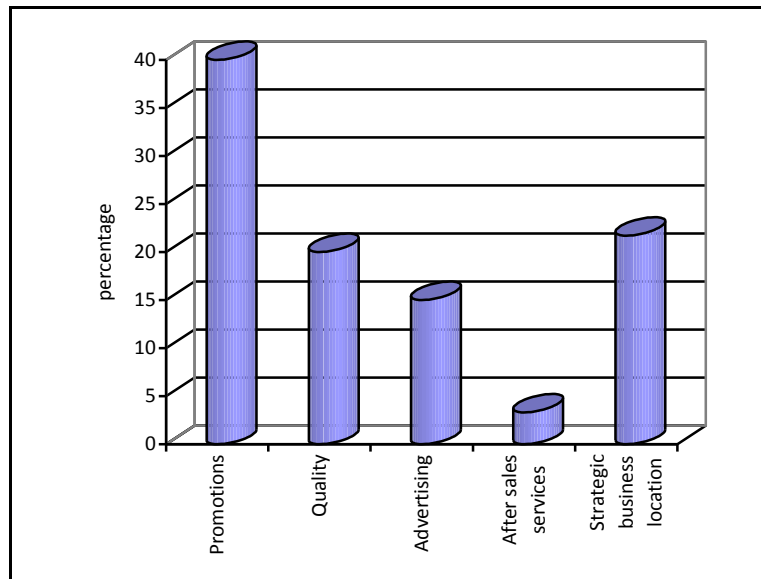


Figure 4.12: Promotion of business

This implied that the respondents had the knowledge of various promotional strategies as shown in Figure 4.12. The most common strategies used were promotion/competitive pricing. It is essential for business owners to promote their business through a variety of strategies. Lack of appropriate promotional strategies place the business at a disadvantaged position. Entrepreneurs need training on the importance of promoting their businesses if they were to expand and grow.

4.1.21 Profits Re-invested in Business

The analysis showed the majority (28.3 percent) of the respondents ploughed back only 30 percent of their business profit while the minority (1.7 percent) re-invested up to 75 percent of their profits back in the business as indicated in Figure 4.13.

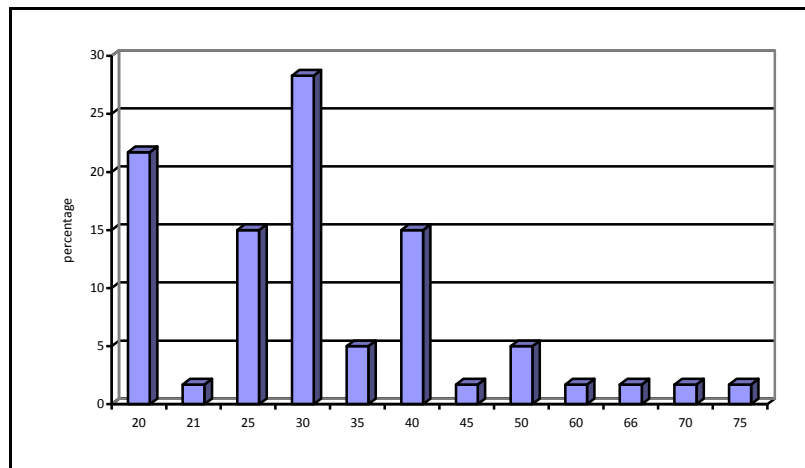


Figure 4.13: Profits re-invested in business

This could be interpreted that the profit realized in the business had other uses to the owners and thus none of the entrepreneurs managed to re-invest all or a high percentage of their profits in the business. Lack of re-investing profits back into the business was evident in this study impact negatively on business growth.

4.1.22 Training Policy

The researcher sought to find out if the respondents have a training policy in their business. The findings indicated that most (83.3 percent) of the respondents do not have a training policy in place, while 16.7 percent have

training polices. A business without a training policy will find it difficult to identify training needs, match the needs to the suitable training and finally implement the training requirements. At the national level according to GOK (2005), the sector still faces challenges and constraints of inappropriate policy design, weak implementation and failure to monitor its implementation.

4.1.23 Training Budget to Support the training Policy

A majority (96.7 percent) indicated that they do not have a training budget to support the training policy while 3 percent confirmed that the budget existed. Training is important in a business as it provides new skills and knowledge to assist the business develop and grow.

4.2 Nature and Types of Business Training Offered to Enhance SME Growth

4.2.1 Importance of Training

Respondents were asked if they placed importance on training and the majority (83.3 percent) were positive. A small percent (16.7 percent) do not place importance on training as shown in Figure 4.14.

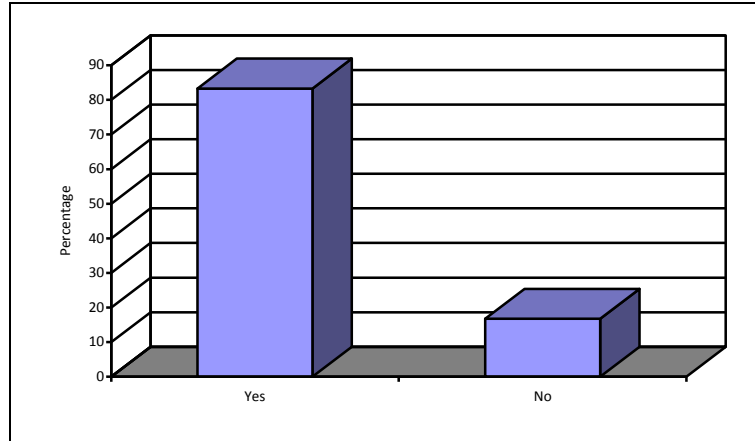


Figure 4.14: Importance of training

Training is important as stipulated by Patel (1985), as it enables the entrepreneur to explore the environment and identify opportunities for improvement, mobilize resources and implement actions to maximize those opportunities. Mochache (2005) also emphasizes the importance of training and states that skills are necessary for initiation and growth of an enterprise. Skills are acquired through enterprise development programmes and technical assistance. Lack of relevant skills to start and manage a business, according to the Ministry of Youth Affairs (2006), contributes to high levels of unemployment in the country, especially amongst the youth.

The performance of the sector is hindered by difficulties in technical and management skills. Relevant skills should be developed to match the labour market.

4.2.2 Initiation of Training under Mwezi Kali

When asked how the training is initiated under the Mwezi Kali Programme, the highest number of the respondents (49.3 percent) indicated that course information was sought and application made, followed by the training needs identified and matched with the course required (38.6 percent). Small percentages (12.1 percent) take up training as a standard practice in the business. Formal systems should be put in place to cater for training needs and skills development in SMEs.

Table 4.6: Initiation of training under Mwezi Kali

Response	Frequency	Percent
Training offered as a standard	9	12.1
Course information sought and application made	37	49.3
Training needs identified and matched with course	29	38.6
Total	75	100.0

4.2.3 Formal or Structured Training Received Since Starting Business

There was need to find out what formal business training the respondents have received since starting their businesses prior to Mwezi Kali. Figure 4.15 show that the highest number of the respondents (34.0 percent) had received human resources training as a module under the broad business

management programme, while the minority (19 percent) had received quality management training.

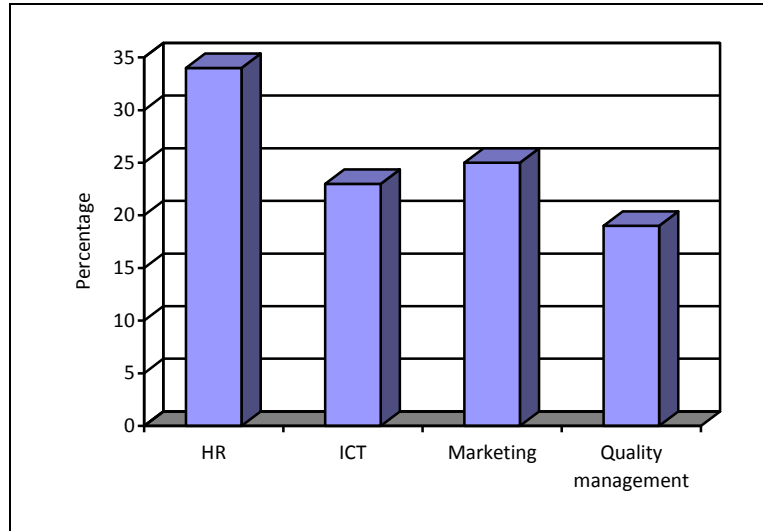


Figure 4.15: Formal or structured training received since starting the business

The rest of the respondents indicated that they underwent ICT and marketing training. More business owners should source some form of training, especially the business management programme, which covers a lot of the areas affecting the day to day running of the business and strategies for growth.

4.2.4 Type of Training Received

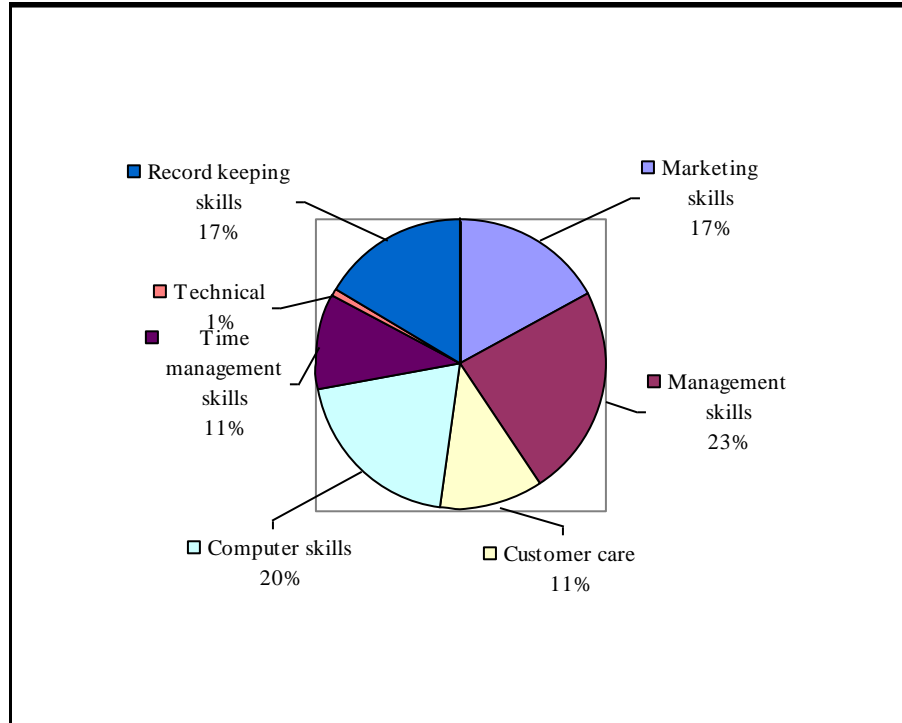


Figure 4.16: Formal or structured training received since starting the business

This research data shows that the management module is the most popular type of training, followed by marketing skills. Marketing might be popular as they enhance sales and so long as the entrepreneurs market and sell the product or services, this sustains the business in the short term.

Enterprises in the country, especially in the manufacturing sector, should be supported to transform the country into an industrialized nation by the year 2030. This is consistent with the Industrialisation Strategy Paper GoK (2008), in which it is emphasized that human resources required for industrial development comprises various kinds of job groups. Various activities should be carried out by workers with the necessary skills. In the current

industrial setting however, the majority of workers in the informal sector have limited skills in terms of level and variety.

4.2.5 Nature of Training Attended

The majority of the respondents (97.2 percent) indicated that the training attended was provided through training institutions. The least number of respondents (1.3 percent) indicated that their mode of training was on the job training.

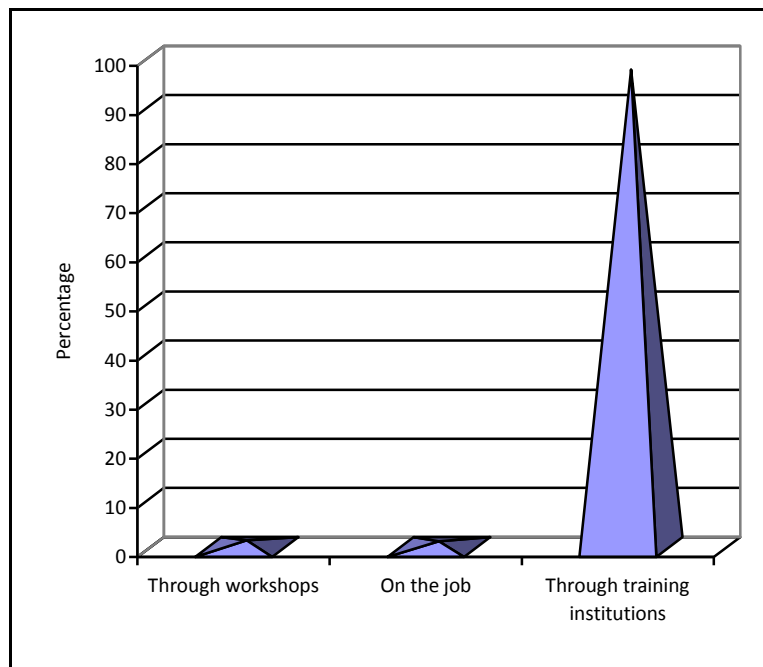


Figure 4.17: Nature of training attended

The workshops provide the participants with opportunities to network and share their ideas and knowledge with their counterparts from various small business organizations.

4.2.6 Frequency of Training Uptake

The respondents were asked to indicate the number of training sessions they attended per year. The majority of the respondents (79.2 percent) took up training once a year through the Mwezi Kali programme as represented in Figure 4.18. This may be due to the cost of training and hence the low uptake of the training which concurs with Kinini (1994) and also confirmed by Richardson et al (1998) who found that small business managers were involved in carrying out a complex cost-benefit analysis and before undertaking any form of training. They justify training only on the basis of an immediate improvement in the bottom line.

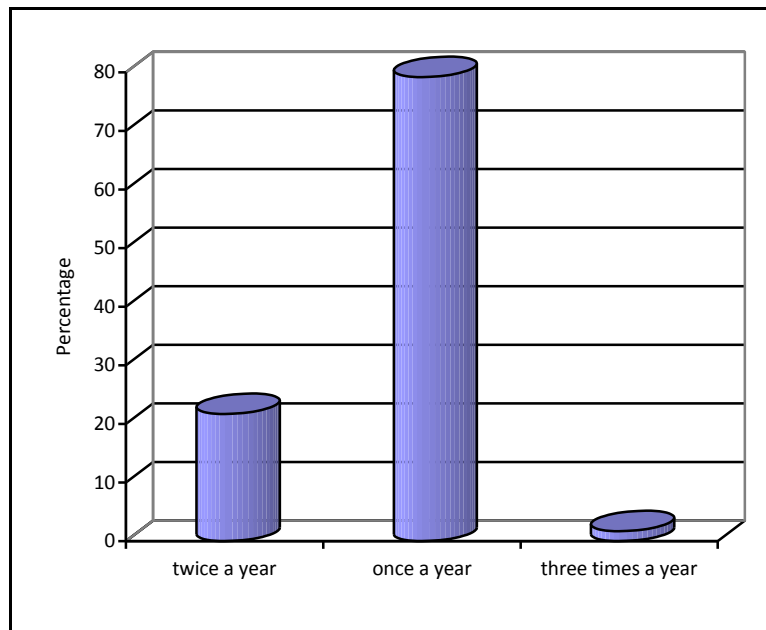


Figure 4.18: Frequency of training uptake

4.3 The Relationship between Factors that Influence the Transfer of Learning And Small and Medium Enterprises Growth

This section investigated the second objective of the study. It looked at the factors that influence the transfer of learning amongst small and medium enterprises growth. The factors are: trainee characteristics, training design and work environment. The trainee characteristics were used in the research as these will make the trainee apply what was learnt in the classroom back to the workplace.

4.3.1 Trainee Characteristics

Table 4.7 Trainee Characteristics

Trainee Characteristics	Strongly Disagree	Disagree	Note sure	Agree	Strongly Agree	Total %
I like doing challenging work	0	0	0	41.3	58.7	100
The opportunity to learn new things is important to me	0	0	12.0	45.3	42.7	100
I have set high achievement goals for myself to obtain most out of the programme	0	0	0	60.0	40.0	100
I am exerting considerable effort to obtain the most of the programme	0	0	0	76.0	24.0	100
I believe I am capable of absorbing the material taught in the programme	0	0	0	84.0	16.0	100
I spend time on my assignments	0	2.0	11.0	67.0	20.0	100
I am capable of performing training assignments	0	0	0	13.0	87.0	100
I feel confident I can succeed in this programme	0	0	7.0	66.0	27.0	100
I believe the training will help do my job better	0	0	7.0	30.7	69.3	100
It is important to make the most of my skills	0	0	0	40.0	60.0	100
I plan to use what I learnt on the job	0	0	20.0	52.0	28.0	100

From the data analysis the majority of the respondents (58.7 percent) confirmed that they liked doing challenging work while none indicated otherwise. This is in agreement with Seijts, Latham, Tasa, and Latham (2004) and Seijts and Latham (2005), who state that people driven by a learning goal orientation, seek challenging tasks that provide them with the opportunity to acquire and master new skills through training and in turn expand their competencies.

Most of the respondents (45.3 percent) agreed that the opportunity to learn new things was important to them. Entrepreneurs are innovative, open-minded and resourceful people according to Bhatnagar and Budhiraga (2009) and given an opportunity, they would take the initiative to transform an idea into a business and thus add value to the society. On performance the respondents agreed, that they set high achievement goals for themselves while attending training. People scoring high on performance goal orientation are rewarded by external recognition for the attainment of goals. According to VandeWalle, Cron and Slocum (2001), learning goal orientation is associated with higher training scores.

The majority of the respondents agreed that they were exerting considerable effort to maximise on the training. Participants who pay attention to the programme are likely to benefit more from it. This concurs with Jayawarna, Macpherson and Wilson (2007) who point out that businesses that pay attention to training will be more successful in the long run. Owner-managers need training most (Goodale, 1989) but have least

time to attend. Once enrolled on the training, however, they make the most of it as indicated in these research findings.

The majority of the respondents (84 percent) agreed that they were capable of absorbing the course materials. This can be positively linked to training performance as pointed out by Mathieu and Martineau (1997). In most African countries entrepreneurs are not educated as evidenced by past studies (Rogerson, 1998, Martins and Tuslin 1999, and Rwigena and Kanungu 1998) and learning materials that are easy to absorb is motivational to the trainees. Past studies suggest that acquisition of skills is influenced by the motivation to learn (Mathieu and Martineau, 1997) as the indicated in the study where the majority of the respondents (87 percent) agreed that they were investing considerable amounts of time in their assignments.

The majority of the trainees agreed that they are capable of performing their assignments. Past studies (Barrick and Mount, 1991; Salgado, Viswesvaran, and Ones, 2001; Zhas and Seibert, 2006) show individuals high on conscientiousness are more dependable, well-organized, persevering, and motivated to excel in training or on the job. Such individuals tend to set themselves higher standards of performance and to be more committed to them. They are also confident to succeed in the training programme as Vroom (1964) stipulated that individuals will be more motivated if they believe that their efforts will lead to enhanced performance.

Table 4.8: Data on Trainee Characteristics rated

Trainee characteristics	N		Mean-Score	Interpretation
	Valid	Missing		
I do like doing challenging work	75	0	5	Strongly Agree
The opportunity to learn new things is important to me	75	0	5	Strongly Agree
I have set high achievement goals for myself in this programme	75	0	4	Agree
I am exerting considerable effort to obtain the most out of the programme	75	0	4	Agree
I believe I am capable of absorbing the material taught in the programme	75	0	4	Agree
I am devoting a considerable amount of time to my training assignments	75	0	4	Agree
I am capable of performing the training assignments	75	0	4	Agree
I feel confident I can succeed in this programme	75	0	4	Agree
I believe the training will help me do my job better	75	0	5	Strongly Agree
It is important to me to make the most of my skills	75	0	4	Agree
I plan to use what I learned on the job	75	0	5	Strongly Agree

From the data analysis the respondents strongly agreed that they liked doing challenging work.

4.3.2 Regression Analysis

The Regression Analysis was carried out to calculate the regression coefficient and regression equation using the independent variable which is business management training in this study and the dependent variable which is business growth.

The results of the regression analysis are show in the following table:

Table 4.9 Business training vs business growth

Independent Variable	Standardized Coefficients		Sig.	Collinearity Statistics	
	Beta	t		Tolerance	VIF
	(Constant)			1.279	.000
Marketing	0.119	3.169	.002	.448	2.232
Cash flow management	0.156	2.810	.007	.204	4.901
Debt collection	0.217	4.935	.000	.326	3.066
Human resource mangt	0.310	5.395	.000	.190	5.267
Managing competition	0.461	10.402	.000	.320	3.128
Customer care	0.294	6.551	.000	.312	3.204
Display of products	0.152	2.951	.004	.236	4.235
Employee training	0.170	4.117	.000	.369	2.709
Record keeping	0.058	1.097	.277	.224	4.455
Quality control	0.224	3.622	.001	.164	6.094
Time management	0.107	2.342	.022	.304	3.295

- a. Dependent Variable: Business growth in number of employees, sales, profits and turnover, new products and services.
- b. Adjusted R-squared = 0.954
- c. F-statistic =139.001
- d. P value for F statistic =0.001

Adjusted R-squared of 0.954 implies that the business management training, marketing, human resource management, financial management, customer care, record keeping, quality control and time management explain about 95.4 percent of the variables in business growth training towards growth of SMEs. The F value of 139.001 is significant to the 0.001 level at five degrees of freedom hence all the variables as a group in regression model significantly explain the role of business training management in growth of SMEs.

Table 4.10 Regression: Increase in Monthly Sales versus Business Management training

Model Summary^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.697 ^a	0.486	0.449	0.98960

a. Predictors: (Constant), Time Management, Human Resource Management, Debt Collection, Managing Competition, Quality control, Customer Care, Marketing, Employee training, Display of products, Cash flow Management, Record Keeping

b. Dependent Variable: increase in Monthly sales figure after Business growth training

The model summary indicates R value of 0.697, thus a fairly strong relationship between the predicted model and the independent variables. The R square of 0.486 indicates that nearly half of variation in increase in monthly sales is explained by the model. Thus various forms of Business

management training have significance towards increase in monthly sales of SMEs. The table below reports a significant F- Statistic = 13.001, indicating that using the model is better than guessing the mean.

Model	Sum of Squares	df	F	Sig.
Regression	17.313	11	13.001	0.000^a
Residual	23.674	63		
Total	40.987	74		

Table 4.11 Business skills management skills acquired in training
coefficients^a

Independent Variables	Unstandardized Coefficients		Standardized	t	Sig.	
	B	Std. Error	Coefficients			
	B	Std. Error	Beta			
1 (Constant)		2.236	0.578		3.870	0.000
Marketing		0.488	0.498	0.119	3.169	0.003
Cash flow Management		0.144	0.314	0.296	2.810	0.004
Debt Collection		0.072	0.196	0.216	4.934	0.000
Human Resource Management		0.267	0.235	0.295	5.395	0.000
Managing Competition		0.321	0.234	0.294	1.375	0.001
Customer Care		0.347	0.264	0.152	1.314	0.000
Display of products		0.044	0.232	0.170	4.117	0.004
Employee training		0.093	0.215	0.258	1.097	0.000
Record Keeping		0.071	0.288	0.224	3.622	0.001
Quality control		0.196	0.237	0.211	1.829	0.000
Time Management		0.073	0.249	0.243	1.291	0.022

a. Dependent Variable: increase in Monthly sales figure after Business growth training.

The table above helps in determining the relative importance of significant predictors. Among the business management skills acquired after the business growth training programme, Cash flow and Human resource management contributes more to the model since they have the highest absolute Standardized coefficient of **0.296** and **0.295** respectively. Overall Business management skills acquired after business growth training programme have significant contribution to increased sales of SMEs.

Table Increase in Monthly profit vs business management Training

Model Summary^b

<i>Model</i>	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.7 ^a	0.49	0.48	1.11

a. Predictors: (Constant), Time Management, Human Resource Management, Debt Collection, Managing Competition, Quality control, Customer Care, Marketing, Employee training, Display of products, Cash flow Management, Record Keeping

b. Dependent Variable: Increase in Monthly gross profit

The model summary indicates R value of 0.7, thus a strong relationship between the predicted model and the independent variables. The R square of 0.49 indicates that nearly half of variation in increase in monthly profit is explained by the model. Thus various forms of Business management training have significance towards Increase in monthly profit for SMEs. The table below reports a significant F- Statistic = 13.305, indicating that using the model is better than guessing the mean.

	Model	Sum of Squares	df	F	Sig.
1	Regression	17.313	11	13.305	0.000 ^a
	Residual	23.674	63		
	Total	40.987	74		

Table 4.12 Business management training vs gross profits

Coefficients ^a						
Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	
	B	Std. Error	Beta			
1 (Constant)		2.021	0.545		3.711	0.000
Marketing		0.579	0.470	0.289	1.232	0.002
Cash flow Management		0.268	0.296	0.294	2.907	0.003
Debt Collection		0.043	0.185	0.216	3.234	0.000
Human Resource Management		0.121	0.221	0.285	2.546	0.000
Managing Competition		0.356	0.220	0.284	1.618	0.001
Customer Care		0.223	0.249	0.182	2.895	0.000
Display of products		0.023	0.219	0.210	3.107	0.002
Employee training		0.018	0.203	0.258	1.090	0.000
Record Keeping		0.102	0.272	0.224	1.377	0.001
Quality control		0.207	0.223	0.211	2.929	0.000
Time Management		0.135	0.235	0.243	1.575	0.022

a. Dependent Variable: Increase in Monthly gross profit

Table 4.12 above helps in determining the relative importance of significant predictors. Among the business management skills acquired after the business growth training programme, Cash flow and marketing contributes more to the model since they have the highest absolute Standardized coefficient of **0.294** and **0.289** respectively. Overall, business management skills acquired after business growth training programme have significant contribution to increased profits of SMEs.

Growth in number of employees vs Business Management Training

Model Summary^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.348 ^a	0.121	0.033	1.465

a. Predictors: (Constant), Time Management, Human Resource Management, Debt Collection, Managing Competition, Quality control, Customer Care, Marketing, Employee training, Display of products, Cash flow Management, Record Keeping.

b. Dependent Variable: Increase in number of employees.

The model summary indicates R value of 0.348, between the predicted model and the independent variables. The R square of 0.121 indicates that nearly 10% of variation in increase in monthly profit is explained by the model. Thus various forms of Business management training have less significance towards increase in number of employees in SMEs.

NOTE:

Overall, business management skills acquired after business growth training programme have a significant contribution to the growth of SMEs.

4.3.3 Training Design

4.3.3.1 Factors Considered When Choosing Training

A majority (66.7 percent) of the respondents as shown in Table 4.19 indicated the cost of the training as a major factor they would consider when choosing training. This concurs with Stevenson and St-Onge (2005) who state that entrepreneurs do not take up business development services, which include training, due to the cost and accessibility. Other key factors indicated by the entrepreneurs that are taken into consideration when nominating the employee for training included the length of programme, represented by 8.3 percent, and the timing represented also represented by 8.3 percent.

Table 4.19: Factors considered when choosing training

Factors considered when choosing training	Frequency	Percent
Service providers reputation	3	3.3
Curriculum	1	1.7
Length of programme	6	8.3
Cost	50	66.7
Location of training	4	5.0
Attendance mode	3	3.3
Timing	5	8.3
Literacy level	3	3.3
Total	75	100.0

Timing is critical in training as the service providers should launch their programmes at a convenient time to the businesses. The length or duration of the programme too is critical as most SMEs prefer short courses that are

flexible and convenient for them. This is congruent with Gichira and Nelson (1997) who postulate that for training to be effective it should evolve from practical needs assessment of the individual's institutions and the sector.

Ngure, Singh, Donaldson and Scanned (1978) stress that for any training to be effective, emphasis should be placed on the appropriate training methods suitable to the level of the trainees, which is key in motivating the trainees. The training should also suit the needs of the participants and that of the organizations.

4.3.3.2 Programme content met trainees' needs

When asked whether the training content met their needs, over 80 percent of the respondents indicated that the content catered for their need, which in this research are the business management skills. Failure to design appropriate training content rarely provides for transfer of learning as pointed out by Holton (1996). The more the training content and program reflect the workplace, the more successful the transfer of the skills acquired through training (Baldwin and Ford, 1988).

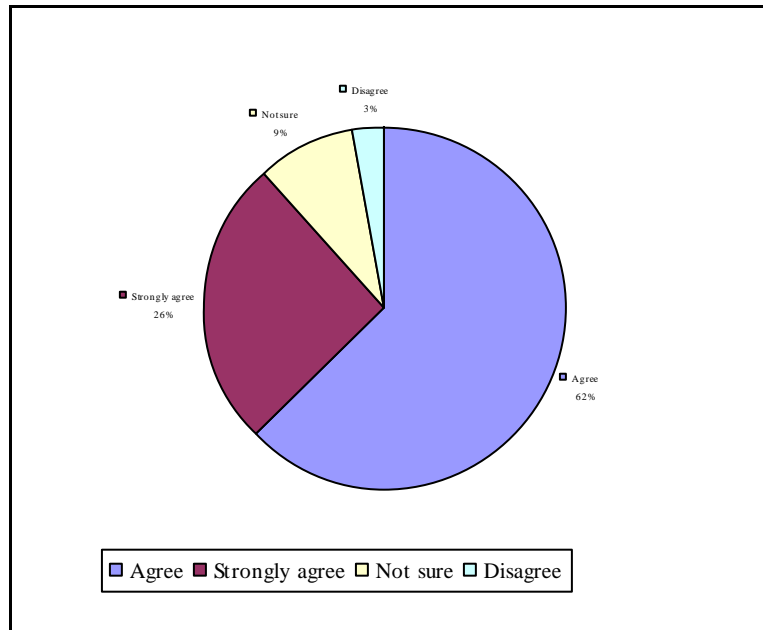


Figure 4.20: Programme content met trainees' needs

4.3.3.3 Training relevant to requirements

The majority of the respondents (90 percent) either agreed or strongly agreed that the skills taught in the training matched their requirements while a minority (10 percent) was not sure. This could imply that the training providers took into consideration the training objectives and planned the training to meet the specific needs of the trainees' skills and behavior. If the trainees understand the principles and concepts of the training programme, it is easier to apply the newly acquired skills when faced with new challenges in their businesses.

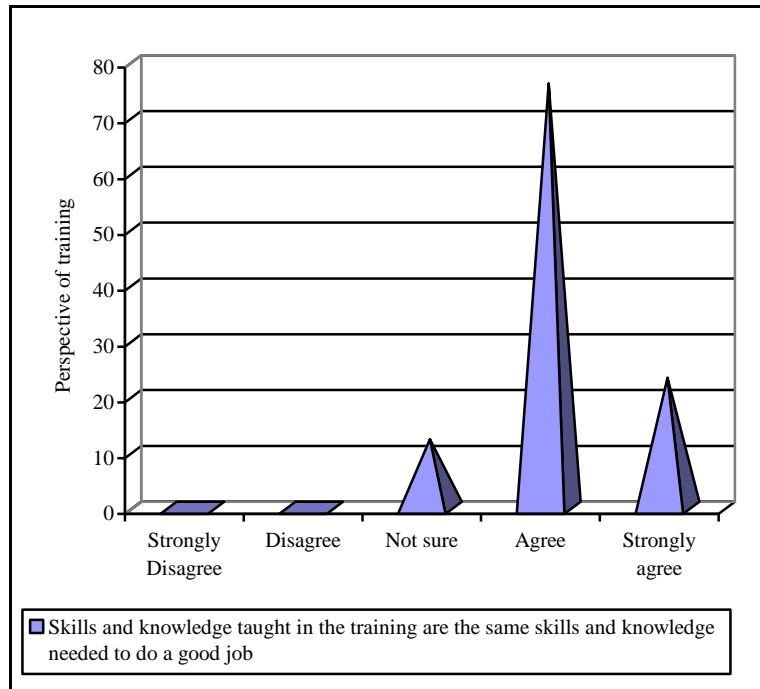


Figure 4.21: Training relevant to requirements

4.3.3.4 Procedures taught are correct

Professional trainers have the knowledge and skills to identify the specific problems, then design appropriate training to meet the objectives. In this study, the respondents identified with what was taught and over 80 percent stated that the procedures used were correct as indicated in Figure 4.22.

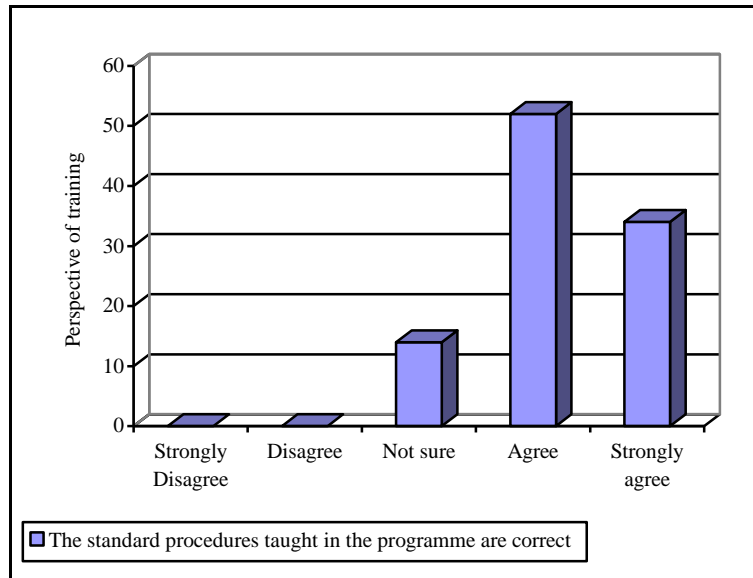


Figure 4.22: Procedures taught are correct

4.4 The extent to which business management training leads to SME growth

This section investigated the third objective of the study. This was the last section of the questionnaire and data was analyzed based on this objective of the study. It looked at the value placed on training, skills acquired from the training, new products/services introduced after training, towns outside Nairobi where products/services are sold, constraints faced by the respondents, and recommendations on future training programmes.

4.4.1 Perception on Mwezi Kali training

The researcher sought to find out what the respondents' perceptions of training were. Eighty percent of the respondents strongly agreed that business management training programmes should be tailor-made to suit

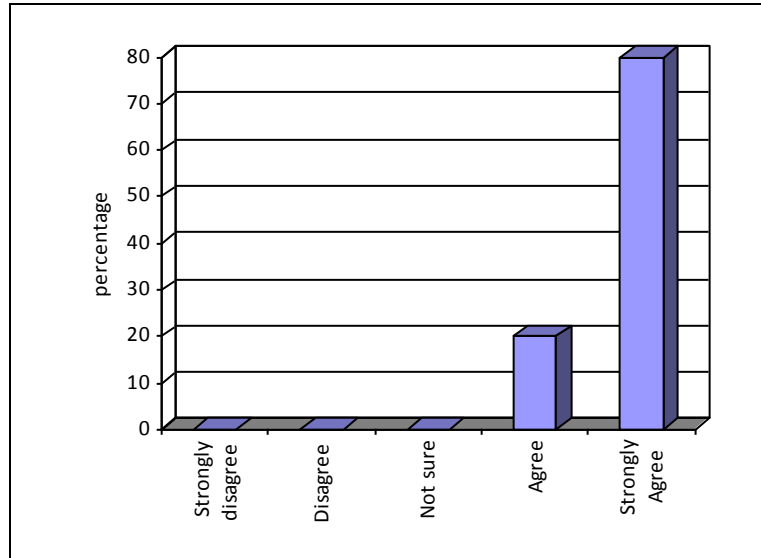


Figure 4.23: Perceptions on training

their needs, while 20 percent agreed to the same. This could mean that the training providers undertook training needs assessment to establish the needs of the entrepreneur in order to come up with a programme that addresses their needs.

4.4.2 Training will enhance growth

Research results in Figure 4.24 show that the respondents are optimistic that if they succeed in the training programme, they will in turn succeed in their business.

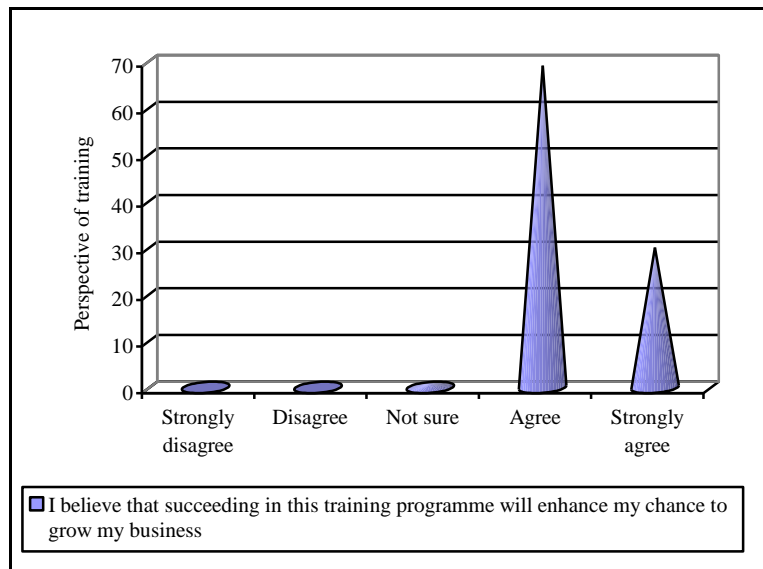


Figure 4.24: Training will enhance growth

4.4.3 Work Environment

The trainees' work environment was analysed to find out whether the knowledge and skills learned during the training were applied at the workplace. The research results are presented in Table 4.14.

Table 4.14 Work Environment

Work Environment	Strongly Disagree	Disagree	Note sure	Agree	Strongly Agree	Total %
I anticipate to undertake tasks which require I apply knowledge acquired	0	0	5.0	83.0	12.0	100
Skills transferred supported by employees	0	57.3	32.1	18.3	3.6	100
Equipment is available that allows skills transfer	14.0	19.0	3.0	42.0	22.0	100
Training skills do not match my organization image	14.0	80.0	6.0	0	0	100
Utilization of skills is highly valued	0	0	0	23.0	77.0	100
My employees think I am ineffective when I use techniques learned	12.0	78.0	10.0	0	0	100
My employees and I discuss how to apply the training on the job	0	0	10.0	66.0	24.0	100
I have had an opportunity to utilize my knowledge and skill from the training	0	0	0	83.0	17.0	100

The majority of the trainees (over 90 percent) in this study indicated that they planned to apply the relevant knowledge and skills acquired in the training back in their businesses. Past studies indicated that a favourable transfer climate enhances training attainment and subsequent performance (Tracey, Tannenbaum and Kavangh, 1995). There is also general consensus from the trainees that what they learnt from the training is being implemented and supported by their employees. This tallies with past research which states that the primary environmental factor in the

transfer of skills after training is the trainee's perception of the degree to which there will be support for using the acquired skills (Tracey, Tannenbaum, and Kavangh,1995).

A small number (21 percent) of the respondents indicated that equipment is not available in their businesses for use to transfer the skills acquired from the training, while most of them indicated otherwise. This implies that equipment is expensive to acquire and hence only a small number of entrepreneurs can afford to equip their businesses.

All the respondents either strongly agreed or agreed that in their businesses they value the utilization of their newly acquired skills. These owner-mangers may logically be expected to bring their improved work competencies back to their businesses, allowing them to perform better and thereby are more successful than those who have not acquired these skills. The respondents affirmed that they also discussed how to apply the training acquired on the job with their employees in order to succeed in the business.

All the trainees agreed that they were able to utilize a significant amount of the knowledge and skills from the training in their businesses. This means that the course was relevant and met the needs of the trainee and hence their ability to transfer the skills and knowledge acquired.

4.4.4 Training priority

Regarding the priority placed on training, the majority of the respondents strongly disagreed that training is a low priority area for their business, while 17 percent were not sure.

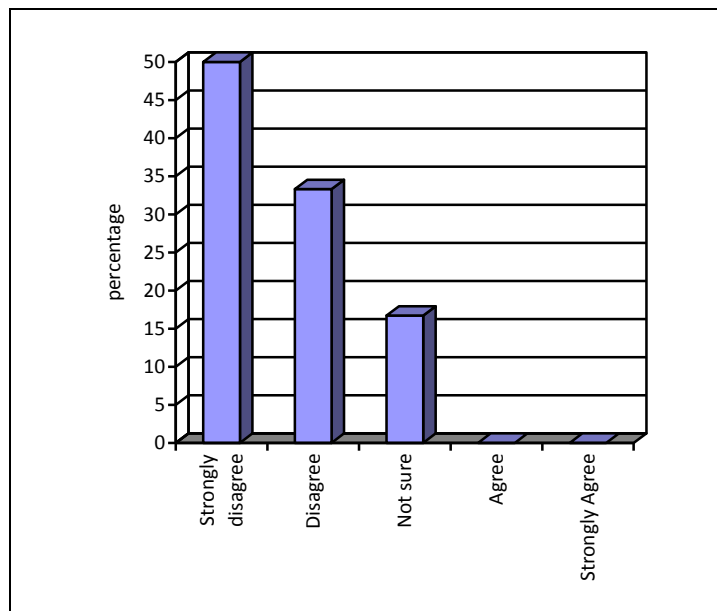


Figure 4.25: Training is low priority

This response is positive as most of the respondents value training. However, the implementation of the training remains questionable. Training is crucial for entrepreneurs to enhance their skills and expand their businesses as was explained by Ndavi (1999) and the World Bank (2000).

4.4.5 Worth of training

This involved assessing what value the entrepreneurs placed on training. From Figure 4.26, the majority (75.0 percent) agreed that training is worthwhile while 25.0 percent disagreed.

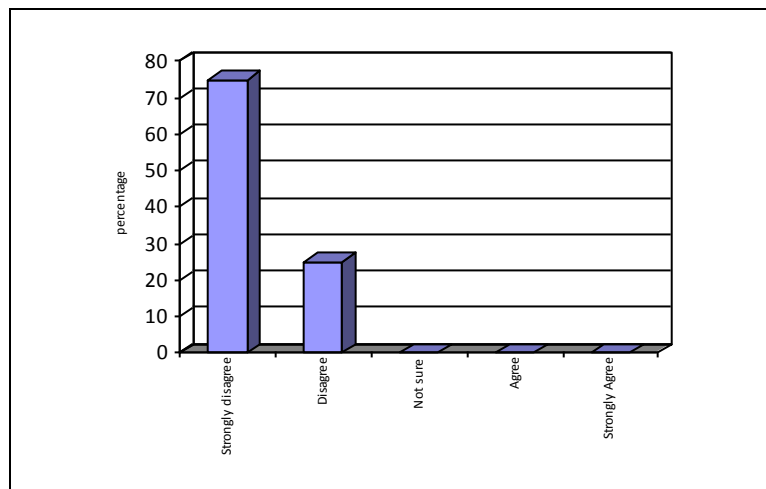


Figure 4.26: Worth of Training

The country has to invest in training for it to accumulate the human capital necessary for economic development. The SME sector finds training worthwhile as it provides skills to their employees in order to perform better in their respective jobs. Education and training increase efficiency and productivity of individuals entering the labour market. Human capital, as Duetsche Bank Research, (2005), confirms, is a measure of the quality of labour supply and can be accumulated through education, further

education and experience. People cannot be separated from their knowledge, skills, health or values. Industrialized economies have high levels of industrial and technical training, unlike the developing countries which include Kenya. In 2003, the proportion of technologists to technicians in Kenya was 1:3:12 compared to an optimal ratio of 1:5:30 (GOK, 2003). Kenya still lacks advanced human resources to transform into a middle-income economy as envisaged in Vision 2030.

4.4.6 Skills acquired from training and its effect on business

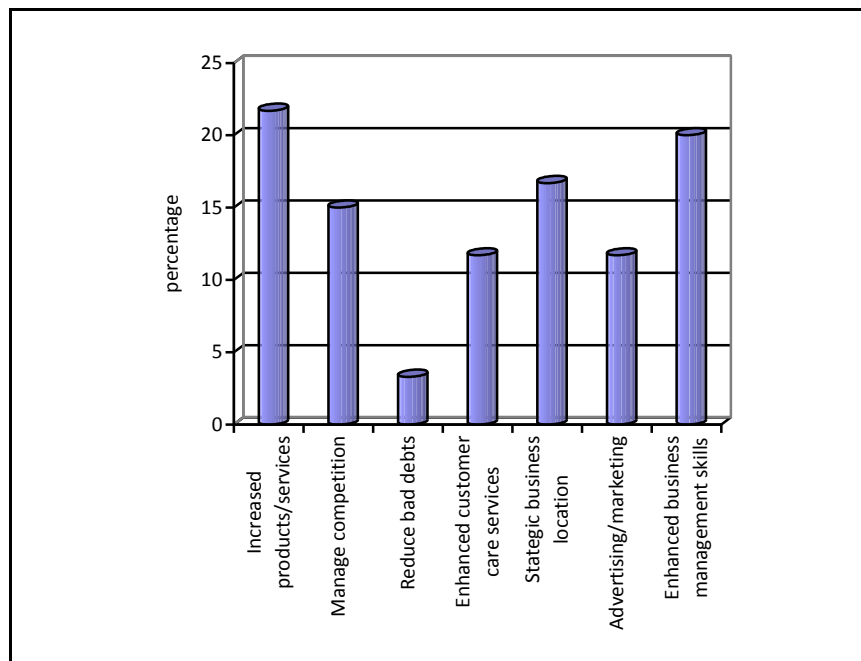


Figure 4.27: Skills acquired from training and its effect on business

All the respondents agreed that the skills acquired from training contributed to the growth of the businesses. The particular areas that the respondents felt the skills were beneficial to them are indicated in Figure

4.49. The highest number of respondents (21.7 percent) indicated that the skills they gained from training increased the number of products/services they handle, 20.0 percent say that they have acquired enhanced business management skills, 16.7 percent indicated that they acquired strategic business location, 15.0 percent acquired skills on how to manage competition, 11.7 percent acquired advertising/marketing skills, 11.7 percent enhanced customer care services and 3.3 percent learned how to reduce bad debts. This could imply that training is very vital in small and medium sized enterprises for their growth and expansion. The Economic Recovery Strategy (ERS) 2003-2007 envisaged that the majority of jobs created in Kenya will come from the informal sector, which includes the SMEs. This research findings concurred with the Kenya National Bureau of Statistics and ILO (2007) that the sector remained the major employer accounting for over 75 percent of employment and that in 2006, some 410,000 new jobs were created in the sector as compared to the formal sector.

4.4.7 Number of employees before and after business growth training

There were major change in the number of employees before and after training as indicated in Figure 4.28. The majority of the respondents (65.0 percent) had 11 employees before the training. After the training, the minimum number of employees in the business was 21 as compared to 11 before the training. This is in agreement with Gichira (1988) who state

that growth of SMEs contributes positively to the goals of increasing employment and a more equitable distribution of the benefits of growth.

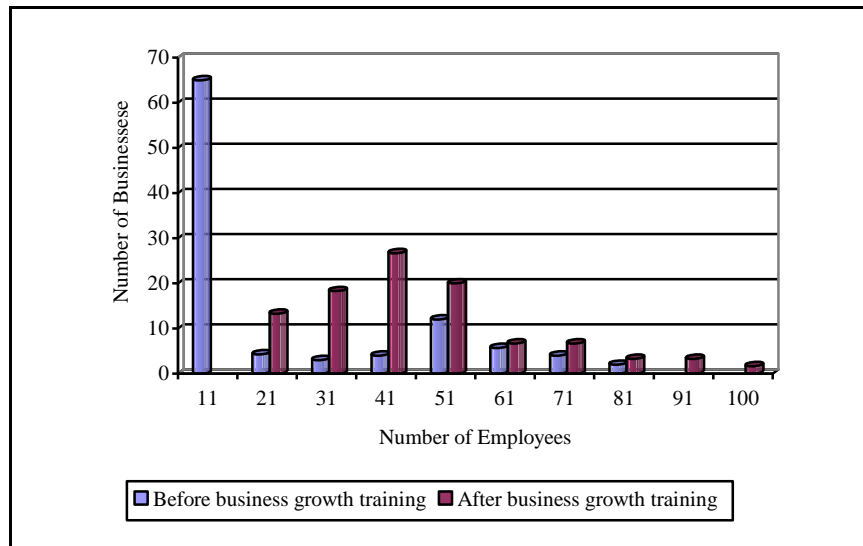


Figure 4.28: Number of employees before and after growth training

Job creation is vital for the economic development of a country as it takes care of unemployment, raise the standards of living and in turn reduce poverty. Kenya's average annual labour force growth rate was about 3 percent in the period 1990-2005 (KIPPRA, 2009). It was evident that there was a positive change in the number of employees as a result of attending the business management training. Job creation should expand at the same rate to curb unemployment in the country. Skills gained from the training have enabled the respondent to grow the business and in turn hire more employees.

4.4.8 Categories of employees before and after training: Supervisors

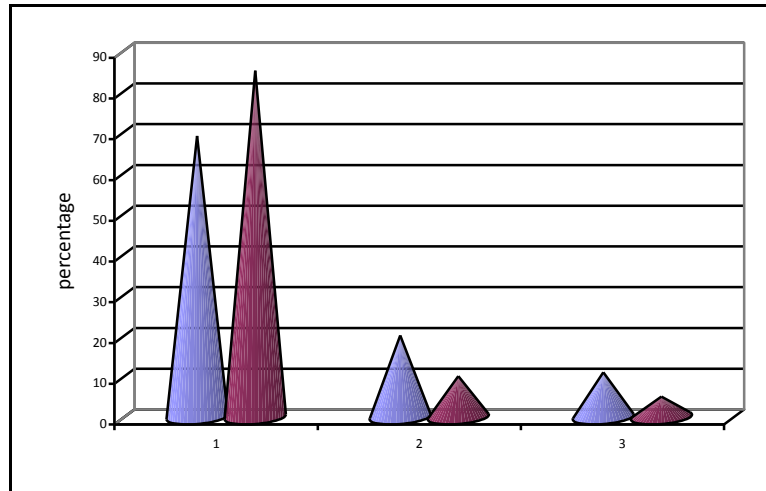


Figure 4.29: Categories of employees before and after training:
Supervisors

The researcher sought to find out the various categories of employees the respondent had before and after training. The first category was that of supervisors. Sixty nine percent of the respondents had one supervisor before training, 20 percent had two supervisors while 11 percent had three supervisors as shown in Figure 4.29. After the training, 85 percent of the respondents indicated they had one supervisor, 10 percent had 2 and 5 percent had three. The results confirm that small and medium enterprises hire few middle level managers for their businesses. This could be due to the fact that the cost of hiring this category of employees is high and thus not affordable by the entrepreneur.

The Global Competitiveness Survey (2007) indicates that the Kenyan workforce is well educated but the level and quality of production is very low. The labour market in Kenya is less efficient than its neighbours Tanzania and Uganda. This can be traced to the structure of the training system in the country. The other reason can be attributed to the owner-manager not delegating responsibilities to employees and holding on to most of the business functions, thus hiring expensive labour with minimum responsibilities.

4.4.9 Delegation of responsibilities to employees

It is evident from Table 4.15 that all (100.0 percent) of the respondents did not delegate responsibilities to their employees prior to the training. After the training, all the owner-managers indicated that they delegated responsibilities to their employees. This is positive as the owner-manager has a wide range of issues to take care of in the business, such as marketing, human resource management, finance, and customer care and inevitably some of these functions have to be delegated to concentrate on priorities. The training was also effective in this regard.

Table 4.15: Delegation of responsibilities to employees before and after Training

Delegation of responsibilities to employees	Yes/No	Frequency	Percent
Before training	No	0	100.0
After training	Yes	75	0.0
Total		75	100.0

Respondents were asked to indicate the functions they delegated to their employees and most of the respondents indicated that they delegated the sales function, serving customers and marketing.

4.4.10 **Business management skills acquired after training**

The respondents were asked what business management skills they acquired after attending training. The findings showed that some of the skills acquired from the business growth training were: marketing, cash flow management, display of products, record-keeping and accounts, time management and business location, which had the highest representations.

The data is presented in Figure 4.30.

Training is important in business growth and there is need to boost trainings on communication skills, employee training and human resource management, which had low representation in the research data.

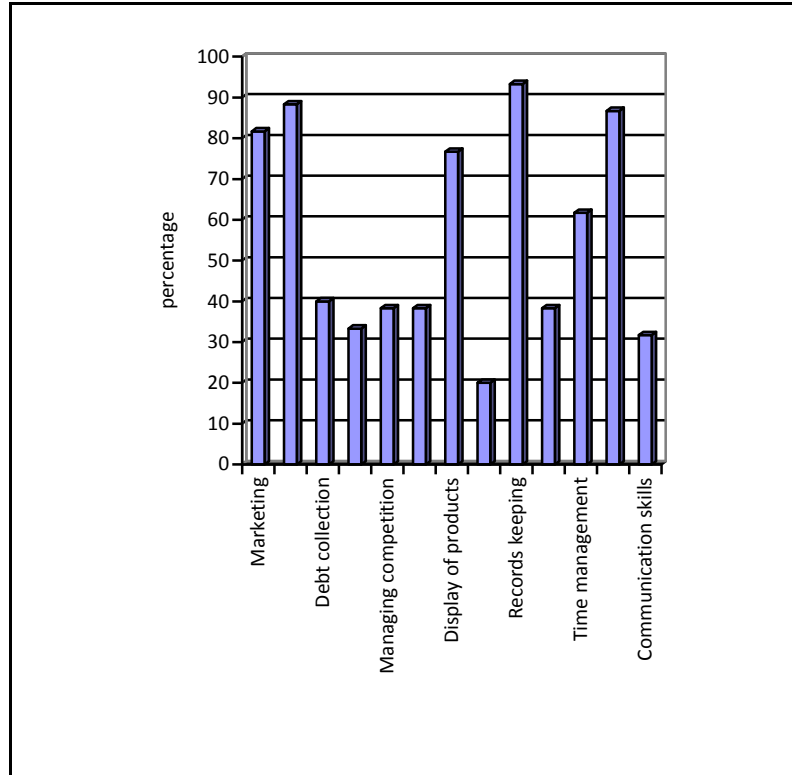


Figure 4.30: Business managements skills acquired after business growth training

4.4.11 Monthly sales before and after training

The highest level of growth occurred in the KSh 810,000 to KSh 900,000 bracket with an increase from 19.7 percent to 32.4 percent, a 12.7 percent increase.

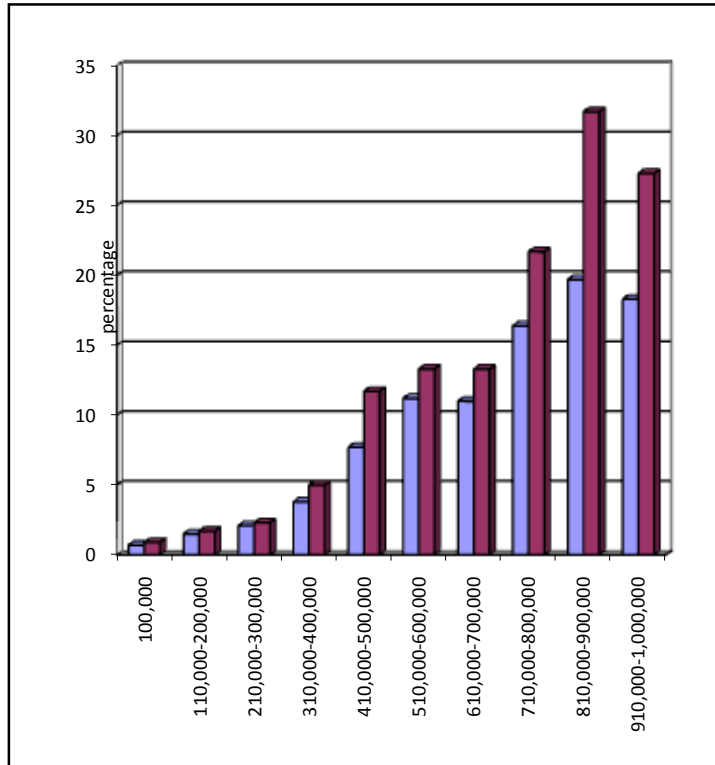


Figure 4.31: Monthly sales before and after training in KSh.

The next bracket where growth occurred was in KSh 910,000 to KSh 1,000,000, while there was minimum change in the KSh 100,000 per month sales figures. The positive results in the sales figures could be as a result of attending the business management training. It can however, be noted that there was minimal changes in the sales figures of the lower bracket. Specialized training focusing specifically on sales promotion could enhance sales at this level.

4.4.12 Monthly gross profit before and after training

The highest level of growth occurred in the KSh 260,000 to KSh 300,000 bracket where the increase moved from 17.2 percent to 25.0 percent, an increase of 7.8 percent. The next area where growth occurred was in KSh 160,000 to KSh 200,000, while there were minimal changes in the KSh 110,000 to KSh 150,000 and KSh 60,000 to KSh 100,000 brackets respectively. Business growth training plays a big role in the growth of small and medium sized enterprises in Kenya.

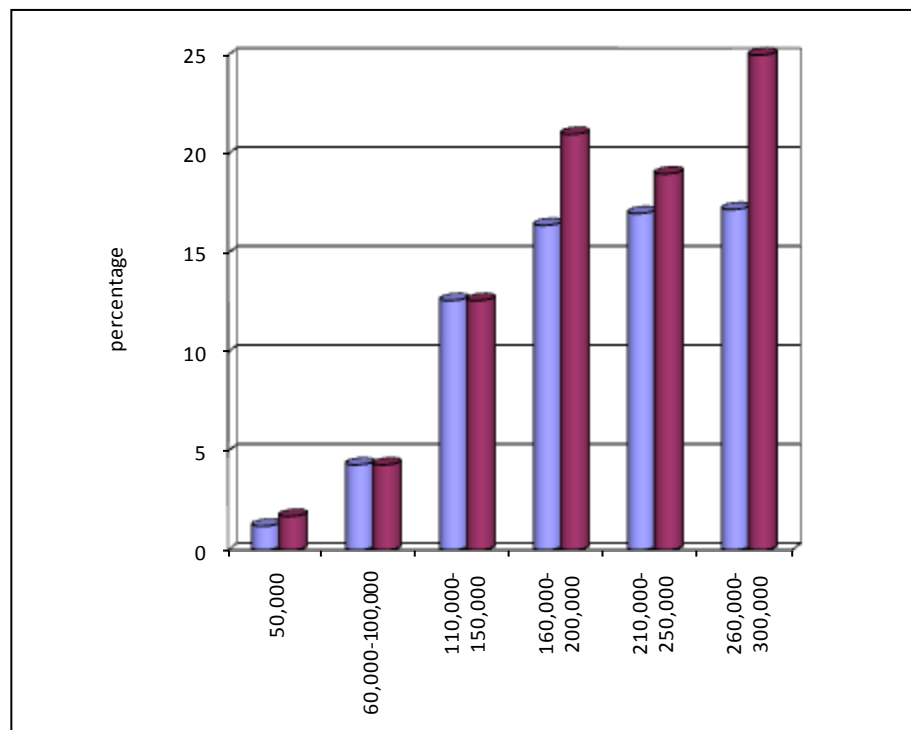


Figure 4.32: Monthly gross profit before and after training in KSh

This could imply that the positive results in the monthly sales and in turn profits could be as a result of attending the business management training.

4.4.13 New Products introduced after training

The respondents were asked whether they introduced any new product into their business after the business growth training. This would be a new product line to the already existing products. A majority (43.3 percent) indicated that they introduced two new products after the business growth training while 3.3 percent, or the least respondents, introduced a maximum of five new products.

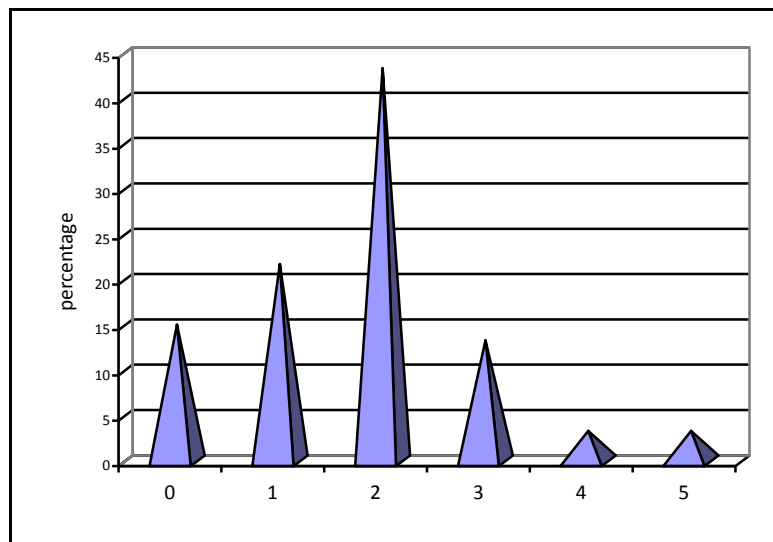


Figure 4.33: Products introduced after training

The training boosted the introduction of new products by the entrepreneur into the business. Over half of the respondents, however, either introduced one product or none.

4.4.14 Number of new services introduced after training

The respondents were asked whether they introduced any new services to their business after the training. One new service was introduced in the business by the majority (71.7 percent) of the respondents after the training. Five percent of the entrepreneurs introduced two services, while 23.3 percent did not introduce any new service in their businesses. Figure 4.34 gives the research findings:

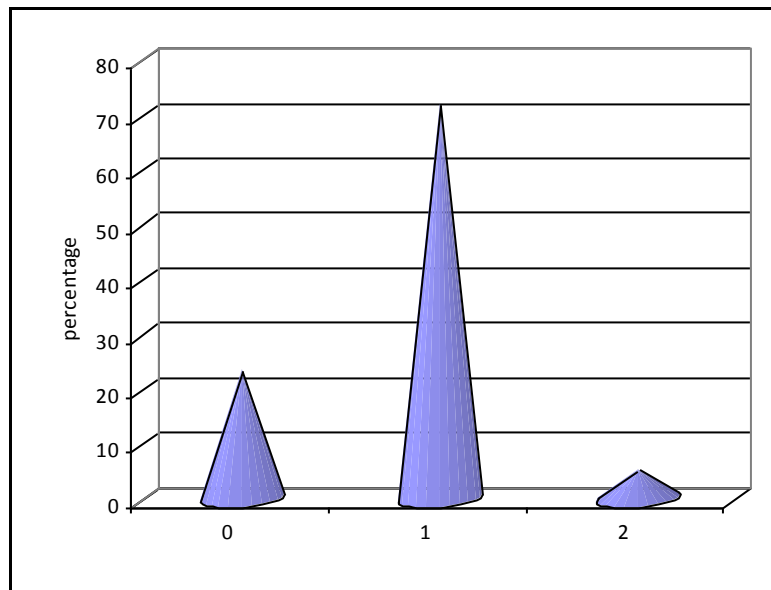


Figure 4.34: Number of new services introduced after training

This indicates that the skills acquired during the business management training enabled respondents to introduce a new service line. The services introduced are important if the business is to remain competitive in the market and benchmark against good business practices.

4.4.15 Services introduced in business after the training

The researcher sought to find out which services the respondent introduced into the business after the training.

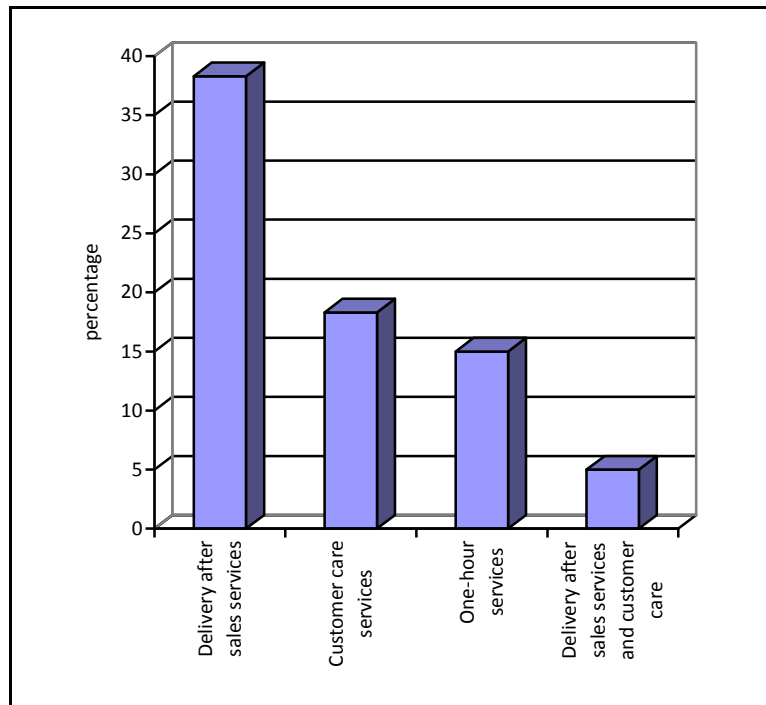


Figure 4.35: Services introduced in business after the training

A majority of the respondents (38.3 percent) indicated the new services introduced in the business after training were delivery and after sales services, 18.3 percent introduced customer care services, 15.0 percent introduced one-hour service while 5.0 percent introduced both delivery after sales service and customer care services.

The researcher sought to find out the geographical areas that the respondents sold their products before the training. The majority of the

respondents indicated that they did not sell their products/services outside Nairobi prior to attending the business management training, while a small percentage indicated that they sell their products/services outside Nairobi.

The respondents were asked to indicate the towns outside Nairobi where they sell their products/services. Eight percent of the respondents indicated Ngong and Kiserian as towns outside Nairobi where they sell their product/services. A small percentage indicated Thika and Kiambu and Kahawa West, whilst the vast majority (87 percent) indicated that they did not venture outside Nairobi. Skills acquired through training enabled a small percentage of the respondents to expand their sales outside their familiar business zones, while the majority was still confined to their familiar business areas. This is in agreement with Kaula (1983) who indicated that entrepreneurs who are innovative have higher potential to expand their businesses.

The respondents were asked whether they exported their products/services outside the country. All the respondents indicated that do not export any of their products/ services outside the country as shown in Table 4.16.

Table 4.16: Products/services exported after training

Products/services exported	Frequency	Percent
Yes	0	0.0
No	75	100.0
Total	75	100.0

This response is worrying as none of the respondents export their products/services outside the country. Although the respondents received business management training, they are still not confident to venture into the global market. Some of the reasons given for their response are shown in Figure 4.36. This could imply that the entrepreneurs are not competitive enough to venture into the global market.

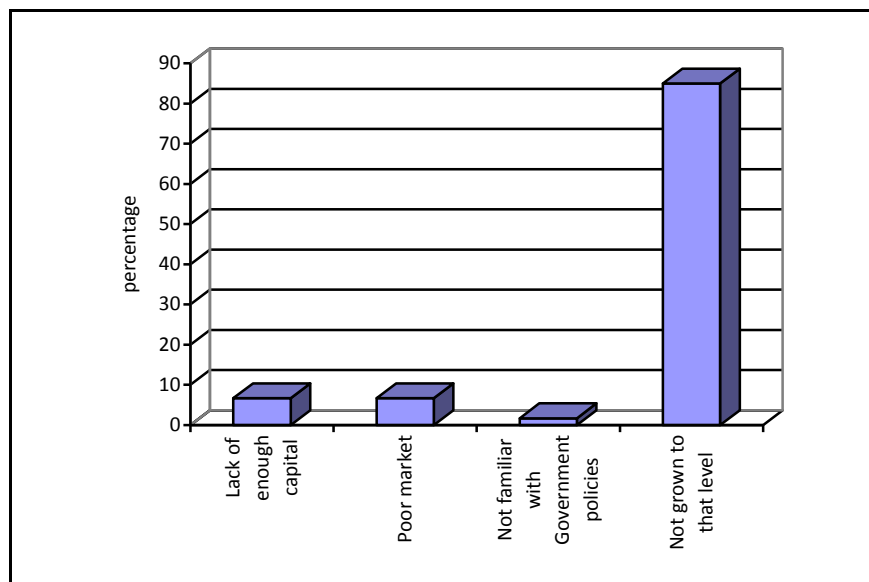


Figure 4.36: Reasons for not exporting products/services after training

Kenya ranks tenth in Africa as far as competitiveness is concerned, but is ranked unfavourably against the East Asian newly industrialized countries as confirmed by KIPPRA (2009). Factors affecting competitiveness include: skilled manpower, quality institutions, market sophistication and technological readiness. Seven percent cited lack of enough capital to

enable them to export and poor export markets, while two percent cited familiarity with government export policies as shown in Figure 4.36.

The results indicated that the majority of SMEs in the country are still not confident to venture into the global market due to low competitiveness. Specific training on export trade could assist the entrepreneurs raise their confidence and gradually export their products/services. This concurs with Tanburn (2000) who states that training should be pursued in the context of training for current and potential market opportunities.

4.4.16 Other areas of business growth

The respondents were asked to indicate other areas of growth in their businesses. The majority of the respondents (43.3 percent) cited the increased number of products/services as other aspects of business growth.

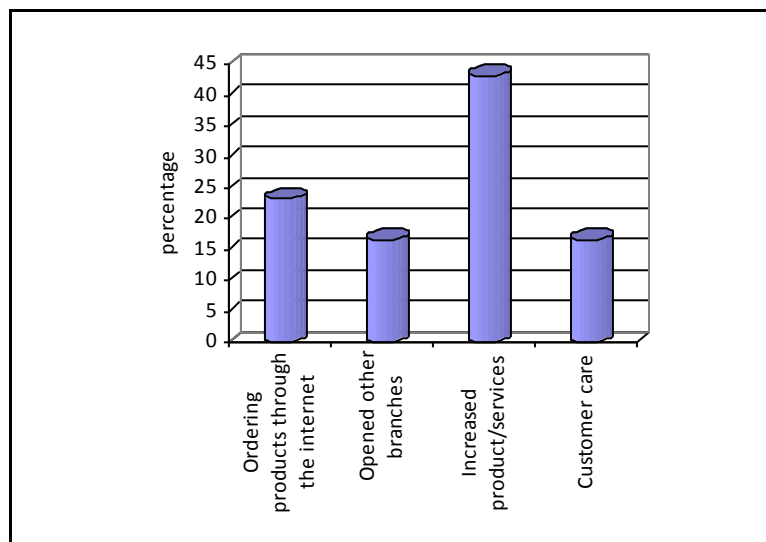


Figure 4.37: Other areas of business growth

Twenty three percent indicated that they enhanced their IT skills by ordering products through the internet. Sixteen percent cited opening of other branches and customer care services improvement. These results are encouraging as they show the training had positive impact on the enterprises.

4.4.17 Comments and recommendations on training

When asked to comment and make recommendations on the business growth training programme, most of the respondents recommended that training programmes, such as the business growth training, should be offered more frequently and target a higher number of entrepreneurs so that they too could benefit and acquire business management skills. It was also suggested that the training programmes should not be a one-off course, but should have a follow-up or after care component to continuously monitor and assess implementation progress. In addition, the respondents proposed that the cost of the programme should be lowered to make it more affordable to more small businesses in the country and concurs with (ILO , 2007).

4.4.18 Strategies for training providers

The respondents were asked what strategies training providers should put in place to enable them to improve training for SME growth. The respondents appreciated the current business management programme.

They, however, pointed out that to improve delivery of the training, sufficient time should be given to the businesses to prepare for the trainee's absence while attending training.

The sector also needs more business counselling services in addition to the business management training for higher impact. A monitoring and evaluation system should also be devised in order to monitor the trained entrepreneurs' progress and changes as a result of the training received.

The training curricula of various institutions and individuals offering training should be updated to match training needs. This is confirmed by GCI (2007) that the current Kenyan training curricula, including SME, training are obsolete and face major deficiencies in public training facilities and instructional capacities.

The respondents also pointed out that training providers should segment their market in terms of the size of the firms they attempt to serve, which is in agreement with Sergeant (1986).

Investors are attracted where the labour input is efficient, productive and flexible for economic growth. Finally, the SME sector should be integrated into the mainstream economic activities to raise their contributions to the national output.

4.4.19 Training recommended for entrepreneurs

The respondents were asked what type of training they would recommend to entrepreneurs. A majority (48.3 percent) of the respondents cited business growth training, 23.3 percent cited financial management skills 21.7 percent cited computer skills and 6.7 percent business start-up programmes.

At various stages, various types of training are recommended. As the entrepreneurs venture into business, the start-up programme is useful, while the business growth is recommended for business expansion. In this age of information technology, computer skills are also recommended together with financial management skills for management of the business finances.

In the short term, the Micro Small and Medium Enterprises Competitiveness Project designed in 2005 by the then Ministry of Trade and Industry and now Ministry of Industrialization is an initiative to address such constraints. The objective of the project is to: promote and support entrepreneurship and the development and growth of sustainable and globally competitive MSMEs, thus creating wealth and increasing employment, incomes and economic opportunity for the people of Kenya. Some of the project's components have encountered major delays in implementation. An example is the Business Plan Competition Component

which aims at training entrepreneurs how to write innovative, viable and bankable plans and was only launched mid 2009.

4.4.20 **Co-efficient Correlation Matrix**

Co-efficient Correlation Matrix

Before running a regression, the researcher ran the correlation matrix whose objective was to indicate the association between variables and also check whether there was a Multi-Collinearity problem within the variables. The results are shown in the Correlation Matrix.

Table 4.17 Correlation Matrix

	M	HRM	RM	MC	ICT	QM	CC
Marketing (M)	1.000						
Human Resource Management (HRM)	0.423	1.000					
Records Management (RM)	0.349	0.566	1.000				
Management Of Competition (MC)	0.444	-0.442	0.150	1.000			
ICT skills (ICT)	0.276	0.533	-0.494	0.442	1.000		
Quality Management (QM)	0.444	0.494	0.289	0.637	0.608	1.000	
Customer care (CC)	0.504	0.472	0.414	0.672	0.585	0.696	1.000

The spearman correlation co-efficient was conducted whose objective was to test the relationship between data variables.

The analysis shows the results of human resource management and marketing to business growth is 0.423. This implies that there exists a positive association of 42.3 percent between human resource and marketing to business growth. This positive association suggests that when human resource management in SMEs increases, marketing to business growth increases and when it falls marketing drops too.

The spearman correlation coefficient records management, management of competition, ICT skills, quality management and customer care to business growth are 0.349, 0.444, 0.276, 0.444 and 0.504 respectively. These coefficients imply that there exists a positive association of records management, management of competition, ICT skills, quality management and customer care to business growth of 34.9 percent, 44.4 percent, 27.6 percent, 44.4 percent and 50.4 percent respectively.

From these associations, it is notable that there is a much stronger relationship between marketing module to business growth and customer care, followed by management of competition, quality management, human resource management, records management and ICT skills in that order. Observing the correlation co-efficient matrix above, collinearity was only visible between the variable customer care and quality control (0.696). However, since only correlations of a value of ≥ 0.8 would have necessitated a variable being deleted or creating a new variable in place of its components, the use of a variable inflation factor (VIF) index was necessary. This was a measure of the effect of the other independent variables on the regression co-efficient. Large values, usually 10.0 or more, suggest collinearity or multi-collinearity. In this study, all the VIF values were less than six and thus collinearity was not a problem.

Trainee Characteristics

The correlation test was conducted to confirm Hypothesis 2 on the factors that influence the transfer of learning among SMEs. Trainee Characteristics is one of the factors used in the study.

Table 4.18 Pearson's Correlations among study variables (N=75)

	1	2	3	4	5	6	7	8	9	10	11
1. I like doing challenging work	1	.215*	-.144	.028	-.151	-.192*	.170	-.036	.029	.409**	-.223*
2. The opportunity to learn new things is important to me	.215*	1	.033	-.492**	.032	-.275**	.042	-.053	.208*	.087	.392**
3. I have set high achievement goals for myself in this programme	-.144	.033	1	-.331**	.238*	-.377**	-.080	-.140	-.283**	-.222*	.142
4. I am exerting considerable effort to obtain the most out of the programme	.028	-.492**	-.331**	1	-.245*	.143	.147	.123	-.032	.115	-.540**
5. I believe I am capable of absorbing the material taught in the programme	-.151	.032	.238*	-.245*	1	-.063	.150	.181	-.104	-.208*	-.055
6. I am devoting a considerable amount of time to my training assignments	-.192*	-.275**	-.377**	.143	-.063	1	-.119	-.155	-.054	.013	-.393**
7. I am capable of performing the training assignments	.170	.042	-.080	.147	.150	-.119	1	-.220*	.261*	-.080	-.220*
8. I feel confident I can succeed in this programme	-.036	-.053	-.140	.123	.181	-.155	-.220*	1	-.303**	-.013	.085
9. I believe the training will help me do my job better	.029	.208*	-.283**	-.032	-.104	-.054	.261*	-.303**	1	.130	.234*
10. It is important for me to make the most of my skills	.409**	.087	-.222*	.115	-.208*	.013	-.080	-.013	.130	1	.033
11. I plan to use what I learned on the job	-.223*	.392**	.142	-.540**	-.055	-.393**	-.220*	.085	.234*	.033	1

*. Correlation is significant at the 0.05 level (1-tailed).

When Pearson's is close to 1, it means that there is a strong relationship between the two variables. This means that changes in one variable are strongly correlated with changes in the second variable. When Pearson's is close to 0, it means that there is a weak relationship between your two variables. Changes in one variable are not correlated with changes in the second variable.

The correlation co-efficient in the table above reveal that all the hypotheses were confirmed. In addition, a strong correlation was found between "I do like doing challenging work" and "it is important for me to make the most of my skills" at (0.409). There exists a strong negative correlation between the "opportunity to learn new things is important to me" and "I am exerting considerable effort to obtain the most out of the programme" at (-0.492). This means that as one variable increases in value, the second variable decreases in value. There exists a weak relationship between the "opportunity to learn new things, is important to me" and "I have set high achievement goals for myself in this programme" at 0.033.

Training Design

The correlation test was conducted to confirm Hypothesis 2 on the factors that influences the transfer of learning among SMEs. Training Design is one of the factors used in the study.

Table 4.19 Pearson's Correlations among study variables (N=75)

	1	2	3	4
1. I feel the training programme content took care of my special needs	1	.092	-.128	.143
2. Skills and knowledge taught in the training are the same skills and knowledge needed to do a good job	.092	1	-.269**	-.176
3. The standard procedures taught in the programme are correct	-.128	-.269**	1	.350**
4. I believe that succeeding in this training programme will enhance my chance to grow my business	.143	-.176	.350**	1

** . Correlation is significant at the 0.01 level (1-tailed).

The table reveals a strong correlation was found between the “standard procedures taught in the programme are correct” and ”I believe that succeeding in this training programme will enhance my chance to grow my business” at (0.350). There exists a negative correlation between “skills and knowledge taught in the training are the same skills and

knowledge needed to do a good job” and “I believe that succeeding in this training programme will enhance my chance to grow my business” at (-0.176). This means that as one variable increases in value, the second variable decreases in value. There exists a weak relationship between “I feel the training programme content took care of my special needs and skills” and “knowledge taught in the training are the same skills and knowledge needed to do a good job” at 0.092.

Work Environment

The correlation test was conducted to confirm Hypothesis 2 on the factors that influences the transfer of learning among SMEs. Work Environment is one of the factors used in the study. Pearson's correlation was performed among all the variables. The results of the analysis appear below:

**Table 4.20 Pearson's Correlations among study variables
(N=75)**

	1	2	3	4	5	6	7	8
1. Back to my business, I anticipate to undertake tasks which requires that I apply the knowledge I acquire in the training programme	1	.281**	.413**	-.009	.173	.141	.446**	-.076
2. The training I learned is being implemented in my business and is supported by my employees	.281**	1	.131	.181	-.236*	.218*	-.089	-.072
3. Equipment is available in my business that allows me to use the skills I gained in training	.413**	.131	1	-.038	-.057	.110	.155	.126
4. The skills taught in the training do not match the image of my organization	-.009	.181	-.038	1	.044	-.019	.085	.069
5. In my business, the utilization of my newly acquired skills is highly valued	.173	-.236*	-.057	.044	1	.032	.377**	-.090
6. My employees think I am ineffective when I use the techniques taught in the training	.141	.218*	.110	-.019	.032	1	.102	-.331**
7. My employees and I discuss how to apply my training on the job	.446**	-.089	.155	.085	.377**	.102	1	-.034
8. I have had an opportunity to use a significant amount of the knowledge and skills from the training programme in my business	-.076	-.072	.126	.069	-.090	-.331**	-.034	1

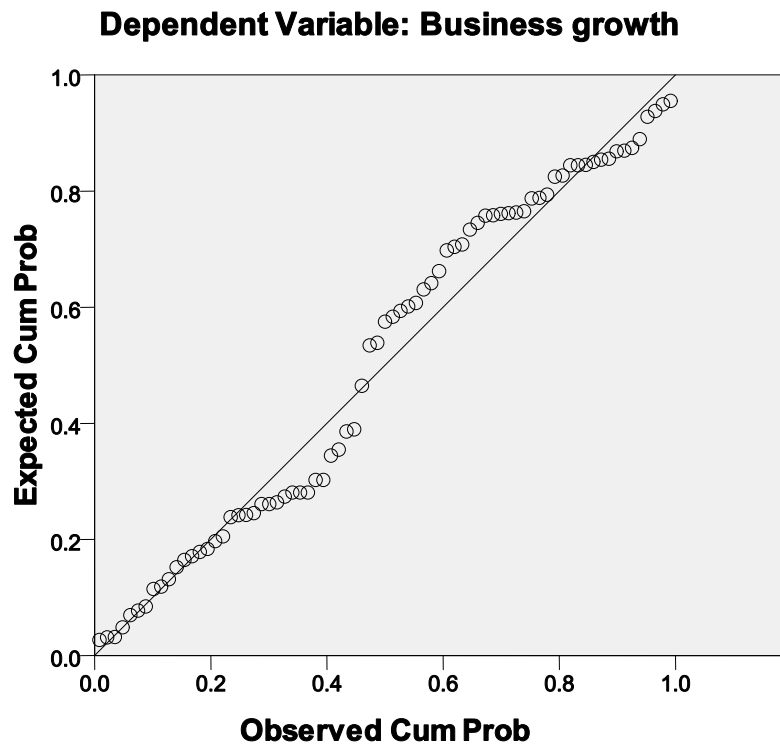
** . Correlation is significant at the 0.01 level (1-tailed).

* . Correlation is significant at the 0.05 level (1-tailed).

The table reveals, a strong correlation was found between “back to my business, I anticipate to undertake tasks which require that I apply the knowledge I acquire in the training programme” and “my employees and I discuss how to apply my training on the job at (0.446). There exists a negative correlation between “back to my business, I anticipate to undertake tasks which require that I apply the knowledge I acquire in the training programme” and “the skills taught in the training do not match the image of my organization” at (-0.009), meaning that as one variable increases in value, the second variable decreases in value. There exists a weak relationship between “in my business, the utilization of my newly acquired skills is highly valued” and “my employees think I am ineffective when I use the techniques taught in the training” at 0.032

Figure 4.38: Scatter Diagram

Normal P-P Plot of Regression Standardized Residual



The above shows the Scatter Diagram and the line of best fit. The shape of linear relationships is characterized by a straight line as indicated. Pearson's "r" measures only relationships and variables that are linearly related and cannot distinguish linear from non-linear data. Scatter plots like the one above form an integral part of the inspection and exploration of data. The 'cause' value is represented in this research by business management training and the 'effect' value is represented by business growth. The dependent variable is business growth – number of employees, growth in profits and turnover and new products introduced in

the business. The relationship is positive as all the points lie on a straight line shown in the diagram. The Scatter Diagram gives a visual representation of the data used in this study and also confirms linearity of the data.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.0 Introduction

This chapter presents the summary of the findings, conclusion and recommendations on the research results of the study. It looks at the implications of the findings to the existing body of knowledge and its wider application in the field of SME training and growth. The findings are discussed, conclusions drawn and recommendations made on areas of further research.

5.1 Summary of the Main Findings of the Study

The research data showed the most popular type of training utilized by the employees is management skills, followed in descending order by computer skills, marketing, records keeping, customer care and time management skills. It can be noted that these are the popular types of training utilised by employees in Kenya.

The majority of the respondents (97.2 percent) indicated that the training attended was provided through training institutions. The least number of respondents (1.3 percent) indicated that their mode of training was on the job training.

Most of the respondents (45.3 percent) agreed that the opportunity to learn new things was important to them. . On performance, the respondents agreed, that they set high achievement goals for themselves while attending training.

The study found that the majority of the respondents indicated the cost of the training as a major factor when considering training. The length of the programme and the timing are also key factors to be considered.

Over eighty percent of the respondents indicated that the content catered for their need, which in this research are the business management skills.

The majority of the trainees (over 90 percent) indicated that they planned to apply the relevant knowledge and skills acquired in the training back in their businesses. There is also general consensus from the trainees that what they learnt from the training is being implemented and supported by their employees.

All the respondents (100 percent) agreed that the skills acquired from training contributed to the growth of the businesses. The particular areas that the respondents felt the skills were beneficial to them in that they increased the number of products/services they handle, acquired strategic

business locations, enhanced customer care services and reduced bad debts.

Over seventy five percent of the respondents agreed that training is worthwhile. This research data shows that the majority of the respondents agreed that skills acquired from business management training were being applied in their businesses. All the respondents agreed that the skills acquired from training contributed to the growth of their businesses.

The majority of the respondents (65.0 percent) had 11 employees before the training. After the training, the minimum number of employees in the business was 21 as compared to 11 before the training.

The highest level of growth in sales occurred in the KSh 81,000 to KSh 90,000 bracket, with an increase from 19.7 percent to 32.4 percent a 12.7 percent rise. Growth also occurred in KSh 91,000 to KSh 100,000 bracket, while there was minimum change in the KSh 10,000 per month sales figures. It can, however, be noted that there were minimal changes in the lower bracket sales figures.

The highest level of growth in gross profits was in the KSh 260,000 to KSh 300,000 bracket where the increase moved from 17.2 percent to 25.0 percent, an increase of 7.8 percent. The next area where growth occurred was in KSh 160,000 to KSh 200,000, while there were minimal changes in

the KSh 110,000 to KSh 150,000 and KSh 60,000 to KSh 100,000 brackets respectively.

5.2 Conclusions

- (i) Computer skills, marketing, records keeping, customer care and time management skills are the popular types of training utilised by small and medium enterprises in Kenya.
- (ii) The majority of the respondents value short courses that are flexible and meet their needs. Most of the training programmes are held in training institutions. Appropriately timed and designed training programmes are likely to have positive effects on business growth.
- (iii) Most entrepreneurs value training, but cannot afford it. The cost of the training was indicated as a major factor considered by entrepreneurs when considering training. Business management training is currently low in the country and conducted as stand alone programmes.
- (iv) The more the training content and program reflect the workplace, the more successful the transfer of the skills acquired through training. Entrepreneurs are creative and innovative people and through training,, they could transform an idea into a business.

- (v) It can be concluded that specialized training could enhance enterprise growth. It was evident that there was a positive change in the number of employees, monthly sales and gross profits which could be as a result of attending the business management training.
- (vi) Finally, from the research findings, it can be concluded that there were positive change in the businesses after the training. The changes were as a result of attending the business management training. Therefore, there seems to exist a relationship between training programmes and business growth.

5.3 **Recommendations**

The research findings of this study show that the business management training received by the respondents impacted on the small and medium-sized enterprises growth. The researcher makes the following recommendations:

- (i) Business management programmes should be promoted in the country by key stakeholders working in the SME sector. Awareness creation and dissemination of information on training programmes targeting growth-oriented entrepreneurs should be done through media advertisement, brochures and government ministries with an SME portfolio.

- (ii) The Government should improve the functioning of markets in order to contribute to higher productivity and income to businesses especially in the sector. This will, in turn, create employment opportunities and absorb more people in the labour force. Better market linkages, for example, between rural and urban markets and between regional markets, can improve the participation of entrepreneurs.
- (iii) Encourage more micro finance institutions and banks to promote healthy competition and demystify financial jargon. These institutions should come up with innovative ways of lending to entrepreneurs. Financial institutions should take advantage of the establishment of the Credit Reference Bureau to assess an organisation's credit-worthiness prior to lending.
- (iv) Business management training should be made more affordable for easy access. Increased investment in human capital through provision of basic business management skills can generate relatively higher returns on productivity and efficiency in the sector.
- (v) Business management training programmes should meet the needs of the clients and should be tailor-made.

- (vi) It is essential for the SME sector which employs a high percentage of unemployed persons in the country to be accommodated in decision-making. This will not only articulate their needs, but also enhance ownership of the activities meant to cater for their needs. Programmes promoting creativity and innovation should be developed to enhance entrepreneurial skills and competition.
- (vii) Programmes and projects which facilitate the expansion of SMEs should be subsidized to facilitate access to BDS, especially training.
- (viii) Networks and linkages amongst various support agencies should be promoted so that training providers can refer their clients for further support.
- (ix) Service providers should engage in monitoring and evaluation of the services provided to gauge their effectiveness and impact. Further needs arising out of the evaluation should be taken care of immediately thereafter. Training should be a continuous process in order to improve performance, productivity and profitability.

5.4 Areas of Further Research

It is noted that this research was confined to examining the relationship between business management training and small and medium-sized enterprises growth in Nairobi, Kenya. It would be interesting for future researchers to conduct similar studies.

The following areas are recommended for further research:

- (i) A study to establish what processes and tools are used by Service Provider Organisations in conducting training needs analysis to design training programmes that meet the needs of the growth oriented entrepreneurs.
- (ii) As the research was confined to Nairobi, longitudinal studies focusing on the relationship between business management training and growth of small and medium enterprises in all the provinces in Kenya and the impact of such training should be conducted.
- (iii) Research can be conducted to establish the causes of challenges facing small and medium-sized entrepreneurs in benefiting from innovative business training to enhance growth and come up with policies to mitigate such challenges.

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QUESTIONNAIRE

Bio-data

1. Name of the enterprise/business

2. Name of the respondent

3. Physical location of business

4. Tel contact: _____ mobile _____ office

5. Status in business:

Owner manager Manager Owner

Bought an existing business Other

6. Age of the entrepreneur

15–19 20-24 25-29 30-34
 35-39 40-44 45-49 50 and above

7. Gender of the Entrepreneur

Male Female

8. Marital status

Single Married Divorced Other

9. Education level of the entrepreneur (state the highest level)

Primary Secondary College
 University Post graduate/Masters None (illiterate)

10. What is your work experience?

11. Job Titles

12. Apprenticeship

13. When did you start your business _____ (Year)

14. Do you operate your business on a full-time basis?

Yes No

If no, how many days/hours a week do you operate your business?

15. What sector does your business fall into?
a) trade b) manufacturing c) service
16. How many employees do you have?

17. What is the amount of capital employed in your business?
 50,000 – 70,000 71,000 – 90,000 91,000- 110,000
 110,000 – 130,000 130,000-150,000 151,000 and
above
18. Type of business ownership (please tick one)
a) Partnership b) Private Limited company
c) Sole proprietor d) others (please specify)
19. What was the source of your capital for growth?
 Bank loan Savings Non bank credit institution
 Friends Re-invested profits Cooperatives
20. Do you keep business records? Yes No
21. Do you belong to a business association? Yes No
22. If yes, please state association

23. Do you have a business plan? Yes No
24. Did you conduct market research to find out whether there was a demand for your service/product? Yes No
25. How do you manage competition?
- a) By selling at a lower price than my competitors
 - b) By selling/offering quality products /services
 - c) By listening to my customers needs
 - d) By closely monitoring my close competitors
26. How do you promote your business?
- a) by media advertising
 - b) by participating in trade fairs and exhibitions
 - c) by word of mouth from satisfied customers
 - d) through brochures
27. What percentage of the business profit do you re-invest in your business?
- 0 - 10 percent 11- 20 percent 21 – 30 percent
- 40 – 50 percent over 50 percent
28. Do you have a training policy in your business?
- Yes No

29. Do you have a training budget to support the training policy?
[] Yes [] No

A. Types and nature of Business Training

30. Does your business place importance on training ?
[Yes] [No]

31. How much is your training budget?
KSh _____

32. Who initiates the training in your business?
a. Training offered as a standard
b. Course information sought and application made
c. Training needs identified and matched with course

33. What formal or structured business training have you received since starting your business?
1) _____
2) _____
3) _____

34. What type of training have you received?
1) _____
2) _____
3) _____

35. What is the nature of the training you attended?

- through workshops through training institutions
 in-house through seminars
 on the job

36. How frequently do you take up training?

- once a year twice a year
 three times a year more than three times a year

B. Factors that influence the transfer of learning amongst small and medium Enterprises

Please state what your perceptions on training. Please score as follows:

strongly disagree = 1	disagree = 2	not sure = 3	agree = 4	strongly agree = 5
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Trainee Characteristics

37. I like doing challenging work

1 2 3 4 5

38. The opportunity to learn new things is important to me

1 2 3 4 5

39. I have set high achievement goals for myself in this programme

1 2 3 4 5

40. I am exerting considerable effort to obtain the most out of the programme

1 2 3 4 5

41. I believe I am capable of absorbing the material taught in the programme

1 2 3 4 5

42. I am devoting a considerable amount of time to my training assignments

1 2 3 4 5

43. I am capable of performing the training assignments

1 2 3 4 5

44. I feel confident I can succeed in this programme

1 2 3 4 5

45. I believe the training will help me do my job better

1 2 3 4 5

46. It is important to me to make the most of my skills

1 2 3 4 5

47. I plan to use what I learned on the job

1 2 3 4 5

Training Design

48. What factors do you consider when choosing training?

- a. Service providers reputation
- b. Curriculum
- c. Length of programme
- d. Cost
- e. Location of training/training venue from business
- f. Attendance mode
- g. Timing
- h. Literacy level

49. I feel the training programme content took care of my specific needs
1 2 3 4 5
50. Skills and knowledge taught in the training are the same skills and knowledge needed to do a good job
1 2 3 4 5
51. The standard procedures taught in the programme are correct
1 2 3 4 5
52. I believe that succeeding in this training programme will enhance my chance to grow my business
1 2 3 4 5

Work Environment

53. Back to my business, I anticipate to undertake tasks which requires that I apply the knowledge I acquired in the training programme
1 2 3 4 5
54. The training I learned is being implemented in my business and is supported by my employees
1 2 3 4 5
55. Equipment is available in my business that allows me to use the sills I gained in training
1 2 3 4 5
56. The skills taught in the training do not match the image of my organization
1 2 3 4 5
57. In my business, the utilization of my newly acquired skills is highly valued
1 2 3 4 5

58. My employees think I am ineffective when I use the techniques taught in the training
- 1 2 3 4 5
59. My employees and I discuss how to apply my training on the job
- 1 2 3 4 5
60. I have had an opportunity to use a significant amount of the knowledge and skills from the training programme in my business
- 1 2 3 4 5

C. Relationship between training and growth of SMEs

Please state what your perceptions on training. Please score as follows:

strongly disagree = 1 disagree = 2 not sure = 3 agree = 4 strongly agree = 5
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61. I am interested in tailor-made business management training programmes
- 1 2 3 4 5**
62. Training is a low priority for my business
- 1 2 3 4 5**
63. Training is not worthwhile
- 1 2 3 4 5**
64. Have the skills acquired through training contributed to the growth/expansion of your business?
- [] Yes [] No

Is there any other factors that contributed to the growth of your business?

70. Business management skills acquired after the Business Growth Training Programme:

- Marketing
- Cash flow management
- Debt collection
- Human resource management
- Managing competition
- Customer care
- Display of products
- Employee training
- Records keeping
- Quality control
- Time management
- Other (please specify)
- Business location
- Communication skills

71. Monthly sales figures
Before Business Growth Training

- KSh 100,000
- KSh 110,000 – 200,000
- KSh 210,000 – 300,000
- KSh 310,000- 400,000
- KSh 410,000- 500,000
- KSh 510,000- 600,000
- KSh 610,000 – 700,000
- KSh 710,000 – 800,000
- KSh 810,000 - 900,000
- Ksh 910,000 – 1,000,000
- Ksh 1000,000 and above

Monthly sales figures
After Business Growth training

- KSh 10,000
- KSh 11,000 – 20,000
- KSh 21,000 – 30,000
- KSh 31,000- 40,000
- KSh 41,000- 50,000
- KSh 51,000- 60,000
- KSh 61,000 – 70,000
- KSh 71,000 – 80,000
- KSh 81,000 - 90,000
- Ksh 91,000 – 100,000
- Ksh 100,000 and above

72. Monthly gross profit

Before Business Growth Training

- KSh 50,000
- KSh 60,000 – 100,000
- KSh 110,000 – 150,000
- KSh 160,000 – 200,000
- KSh 210,000 – 250,000
- KSh 260,000 - 300,000
- KSh 310,000 and above

Monthly gross profit

After Business Growth Training

- KSh 5,000
- KSh 6,000 – 10,000
- KSh 11,000 – 15,000
- KSh 16,000 – 20,000
- KSh 21,000 – 25,000
- KSh 26,000 - 30,000
- KSh 31,000 and above

73. What new products did you introduce into your business after the training?

Products introduced One Two Three Four

Five and above

74. What new services did you introduce into your business after the training?

Services introduced One Two Three Four

Five and above

75. Before you attended the training, did you sell your products/services outside Nairobi?

Yes No

76. After attending the training do you sell your products/services outside Nairobi?

Yes No

If yes, list the towns/locations.

77. Before the training did you export your products/services outside Nairobi?

Yes No

If yes, list the countries of export

78. After the training, do you export your products/services outside Nairobi?
 Yes No

If yes, list the countries of export

79. Is there any other aspect of your business that has grown/expanded as a result of the training?

Please specify:

D. Perceived effect of training programmes

80. Do you feel the training had an impact on the expansion of your business?
 Yes No

81. If yes, were you able to
- introduce new products/services
 - venture into the international markets
 - venture into new markets within Kenya
 - increased profits/turnover
 - Others (specify)

82. What are the advantages of undertaking training?

- improvement in quality of services/production
- efficiency in service provision
- Other (specify)

Thank you for your time in completing this questionnaire.

APPENDIX B

Sampling Frame: 80 SME who formed the sample frame and trained under the *Mwezi Kali II* Project

	Business Name	Location	Sector
1.	Fruit Processors	Kariobangi	Manufacturing
2.	Bargain Bakeries	Kariobangi	Manufacturing
3.	Mukagpris Printers	Industrial Area	Manufacturing
4.	Mini Bakeries Ltd	Komorock	Manufacturing
5.	Hillspan Printing Press	Moi Avenue	Manufacturing
6.	Kambony Metal Works	Industrial Area	Manufacturing
7.	Star Printers	Mfangano St	Manufacturing
8.	Tarkool Furniture Ltd	Kayole	Manufacturing
9.	Trinibart Constructions	Kariobangi	Manufacturing
10.	Gracakes	South B	Manufacturing
11.	EPZ Designers	River Road	Manufacturing
12.	Shoe Makers	Dandora	Manufacturing
13.	Baraka Handicrafts	Olympic	Manufacturing
14.	Optimum Knitting	Ngong	Manufacturing
15.	Immaculate Textiles Ltd	Kahawa	Manufacturing
16.	United Embroiders	Ngong Road	Manufacturing
17.	Nairobi Drug House	Race Course Road	Manufacturing
18.	Alloy Steel Castings Ltd	Baba Dogo Road	Manufacturing
19.	Shujaa Industries	Kariobangi	Manufacturing
20.	Esiwani Enterprises	Ruai	Manufacturing
21.	Nene Paints	Kariobangi	Manufacturing
22.	Sugwe Woodworks	Industrial Area	Manufacturing
23.	De Food Processors	Kahawa	Manufacturing
24.	Wedding Services	Outer Ring Road	Services
25.	Clean Environment	Kayole	Services
26.	By Grace Academy	Komorock	Services
27.	Express Travel Group	Mombasa Road	Services
28.	Kinyua Hotel	Eastleigh	Services
29.	AIS College	Kilimani	Services
30.	Sunset Hotel	Githurai	Services
31.	Janico Salon	Racecourse Road	Services
32.	Well Worth Garage	Industrial Area	Services
33.	Karis Services	Juja Road	Services
34.	Gris Café	Community	Services
35.	Classic Touch Salon	Kahawa West	Services
36.	Kiddys Junior Academy	Kahawa	Services
37.	Best Bite Café	Accra Road	Services
38.	C K Building Contractors	Pangani	Services
39.	Emanuel Café	Mombasa Road	Services
40.	Beacons Training	Loita Street	Services
41.	Harvest Travels	Mama Ngina Street	Services
42.	Silver My Health Services	City Centre	Services
43.	St Hedwigs Academy	Ngong Road	Services
44.	Lelua Enterprises	Jericho	Services
45.	Joel Enterprises	Ngara	Services
46.	Tato Tailoring & Designers	Kabarnet Road	Services
47.	Sofie Hair Stylist	20 th Century Plaza	Services

48.	Monique Café	Jogoo Road	Services
49.	Sammary Hardware	Savannah	Services
50.	K Wholesalers	Ngong Road	Services
51.	Bulk Medical Supplies	Kilimani	Trade
52.	Direct Sales & Distributors	Industrial Area	Trade
53.	Kenyritta Supermarkets	Baba Dogo	Trade
54.	Roza Enterprises	Kenyatta Market	Trade
55.	Jello Butchery	South B	Trade
56.	On Time Merchants	Westlands	Trade
57.	BCMS	Buru Buru	Trade
58.	Wamuyu C Shop	Savannah Estate	Trade
59.	OLyeni Electronic Sales	River Road	Trade
60.	Credia Motors	Factory Street	Trade
61.	Fedan Wholesales	Buru Buru	Trade
62.	Ngara Timber Yard	Ngara	Trade
63.	Mwiti Timber Merchants	Ongata Rongai	Trade
64.	Dadson Enterprises	Tom Mboya Street	Trade
65.	Kanda Supplies	Langata	Trade
66.	Mimaki Agencies	Luthuli Avenue	Trade
67.	Fish Wholesalers	Haile Selaisse Avenue	Trade
68.	Mwea Rice Wholesalers	River Road	Trade
69.	Millenium Sales	Kenyatta Avenue	Trade
70.	Ombogo Enterprises	Jogoo Road	Trade
71.	Kobil Oil Kenya	Muthaiga	Trade
72.	Eco-line Supplies	Kenyatta Avenue	Trade
73.	Edwa Hardware	Eastleigh	Trade
74.	Jacana Enterprises	Baba Dogo	Trade
75.	Ndere Agencies	Dagoretti Corner	Trade
76.	ABC Supplies	Tom Mboya Street	Trade
77.	Eco-line Supplies	Kenyatta Avenue	Trade
78.	Cosmetic Zone	Ngong Road	Trade
79.	Creamy Dairies	Kitengela	Trade
80.	Latest Trends	Dagoretti Corner	Trade