ENTREPRENEURIAL AND BUSINESS MANAGEMENT SKILLS DEVELOPMENT AND GROWTH OF MICRO, SMALL AND MEDIUM ENTERPRISES IN NAIROBI, KENYA

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A RESEARCH PROJECT SUBMITTED IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE AWARD OF THE DEGREE OF MASTER OF SCIENCE IN ENTREPRENEURSHIP AND INNOVATIONS MANAGEMENT, FACULTY OF BUSINESS AND MANAGEMENT SCIENCES, UNIVERSITY OF NAIROBI

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DECLARATION

This research project is my original work and has not been presented in any form either in this University or any other Institution of higher learning.

Signed……  Date……22.08.2023……

John Muhinga Kamaru

D66/39113/2021

This research project has been developed under my guidance and submitted with my approval as the University Supervisor

Signed…  ……Date…22nd August 2023……..

Prof. Jackson Maalu

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DEDICATION

This academic project is dedicated to my loving family that has been a spring of support, inspiration, and encouragement in its execution.

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I extend my deep most gratitude to Professor J. Maalu for his unwavering supervision and constructive criticism that has made it possible to complete this research work. Special appreciation goes to my lecturers and fellow students at the University of Nairobi for their inspiration all through this course.

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LIST OF ABBREVIATIONS AND ACRONYMS

AU	African Union
BRS	Business Registration Services
EAC	East African Community
GDP	Gross Domestic Product
ICT	Information communication technology
KNBS	Kenya National Bureau of Statistics
MSMEs	Micro, Small, and Medium Enterprises
RBV	Resourced-Based View
SDGs	Sustainable Development Goals
SMEs	Small and Medium Enterprises
SPSS	Statistical Packages for Social Sciences

ABSTRACT

Entrepreneurial and business management skills are essential in open economies since they enable micro, small, and medium enterprises (MSMEs) to operate effectively, promote growth, and foster long-term sustainability. Despite the vital contribution of these enterprises to the economy, they have often failed or struggled to grow due to lack of skilled manpower, government regulations, and shortage of operating capital. The following objectives informed this study: to determine the extent of entrepreneurial and business management skills development among MSMEs in Nairobi Kenya and to determine the relationship between entrepreneurial and business management skills and growth of MSMEs in Nairobi Kenya. A cross-sectional survey design was used in this study. The target population of the study consisted of micro, small, and medium enterprises in Nairobi City County operating in different sectors. Simple random sampling technique was used in the selection of the enterprises sample of 380 micro, small, and medium enterprises was drawn from the target population of 36,673 ventures. The results indicated that entrepreneurial skills ($r=0.164$, $p=0.018$) and business management ($r=1.024$, $p=0.000$) skills development exhibited a positive and statistically significant relationship with growth of micro, small, and medium enterprises in Nairobi County. Based on the overall findings, the study concluded that entrepreneurial and business management skills development influenced growth of micro, small, and medium enterprises. The study recommends micro, small, and medium enterprises to focus on enhancing their commitment to innovation and success by setting clear and specific goals, capitalizing on market opportunities, and promoting a culture of innovation.

CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

Entrepreneurial and business management skills influence the survival and growth of micro, small, and medium enterprises. Skills such as time management, goal setting, networking, creativity, innovation, and leadership form the building block of growth and sustainability of micro small and medium businesses (Mwepu, Bounds, & Goldman, 2016). Entrepreneurial skills are critical abilities that enable integration of essential practices by entrepreneurs in attainment of their businesses goals and objectives (Koe et al., 2018). As outlined by Mwepu et al. (2016), business skills constitute of technical expertise, knowledge management, and capital management, while on the other hand, opportunity identification, goal setting, risk-taking, education, and creativity encompass the entrepreneurial skills.

Micro, Small, and Medium Enterprises (MSMEs) have had a tremendous impact on the growth and transformation of many economies worldwide ((Ploum, Blok, Lans, & Omta, 2018). A growing wave of extant literature within the context of MSMEs performance demonstrates that while the sector has continued to receive policy attention, it has not been fully exploited to achieve its optimum growth to contribute towards economic development by creating income-generating opportunities. Scholars (for example, Sugiarto, 2018) have documented a wide range of challenges that have hindered the growth of MSMEs where limited or lack of relevant skills in business has featured prominently as one of the bottlenecks to sustained expansion of the sector. In addition, the poor performance of MSMEs in continental Africa has been linked to inadequate access to credit, technology, and physical infrastructure (Anderson, 2017).

The study was premised on the resourced-based view (RBV) theory and contingency theory where the former advocates for the deployment and effective use of resources possessed by a firm for realization of desired results. Resources held by a firm, whether tangible or intangible can enable it to develop strategies designed to increase its growth by creating a clear-cut competitive advantage over the rivals. Among the three categories of resources classified by Barney (1991) is the human capital resource, which entails training, intelligence, and judgment, among other organizational aspects. The key expositions of the contingency theory suggest that firms should aspire to undertake strategic matching, which correspond with the external environment and uncertainties to gain proper business growth sustainability, performance, and competitiveness.

Different economies across the world have been relying on MSMEs as a core sector for the provision of employment opportunities at a lower capital cost by participating in a wide array of business activities. In Kenya, the sector provides income and job opportunities for population segments that experience economic exclusion and those affected disproportionately by high unemployment. Regardless of the policy interventions instituted by the Kenyan government over the decades as well as the existing conducive microeconomic environment of doing business developed by stakeholders, still there are pertinent issues that MSMEs face, which have continued to hinder their growth. Over the years, there has been failure of MSMEs coupled with the struggle of some micro enterprises to scale up into medium and large size enterprises.

1.1.1 Entrepreneurial and Business Management Skills Development

In business context, skill involves the ability to organize important resources to respond and exploit opportunities (Sharma, Soni, & Dubey, 2021). Enterprise skills, such as vocational skills, entrepreneurship skills, and business skills, are essential in open economies since they enable firms

to operate effectively. Business management skills entail understanding all the aspects of business operations such as labor, employment, and tax laws, including staying abreast of industry and market trends. To underscore the competitiveness of MSMEs, there is need to promote business skills development in the sector where the focus should be on provision of support in the form of sustained mentoring and training on requisite skills designed for business growth (Sugiarto, 2018).

The concept of entrepreneurship has been linked with competitive strategies and entrepreneurial personality as a determinant of entrepreneurial behavior. Studies, such as Koe et al. (2018), have identified personality traits, which lead to both entrepreneurial behavior and success. In this view, personality traits are considered as stable dispositions where a person is perceived as a distinct and independent entity. Similarly, another interpretation of entrepreneurship relates to specific competences that can be learned (Ploum et al., 2018). Under this view, entrepreneurial behavior requires possession of entrepreneurial skills, such as risk taking, innovation, and search for opportunities. Skills allow entrepreneurs to perform or carry out day-to-day activities of their enterprises in a proper way. Nonetheless, past studies have demonstrated that MSMEs, unlike large firms, are less likely to take part in employee skills development and training because of their limited scale (Mittal & Raman, 2021).

1.1.2 Growth of Micro, Small and Medium-Sized Enterprises

The concept of growth has been used within the context of business to refer to the capability of businesses to increase their customers, maintain quality while ensuring that their core value proposition does not change (Okon, 2018). Similarly, Aliyu (2015) states that growth is the ability of enterprises to develop services or products that are in demand while at the same time designing strategies that ensure maximization of their output at a low production cost yet selling a higher

number of them. MSMEs can experience faster growth than large enterprises by adopting the established practices and technologies of larger companies (Sharma et al., 2021).

Amidst the globalization period, the MSME sector has to grow in size, become more efficient, and adopt latest technology to be relevant to society and its customers. The operation of MSMEs affects their growth, including the business models that they adopt. To illustrate this, Sutton and Rao (2014) argue that structure and culture are important aspects that affect MSMEs' growth. As small businesses aspire to grow, they need to consider that some aspects of their value proposition might be irreplaceable. In the quest for MSMEs to grow and attain improved levels of production and efficiency, they are exposed to increased complexity, less control over processes, and decreased quality (Okon, 2018).

1.1.3 Micro, Small and Medium-Sized Enterprises in Kenya

Micro, small, and medium enterprises are defined based on capital, turnover, assets, and number of employees. The definition of MSMEs varies from one country to another with 250 employees being the frequent upper limit. In the Kenyan context, MSMEs are defined as enterprises that have 1-99 employees. Medium sized enterprises have 50-99 employees; small enterprises constitute businesses with 10-49 employees whereas micro enterprises have a workforce of less than 10 employees (Kenya National Bureau of Statistics [KNBS], 2016). Across the sectors of the economy, MSEs take the larger share of private sector enterprises whose contribution to the economy's total labor is 93%. In addition, the sector occupies at least 90% of private sector enterprises and contributes 24% to the GDP.

MSMEs employ about 14.9 million people in Kenya and there are approximately 7.4 million of them in the country participating in different sector of the economy where majority operate

informally. As the sector develops, it offers an essential springboard towards the attainment of Kenya Vision 2030, which anchors the country's national development goals. Ministry of Industrialization, Trade and Enterprise Development (2020) highlights that development of the sector provides necessary impetus for the achievement of global and regional commitments, which include East African Community (EAC) Vision 2050, African Union (AU) Agenda 2063, and Sustainable Development Goals (SDGs) of the United Nations.

1.2 Problem Statement

Skills development of enterprises' workforce promotes continuous innovation, success, and productivity of MSMEs in a business environment characterized by competition (Rabie, Cant, & Wiid, 2016). Entrepreneurship and business management skill are important for MSMEs to operate effectively in progressively more open economies. Nonetheless, training and development with regards to the requirements of MSMEs appears to have fallen short in the contemporary globalization era despite being critical components of success and competitiveness. A survey carried out in 2016 on MSMEs by KNBS indicated that 46% of the enterprises close or fail within the first year of their operation whereas 15% and 10% of them close down after 2 years and 3 years respectively. Government regulations, shortage of operating funds, and shortage of skilled manpower are some of the reasons that the survey captured to have contributed to the closure of the establishments.

The situational analysis of the MSMEs shows that the sector faces many obstacles, one of them being shortage of business management skills. In fact, the sessional Paper No. 05 of 2020 on *Kenya Micro and Small Enterprises Policy for Promoting Micro and Small Enterprises (MSEs) for Wealth and Employment Creation* by the Ministry of Industrialization, Trade and Enterprise

Development espouses that micro and small enterprises are confronted with low technological, technical, financial, and managerial industry relevant skills. The paper notes that regardless of the availability of many centers of vocational training and learning institutions, the link between the practical industry skills and the curricula remains weak. In addition, there seems to be lack of a hands-on orientation for courses tailored to offer practical skills, thus provision of relevant skills to the learners remains a challenge in the country. Certification and recognition of industry applicable skills has not been possible given that the country lacks a framework for the execution of this mandate.

Existing strand of literature demonstrates that studies have delved into the concepts of entrepreneurial and business management skills development for MSMEs both locally and internationally. Mittal and Raman (2021) linked MSMEs' business growth to institutional accessibility and financial health as mediated by financial bootstrapping. In India, Hulkunda and Chandramma (2022) studied management, skills development, and growth issues for MSMEs and established that vocational, entrepreneurship, and business skills were essential for the effective operation of MSMEs.

In continental Africa, the concepts of entrepreneurial and business management skills development and growth of MSMEs have been studied extensively. Rabie et al. (2016) examined the perceptions of SME owners on the importance of training and development for the success and survival of their business. The findings of the study indicated that business management did not have a higher influence on success and survival of SMEs as compared to lack of resources. Okon (2018) explored the prospects and challenges of growth of MSMEs in Nigeria where the results of the study showed that growth enabled businesses to build their market share. Chundu (2020) assessed sectoral

dynamics in the determinants of MSMEs growth in Zimbabwe in which results indicated that gender and age of the entrepreneur were insignificantly linked to growth. In Kenya, Gikabu (2020) evaluated the influence of accelerator programs on MSMEs' growth where the study findings revealed that the training provided enterprises with requisite business skills, which consequently influenced the growth of the beneficiaries' businesses.

The conceptual gap that this study aimed to bridge from the above studies is the influence of entrepreneurial and business management skills development on the growth of MSMEs. The studies fail to demonstrate clearly the role played by entrepreneurial and business management skills development on growth of MSMEs since they examine the concepts separately of which majority of them focus on one concept and negate the other. Moreover, the replication of findings from such studies is not possible because of the differences in regulations and policy interventions on the MSME sector. In light of the gaps, this study examined the relationship between entrepreneurial and business management skills and growth of MSMEs in Kenya.

1.3 Research Objectives

i. To determine the extent of entrepreneurial and business management skills development among MSMEs in Nairobi Kenya
ii. To determine the relationship between entrepreneurial and business management skills and growth of MSMEs in Nairobi Kenya

1.4 Value of the Study

The value of this study is organized around policy development, practice, and theory areas. Under the theoretical frameworks, the study seeks to enhance the resource based view theory and the contingency theory. The study will demonstrate how the human capital resource is an important

ingredient that can propel the growth of MSMEs. The focus of the contingency theory is on promoting the sustainable growth, performance, and competitiveness of businesses through strategic matching that correspond with the external environment.

On policy development, the results of the study offer insights into how policy planning may involve leveraging skills development to promote growth among the MSMEs given that these entities continue to face many market imperfections. In addition, the results from this research can be used to review or develop policies in the MSMEs sector on the application of the concept of entrepreneurial and business management skills development towards the growth of MSMEs.

The study findings will further be an addition to the body of knowledge on the ongoing research on the best practices of improving the productivity of the MSMEs by shedding light on the interplay between entrepreneurial and business management skills development and growth of these enterprises in the economy. The results may offer a basis of developing theoretical frameworks on the nexus of entrepreneurial and business management skills development and growth of MSMEs.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter reviews relevant literature on the relationship between entrepreneurial and business management skills development and growth of MSMEs in Nairobi, Kenya. The chapter also provides the theoretical framework that underpins this study.

2.2 Theoretical Foundation

This subsection of the study presents and discusses theories that support this research work. The resource based view theory and the contingency theory provide the theoretical anchorage for this study. Further, the subsection discusses the proponents and relevance of the theories.

2.2.1 Resource Based View Theory

The resource-based view was first suggested by Penrose in 1959 (cited in Penrose & Penrose, 2009) who stated that possession, deployment, and effective use of resources would yield better results than employment of market and industry structures. Wernerfelt (1984) viewed firms from the standpoint of critical resource and coined “resource based view”. However, the formalization of this theory into a comprehensive theoretical framework was undertaken by Barney (1991) who analyzed performance based on the firm-specific perspective. In other words, Barney took the ‘inside-out’ view of the firm by considering internal factors to explain the market place failure or success of companies. The definition of resources relates to assets, processes, firm attributes, capabilities, and knowledge, which firms control and use to execute strategies to bolster their efficiency and effectiveness (Barney, 1991).

The key tenets of the resource based view theory are grounded on firms’ possession of hard to imitate, non-substitutable, valuable, and rare resources as the basis of developing and maintaining

competitive advantages, which ultimately culminates in superior performance (Wernerfelt, 1984). The RBV perspective assumes that an organization is a collection of human resources, physical resources, and organizational resources where a collection of those that are imperfectly substitutable, imperfectly imitable, and valuable are a foundation of sustainable competitive advantage for constant performance that is superior in the market place (Barney, 1991). Use of resources through implementation of diverse entrepreneurial and managerial skills increases the results or outcomes of firms (Mehralian, Peikanpour, Rangchian, & Aghakhani, 2020).

From the viewpoint of entrepreneurship and business management skills, the present study borrows greatly from the RBV theory to demonstrate that MSMEs can adopt certain approaches, such as skills development, to attain sustainable growth trajectory. The managerial and entrepreneurial skills are some of the examples of firm resources, which can sustainable growth process. RBV allows enterprises to assess their resources and implement strategies to attain their business goals effectively (Nimfa, Latiff, & Abd Wahab, 2021). Selecting suitable growth strategy enables MSMEs to attain growth adversity or minimize changes in direction and growth challenges. Intangible resources, such as skills and human assets, alongside firm capabilities in the utilization of these resources have a greater influence on how companies will gain competitive advantages and perform superiorly over competitors, hence leading to growth.

2.2.2 Contingency Theory

The concept of skills development among MSMEs is reinforced by the contingency theory. The perspective stemmed from the criticism of the universal approach, which was grounded on the assumption that there exists ‘one best way’ to realize organizational performance. For instance, Woodward (1965) and Lawrence and Lorsch (1967) posited that to structure or organize a firm

efficiently there are contingencies that need to be accounted for, or in other words, that organizational structure's effect on organizational performance depends on contextual aspects that ought to be taken into consideration.

The key exposition of the contingency approach is that the external environmental conditions in which a firm operates defines the best system for it to organize (Linton, 2014). Simply put, organizational performance results from the fit between external environment on one hand, and strategies, structure, and resources of the firm on the other hand. Technological, social, economic, and political conditions, among others, are some of the environmental attributes that firms should aspire to align with their structures and policies. This, therefore, implies that there should be a match between attributes of the firm and the characteristics of the external environment where it operates.

Whilst there are several approaches of achieving growth among MSMEs, the theory affirms that the most appropriate method is contingent upon the environmental conditions of the firms in question (Lawrence & Lorsch, 1967). Accordingly, this appears to suggest that MSMEs, can potentially adopt skills development to enhance their growth. Statistics from previous reports from KNBS show that majority of enterprises close or fail within the first year of their operation where government regulations and shortage of skilled labor have been identified as some of factors contributing to this. In effect, enterprises need to align and strategically match their strategies and structures with the practical industry skills. The total sum effect of the alignment among external and internal organizational factors is to create a fit that translates into growth.

2.3 Empirical Review

Research evidence demonstrates that several empirical studies have been undertaken on the link between entrepreneurial and business management skills and growth of MSMEs. Some of the studies that have empirically tested this relationship are highlighted and discussed as follows. Ahmad & Ahmad (2021) investigated the influence of managerial skills on the performance of MSMEs in Pakistan where strategic planning mediated the relationship between the two variables. In the study, 265 MSMEs were selected through stratified proportionate sampling and the data collected from them was analyzed using structural equation modeling test. The findings revealed that performance and managerial skills among micro, small, and medium enterprises were positively related with strategic planning mediating the relationship. Moreover, the usage of firm resources was influenced positively and significantly by managerial skills.

Koe et al. (2018) explored start-up intention of businesses as predicted by entrepreneurial skills. Opportunity finding, innovation, and creativity were the specific entrepreneurial skills considered in the study. From a sample of 252 respondents, the results of the study established that innovation and creativity exhibited a positive and significant relationship with venture start-up intention. Nonetheless, opportunity finding did not influence business start-up intention. Despite the study enumerating the type of skills that encourage entrepreneurship, it failed to account how these skills influenced growth of micro, small, and medium enterprises.

De Mello Macedo, Hahn, Bianchi, and Silva (2020) carried out a study in Brazil to determine performance of MSMEs as predicted by entrepreneurial skills. The research work employed a descriptive research design and utilized a quantitative approach in the collection and analysis of data from 47 entrepreneurs of MSMEs. The results of the study revealed that entrepreneurs of

these MSMEs were independent and self-confident, maintained contact with their networks, planned and monitored, and set goals. The results further indicated that the surveyed entrepreneurs sought information and were committed persistent. Overall, the entrepreneurs demanded efficiency and quality in their businesses, took calculated risks, and went after opportunities in the market.

Avram and Popescu (2020) delved into the role of managerial skills in the sustainable development of small and medium enterprises in Romania. The scientific inquiry used a questionnaire as the primary tool of gathering data from the selected entrepreneurs in Romania. The findings from the study revealed that both interpersonal and emotional intelligence skills among the respondents were of appropriate level. On the other hand, the self-awareness skill among the surveyed entrepreneurs had not developed to an acceptable level. In effect, deficiency in this skill was a possible bottleneck for the sustainable development of small and medium enterprises in the region that had participated in the study. However, the managers' increasing interpersonal skills because of experience alongside heightened emotional intelligence were sharp pointers to the SMEs' sustainable development.

Khuong and An (2016) investigated the effect of personal traits, previous entrepreneurial experience, external environment, perceived feasibility, and social norm on entrepreneurship intention as measured by the negative and positive perception on entrepreneurship. The study applied path analysis, multiple regression, and factor analysis as quantitative approaches to analyze data among 401 respondents. The findings of the study showed that perceived feasibility, external environment, and entrepreneurial experience, as explanatory variables, positively and significantly affected entrepreneurship intention. However, personal traits and perceived feasibility negatively

and significantly affected entrepreneurship intention. The study delved into the concept of entrepreneurship, but failed to shed light on the nexus of entrepreneurial skills development and growth of MSMEs.

Aliyu (2015) sought to find out the influence of managerial skills on growth and performance of small-scale businesses in Nigeria. The two variables' relationship was tested using simple linear regression based on the data collected from 58 small-scale businesses. The managerial skills considered in the study included leading, organizing, and planning abilities. According to the findings, the growth and performance of small-scale businesses was significantly affected by managerial skills, thus the conclusion was made that the performance of these businesses was hindered by inadequate skills and vice versa. Managerial skills, particularly in areas related to taking action and self-control, measuring performance, communication, managing conflict, allocating resources, and establishing goals are crucial predictors for the growth of enterprises by measured by sales and profit.

Oseni (2017) examined the state and impact of entrepreneurship education to the development of MSMEs in Nigeria. The study took into consideration the effect of incorporating entrepreneurial education into the educational curricular of tertiary, secondary, and vocational studies institutions as an approach of tackling the high rate of unemployment. The research's results demonstrated that entrepreneurial development revealed an insignificant correlation with the available system of education in Nigeria where only tertiary institutions offer entrepreneurship education, a level where it is still optional. Further, the findings from the research work indicated that abolishment of the entrepreneurship education from the educational curriculum of tertiary institutions would have no influence on addressing Nigeria's high rate of unemployment. Overall, the study

established that efficacy of entrepreneurial education in curbing unemployment could only be realized if it is introduced at the secondary school level curriculum.

Mwepu et al. (2016) investigated the extent to which entrepreneurial and business skills contributed to sustainability as well as growth of SMEs. Specifically, the study explored factors that lead to a higher failure rate among the small enterprises. Quantitative survey data used in the study was collected from 150 SMEs and was examined using factor analysis. The results of the study revealed that time management, goal setting, networking, innovation, creativity, and leadership skills as some of the entrepreneurial skills selected in the study were significant for the growth ad sustainability of small and medium enterprises. This study shows the relationship between entrepreneurial and management skills, hence its results are relevant to this study.

Ssempala, James, and Ntege Ssebaggala (2018) carried out a study aimed at establishing the determinants of growth of micro, small, and medium enterprises in Uganda. The scientific approach utilized a cross-sectional research design where its findings revealed that level of managerial skills, access to market, and MSMEs' access to credit were significantly linked to the growth the surveyed enterprises. Thus, this result implies that skills development fosters business operators, managers, and owners with appropriate knowledge and skills meant to impact management practices.

In Kenya, Mbugua and Moronge (2017) undertook a study to find out how growth of micro and small businesses in Nairobi County was influenced by entrepreneurial drive. The particular dimensions of entrepreneurship included in the study were innovativeness and pro-activeness. The study collected data from a sample of 102 firms registered as micro, and small enterprises, which was analyzed using linear regression. Pro-activeness and innovativeness as variables of

entrepreneurial drive significantly boosted the growth of MSEs. In effect, this study mirrors closely with the current one since it demonstrates the relationship between entrepreneurial skills, such as innovation, and growth of enterprises.

Atandi (2021) explored the role of the competence of entrepreneurs on growth of SMEs. The author utilized correlation and cross-sectional designs to collect data from 201 small and medium enterprises aided by self-administered questionnaires. Using both inferential and descriptive statistics, the findings of the study showed that the operators of the small and medium enterprises lacked essential skills in entrepreneurship and knowledge regarding the growth of SMEs apart from resource mobilization. However, findings on inferential statistics espoused that growth of SMEs was significantly affected by the competence of the entrepreneurs. There was strong evidence that possession of critical competence skills among entrepreneurs was important for operating growth driven SMEs.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

The research methodology used in this study has been presented and discussed in this chapter. Specifically, the chapter presents the research design, target population, sampling technique, data collection, and data analysis techniques.

3.2 Research Design

A research design is a framework for conducting a study where it provides a description of the procedures and methods utilized in data gathering and analysis (Sekaran & Bougie, 2010). The development of the design should be consistent with the research questions and the theoretical framework used in a research work. The thematic area on the nexus of entrepreneurial and business management skills development and growth of MSMEs can be explored with various research designs, such as the correlational, causal, and cross-sectional survey research designs. Correlation design allows for scientific investigation of the relationships between variables without manipulating them and it is able to measure and provide insights into the association between such variables (Cowls & Schroeder, 2015). Nonetheless, the correlation design neither establishes causality nor takes into account the effect of the confounding factors.

Causal designs often support internal validity since they shed light on the cause and effect linkage between predictor and response variables (Sreejesh et al., 2014). Moreover, they emphasize on replication and demonstrate the changes in the outcome variable predicted by the explanatory variable. However, the basis of explaining causal relationships often relies on longitudinal designs where collection of data takes place over time. The current study collected data at a precise point in time, implying that it was impossible to adopt causal designs. The study used a cross-sectional

survey design as it sought to examine the link between entrepreneurial and business management skills development and growth of MSMEs in Nairobi County, Kenya. The characteristics of populations considered as larger are best described through surveys given that no other observational method provides this form of capability (Rindfleisch, Malter, Ganesan, & Moorman, 2008). The decision to select this design is informed by the reason that it helps to eliminate observer subjectivity and allows for collection of data from a group using questionnaires from a sample representing the entire group at a specific point of time (Little & Rubin, 2019).

3.3 Target Population

Target population is a comprehensive set of all elements to be considered in a research work (Cooper & Schnindler, 2014). The study targeted MSMEs in Nairobi City County, which operate in various sectors that include the following: energy and petroleum, real estate, manufacturing, information and communication technology, professional services, financial and investment, whole/retail trading, and agricultural industries. Accordingly, these firms constituted the target population of this study. Based on the information from Business Registration Services (BRS), a semi-autonomous entity of the government of Kenya, there are 66,546 companies registered in Nairobi as of September 2022. However, official data from the Nairobi County Licensing Office (2022) aptly captures MSMEs presently operational as 36,673, hence the target population of the study.

The choice of MSMEs in Nairobi County was informed by their high number or concentration in this particular area of study, which made it possible to bring together a large and diverse set of ventures to be studied with the aim of understanding the factors that contribute to their growth and in developing policies that can support their development. However, MSMEs vary widely in terms

of industry, ownership structure, capabilities and growth potential, thus assuming them as a homogenous group may overlook the diversity and unique characteristics of individual enterprises that can affect their growth trajectory.

3.4 Sample Size and Sampling Technique

The sample size of the study was drawn from 36,673 proprietors of MSMEs in Nairobi City County. The study utilized the Krejcie and Morgan (1970) table to establish the sample size of the MSMEs that took part in this research. The table is annexed to this study under Appendix II and shows the population (N) and its appropriate sample size (n). This research work's target population was approximately 36,673 MSMEs, which was rounded off to 40000 MSMEs for the purpose of reading the table for corresponding sample size. Appendix II shows that population of 40000 will yield a sample size of 380 MSMEs.

The study employed simple random sampling procedure in the selection of 380 MSMEs for collection of data. As a probability sampling type, this method involves random selection of a population subset from all the targeted elements. This technique of sampling ensured that population units had equal chances of being involved in this research work. Randomization allowed for high internal and external validity since the sample size represents the attributes of the entire population under consideration in a scientific study.

3.5 Data Collection

The scientific work collected data with the objective of comparing entrepreneurial and business management skills development and growth of MSMEs. The entrepreneurial aptitude and level of management training among the MSMEs was measured on a 5-point likert scale. The process of data collection was carried out using self-administered questionnaires. Given that this research

work employed a cross-sectional survey design, a questionnaire was the most flexible and ideal tool to utilize in data collection (Taherdoost, 2016). To enhance coverage of information, the design of the questionnaire entailed of open and closed ended type of questions. The respondents to this study were the proprietors of MSMEs operating within Nairobi County. The research instrument comprised of three parts where the first section covered information pertaining to the profile of MSMEs. Part two of the tool collected data relating to entrepreneurial and business management skills development while part three gathered information on growth of MSMEs. A 5-point scale was used for part two and part three of the research instrument.

3.6 Data Analysis

The collected data underwent cleaning to check for omissions and errors, followed by modifications to ensure that it is of quality (Cooper & Schindler, 2014). Data was organized for processing after necessary corrections had been carried out. Data processing consisted of response coding, sorting of field data, and carrying out various statistical estimations, including data transformation using the Statistical Packages for Social Sciences (SPSS version 23) software. Presentation of the analyzed data will be aided by use of tables and figures.

Descriptive statistics, for example mean, percentage, frequency, and standard deviation, were used in the description of the primary data. To establish the interconnection between entrepreneurial and business management skills development and growth of MSMEs, inferential data analysis was used. Specifically, Pearson correlation and linear regression were utilized for inferential data analysis. The study adopted a linear regression model that provided a framework for establishing the extent to which changes in entrepreneurial and business management skills development were

associated with the growth of MSMEs. The general multiple regression model described below was utilized in this research work.

$$Y = B_0 + B_1X_1 + B_2X_2 + \varepsilon$$

Y = Growth of micro, small, and medium enterprises

β_0= constant

β_1, β_2 = regression coefficients

X_1 =Entrepreneurial skills development

X_2 =Business management skills development

ε =Error term

CHAPTER FOUR: ANALYSIS, RESULTS AND DISCUSSIONS

4.0 Introduction

Analysis, results, and discussions on entrepreneurial and business management skills development and growth of MSMEs in Nairobi, Kenya, are presented in this chapter of the research work. The analysis, results, and discussions have been done systematically in light of each of the objectives of this research inquiry. The presentation of the findings was aided through the utilization of tables and diagrams.

4.1 Response Rate

The target population of this study was 36,673 MSMEs in Nairobi City County, Kenya, out of which a sample size of 380 MSMEs was estimated from the population to be sufficient in investigating the phenomenon under this study (Krejcie & Morgan, 1970). The researcher sought to gather data from 380 MSMEs using self-administered questionnaires of which those that were dully filled and returned for further processing after conclusion of data collection process were from proprietors of 269 MSMEs. In this regard, the questionnaire response rate was 70.8% (n=269) while the non-response was 29.2% (n=111) (see table 4.1).

The rate of response attained in this research work is within the scholarly recommendations, which have been highlighted and discussed in existing literature. For instance, Babbie (2004) viewed 70% response rate as excellent for both analysis and publication. Other scholars (for example, Kothari, 2004) have suggested that a response rate of 50% or higher is within the suitable threshold of descriptive studies. Accordingly, the scientific recommendations put forth herein imply that the response rate of 70.8% meets the established criteria for subsequent analysis of the primary data and generalizability of the outcome of the research work to the entire population of the MSMEs.

Table 4.1

Response Rate

Category	f	%
Response	269	70.8
Non-Response	111	29.2
Total	**380**	**100.0**

4.2 Demographic Characteristics

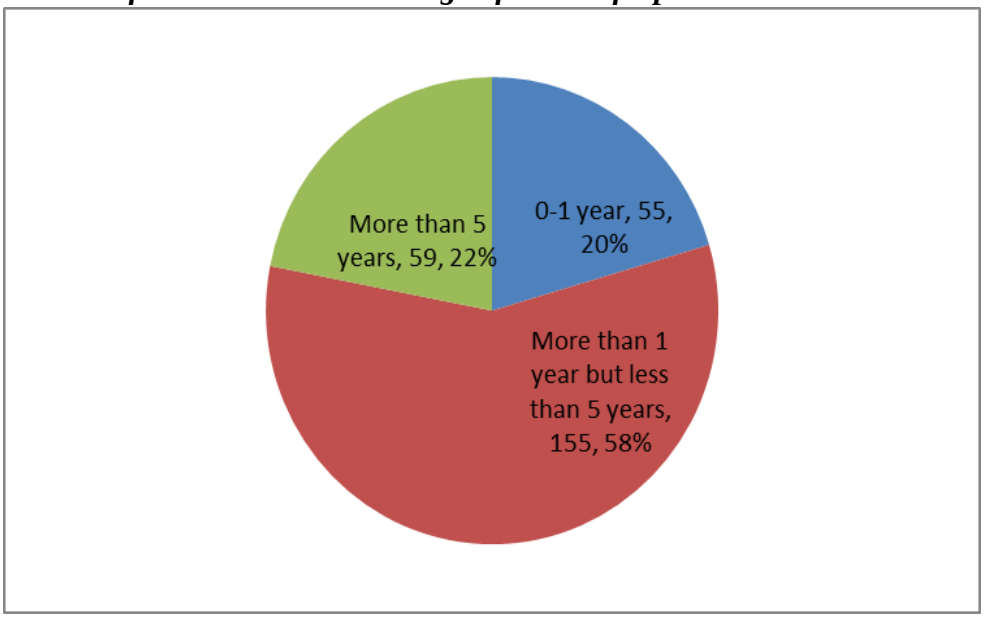
Given that the unit of analysis of this scientific work was MSMEs, the study focused on organizational demographic characteristics of these enterprises. The collected demographic attributes of MSMEs included years of operation, number of employees, type of ownership, industry of operation, scope of operation, and annual turnover. Organizational demographic discussions took into consideration 269 MSMEs from which responses were received by the researcher. Gathering of the demographic data ensured the representativeness of the population of the MSMEs as well as their characteristics. The subsections below present and discuss each of the organizational demographic characteristics.

4.2.1 Years of Operation

The study examined the years of operation of MSMEs since the demographic attribute reflects the level of experience in operation of businesses, thus it is possible to gain insights into how accumulated learning and experience affects the linkage between entrepreneurial and business management skills development and growth of enterprises. Moreover, years of operation determine the age of MSMEs and it is often a predictor of stability, profits, revenue, and experience in the market. Under this demographic attribute, years of operation were determined through categories of which the lowest range was 1 year and below, highest range was more than 5 years while the middle range was more than 1 year but less than 5 years.

As a demographic characteristic, years of operation was stated in relation to the number of MSMEs as a percentage of years of operation. Figure 4.1 reveals above a half (58%, n=155) of the MSMEs had been in operation for more than one year but less than 5 years while slightly above two-tenths (22%, n=59) had been in the market for more than 5 years. The number of MSMEs whose years of operation was one year and below were 20% (n=55). Figure 4.1 presents the summary of result under this demographic characteristic.

Figure 4.1
Number of MSMEs as a Percentage of Years of Operation



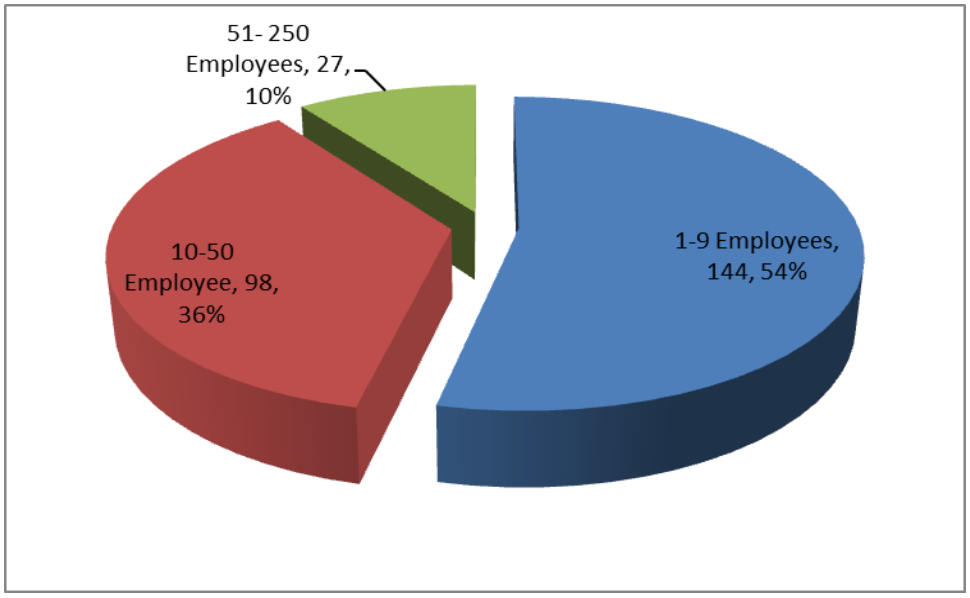
4.2.2 Number of Employees

As an organizational metric, number of employees is one of the indicators which provides information on the size and scope of businesses and it is essential in the estimation of the relative scale of firms' operations. Similarly, examining the socio-demographic data was important since enterprises with different size of personnel may respond differently to growth patterns and skills development efforts.

To establish the distribution of this demographic variable, number of employees was spread in four categories with the highest range being organizations with more than 250 employees. The other categories were 51 to 250, 10 to 50, and 1 to 9 employees. Results of the study shown in figure 4.2 reveal that more than a half (54%, n=144) of the MSMEs that participated in this research work had between 1 to 9 employees, above a third (36%, n=98) had 10-50 personnel whereas firms whose workforce constituted of 51 to 250 employees were a tenth (10%, n=27).

Figure 4.2

Number of MSMEs as a Percentage of Employees



4.2.3 Type of Ownership

Type of ownership of MSMEs can take the form of sole proprietorship, limited liability partnership, limited partnership, limited liability, and general partnership. These forms of ownership denote the legal form or structure of firm ownership. Understanding the type of ownership can be critical for assessing their legal and financial risks, as well as identifying any expansion or growth opportunities. Based on findings of the study collated in table 4.2, more than

a half (55.4%) of the MSMEs in Nairobi City County operated as limited liability enterprises, two-tenths (20.1%) were administered as sole proprietorship while 14.5% and 7.4% of the ventures had limited partnership and limited liability partnership as the type of ownership respectively. Few (2.6) MSMEs were managed as general partnership firms. The findings herein espouse that a greater number of the MSMEs operate as limited liability companies, suggesting that they can easily obtain financing or raise capital for growth or expansion.

Table 4.2

Number of MSMEs as a Percentage of Type of Ownership

Type of Ownership	**Number of MSMEs (n =269)**
Sole proprietorship	20.1
Limited liability partnership	7.4
Limited partnership	14.5
Limited liability company	55.4
General partnership	2.6

4.2.4 Industry of Operation

Industry of operation refers to the sector in which firms conduct their business activities. The industry of operation considered under this demographic variable included financial and investment, manufacturing, energy and petroleum, real estate, agriculture, professional services, and information communication technology. It is worth noting that respondents to the study were expected to indicate all the sectors of the economy in which their enterprises operated since ventures can participate in more than one industry. Table 4.3 shows that 27.8% of the MSMEs operated in the wholesale or retail trading industry, 18.4% offered professional services, above 13% were in the financial and investment sector, 12.2% of the MSMEs operated in the agricultural industry, whereas those in the information communication technology sector were 12.5%. The

other sectors of operation identified in the study included manufacturing (6.5%), energy and petroleum (4.9%), and real estate (4.8%).

Table 4.3

Number of MSMEs as a Percentage of Industry of Operation

Industry of Operation	**Number of MSMEs (n =269)**
Financial & investment industry	13.0
Manufacturing industry	6.5
Energy and petroleum industry	4.9
Real estate industry	4.8
Agricultural industry	12.2
Professional services industry	18.4
Information communication technology	12.5
Wholesale or retail trading industry	27.8

4.2.5 Scope of Operation

The scope of operation of MSMEs was determined through their market reach or the range and extent of the business operations that they participate in, and this often includes the geographical area of operation, target markets, and customer base that enterprises serve. According to the findings of this scientific inquiry summarized in table 4.4, about two-thirds (62.1%) of the enterprises operated nationally while slightly less than a third (29.9%) had their scope of operation being regional. On the other hand, less than a tenth (8%) of the businesses had their scope of operation as international. The inference of this result of the study is that many of MSMEs operate nationally and regionally and are familiar with consumer behavior and the local market dynamics.

Table 4.4

Number of MSMEs as a Percentage of Scope of Operation

Scope of Operation	Number of MSMEs (n =269)
International	8.0
Regional	29.9
National	62.1

4.2.6 Annual Turnover

Revenue generated by MSMEs over a 12-month period exclusive of discounts, refunds, and returns made to customers denotes their annual turnover. Estimation of annual turnover is important for the reason that it is a metric that shows growth potential and financial performance of enterprises. Table 4.5 indicates that majority (62.8%) of the ventures considered in this study recorded an annual turnover of less than 5,000,000 Kenyan Shillings, about two-tenths (23%) earned between 5,000,001 and 50 million Kenyan Shillings while 14.1% of the MSMEs reported their annual turnover as above 50 million Kenyan Shillings. While data on the minimum and maximum values of the enterprises' annual turnover was not collected, it is evident from the results of the study that some businesses generated high turnover, which probably enabled them to expand into new markets, invest in new products and services, and support their operations. At same time, the lowest range of the annual turnover reported by some enterprises is a sharp pointer to the existence of businesses that failed to accumulate sufficient revenue, which enviably threatened their survival and growth. The results of this research inquiry under this subsection are contained in table 4.5 below.

Table 4.5

Number of MSMEs as a Percentage of Category of Turnover

Turnover	Number of MSMEs (n =269)
Less than 5, 000, 000 Kenyan Shillings	62.8
5, 000, 001- 50 Million Kenyan Shillings	23.0
Above 50 Million Kenyan Shillings	14.1

4.3 Entrepreneurial and Business Management Skills Development

The first objective of the study was to determine the extent of entrepreneurial and business management skills development among MSMEs in Nairobi, Kenya. To establish the extent of the manifestation of both entrepreneurial and business management skills among MSMEs considered in this scientific inquiry, measures of variability and central tendency as descriptive statistics were utilized based on the measurement of each of the concepts on a 5-point likert scale. The specific descriptive statistics utilized in this study included the percent, standard deviation, and mean. Even though descriptive statistics do not show causality or establish relationships among variables of the phenomenon under study, they can aid in the communication of useful insights that emerge from analyzed data. The concepts of business management skills and entrepreneurial skills, consisting of the predictor variables, have been analyzed descriptively in the subsections below.

4.3.1 Entrepreneurial Skills Development

The first objective of the study was to determine the extent of entrepreneurial and business management skills development among MSMEs in Nairobi Kenya. This subsection of the study discusses entrepreneurial skills development as one of the concepts highlighted in the first objective of this research work. The entrepreneurial skills considered in this research work included goal setting, search for opportunities, innovation, and taking calculated risks as highlighted in the questionnaire captured in appendix I. To determine the extent of these skills among MSMEs, respondents to the study were given various statements describing each of the

entrepreneurial skills and they were required to indicate the extent to which they agreed with each of them. A 5-point likert scale was utilized in the measurement of the statements in relation to the entrepreneurial skills.

Table 4.6 indicates that more than a half (56.2%, 12.3%+43.9%; M=3.63) of the respondents agreed that they had outlined own goals apart from those of their firm, 81.7% (17.8%+63.9%) agreed that their firm produced results that emanated from product and service sales realized from business opportunities discovered and exploited in the market whereas about two-thirds (64.4% , 21.6%+42.8%; M=3.74) of the respondents posited that their organizations developed innovation initiatives, which help them to create new markets, products, business, and methods of work. The three statements above recorded standard deviation values of more than 1, which implies that notwithstanding the mean values of greater than 3.5, responses from the respondents were highly varied and dispersed from the mean point.

The results of the study further demonstrated that 71.3% (20.4%+50.9%) of the respondents acknowledged that there was augmented innovative performance and successful creation of products in their organization, a statement reinforced by the mean and standard deviation values of 4.01 and 1.22 respectively where the latter espouses greater variability of the responses from the mean. Similarly, more than two-thirds (65.8%, 17.5%+48.3%) of the respondents stated that their firm introduced new ideas, products, and processes to the already existing organizational practices. The mean value of 3.75 exemplifies that there was consensus among a greater number of the respondents with the statement while the standard deviation (1.46) shows the variations in the responses.

On top of the above, the findings of the study indicate that 65.4% (10.4% +55%) of the respondents agreed that their enterprises took risks that had the potential to create good returns, a result supported by the mean of 3.77. The standard deviation value of 1.57 indicates that the responses were not clustered around the mean, thus greater variability on their views under the statement. Similarly, more than a half (55%, 15.2%+39.8%) of the respondents opined that they assessed the risks of their actions in the market or the firm using information collected from their organizations. The mean and standard deviation values of 3.58 and 1.36 in that order depict that despite there being variability in the views of the respondents, majority of them agreed to the statement on the use of information in the assessment of risks of the actions to take in the market.

The overall computed mean of 3.59 is a sharp pointer to the fact that many of the proprietors of the MSMEs agreed with the various statements relating to entrepreneurial skills development. The average standard deviation value of 1.40 for the statements on entrepreneurial skills development exemplifies existence of variations respondents' views. Table 4.6 collates the descriptive summaries of the study under this subsection.

Table 4.6

Entrepreneurial Skills

Statement	SD	D	N	A	SA	Mean	SD
Your organization's goals are specific, clear and understood by those part of it	19.7%	24.9%	4.1%	11.9%	39.4%	3.26	1.63
Your firm has set measurable goals that are easily tracked	1.5%	35.3%	21.6%	19.7%	21.9%	3.25	1.19
You have outlined own goals apart from those of your firm	8.9%	19.3%	15.6%	12.3%	43.9%	3.63	1.43
Your organization implements new strategies, ideas, and projects aimed at producing or conceiving new services or products	12.6%	27.9%	13.4%	13.8%	32.3%	3.25	1.47
Your firm produces results that emanate from product and service sales realized from business opportunities discovered and exploited in the market	0.7%	10.0%	7.4%	17.8%	63.9%	4.34	1.03
Your organization develops innovation initiatives, which help it to create new markets, products, business, and methods of work	2.2%	28.6%	4.8%	21.6%	42.8%	3.74	1.33
There is augmented innovative performance and successful creation of products in your organization	2.2%	17.1%	9.3%	20.4%	50.9%	4.01	1.22
Your firm introduces new ideas, products, and process to the already existing organizational practices	9.3%	20.1%	4.8%	17.5%	48.3%	3.75	1.46
You create new products and services, which are more attractive to customers, and provide better solutions	13.4%	39.0%	2.6%	12.3%	32.7%	3.12	1.53
Your organization takes risks that have the potential to create good returns	15.2%	13.0%	6.3%	10.4%	55.0%	3.77	1.57
You take action aimed at reducing risks of intended actions	13.4%	26.8%	3.0%	17.8%	39.0%	3.42	1.54
You assess the risk of your actions in the market or the firm using the information collected	3.3%	30.1%	11.5%	15.2%	39.8%	3.58	1.36
Average						**3.59**	**1.40**

4.3.2 Business Management Skills Development

The study primarily took into consideration planning and organizing as the business management skills. To determine the manifestation of these skills among the MSMEs, respondents to the study were presented with diverse statements relating to the aforesaid skills and were required to specify the degree to which they disagreed or agreed with each of them.

The results of the research work shown in table 4.7 show that majority (67.2%, 12.6%+54.6%; M=3.92) of the respondents stated that there was projection of the future and building of mechanisms to achieve goals, three-quarters (75.9%, 20.1%+55.8%; M=4.12; S.D=1.2) were of the opinion that their organization established the broad strategy, translated it into specific strategies, followed by formulation of processes or techniques of accomplishing them, while 74.3% (19.3%+55%; M=4.04) of the respondents agreed that business planning and use of strategies, such as marketing, positively influenced growth and sustainability. It is worth noting that regardless of the mean values of the three statements being of about 4, the standard deviation values of more than 1 indicate that there were respondents who strongly disagreed, disagreed or were neutral/moderate.

The study's results further disclosed that about two-thirds (65.8%, 21.9%+43.9%) of the respondents opined that their firms coordinated, integrated, and structured task activities and goals to resources as a means to achieve objectives. The mean and standard deviation of 3.76 and 1.34 respectively espouse that whilst respondents provided varied responses, generally, majority of them agreed with the statement. Likewise, 69.6% (16.4%+53.2%) of the respondents agreed that they managed expenditures within the limit set by budgets, a statement reinforced by the mean of 3.9. Greater variability in the views of the respondents is represented by the standard deviation of

1.39. Lastly, more than a half (58.4%, 13.4%+45%) of the respondents averred that there was effective management of change and conflict in their organization. The statement was validated by the mean value of 3.66 while the standard deviation of 1.4 shows variations in the responses.

The overall mean of 3.9 on the manifestation of business management skills among enterprises depicts that a greater number of them were in agreement with statements relating to this concept whereas the standard deviation (1.33) demonstrates dispersion of responses from the computed general average.

Table 4.7

Business Management Skills

Statement	SD	D	N	A	SA	Mean	SD
There is projection of the future and building of mechanisms to achieve goals	7.4%	14.9%	10.4%	12.6%	54.6%	3.92	1.38
Your organization establishes the broad strategy, translates it into specific strategies, followed by formulation of processes or techniques of accomplishing them	2.6%	14.5%	7.1%	20.1%	55.8%	4.12	1.20
Business planning and use of strategies, such as those in marketing, positively influence the growth and sustainability	5.2%	14.9%	5.6%	19.3%	55.0%	4.04	1.29
Your firm coordinates, integrates, and structures task activities and goals to resources as a means to achieve objectives	3.0%	27.5%	3.7%	21.9%	43.9%	3.76	1.34
You manage expenditures within the limit set by budgets	7.1%	17.5%	5.9%	16.4%	53.2%	3.91	1.39
There is effective management of change and conflict in your organization	4.8%	27.5%	9.3%	13.4%	45.0%	3.66	1.40
Average						**3.90**	**1.33**

4.4 Growth of Micro, Small, and Medium Enterprises

The rationale of the present research project was to investigate the relationship between entrepreneurial and business management skills development and growth of MSMEs. Whilst the concepts of entrepreneurial and business management skills development have already been explored in the above subsections using descriptive statistics, it is equally imperative to provide a snapshot of the concept of growth by delving into it using descriptive statistics. The intersection between the predictors and response variables has been undertaken by use of correlation and linear regression analysis in sections 4.5 and 4.6.

Table 4.8 indicates that majority (71.7%, 24.9%+46.8%) of the respondents agreed that their organizations had increased the number of customers they served, a result further reinforced by the mean of 3.81. Moreover, the results of the study established that 58.7% (19.7%+39%; M=3.56) of the respondents reported high business profitability and increase in sales, while on the other hand, about a half (51.3%, 20.4%+30.9%) of the respondents stated that their ventures had developed services or products that were in demand. However, the mean of 3.28 implies that many of the respondents were neutral about the latter statement and they provided varied responses (S.D=1.47). The results showed that slightly less than a half (49.8%, 25.3%+24.5%; M=3.22) of the respondents were in agreement that their organization designed strategies that ensured maximization of output at a low production cost while 65.1% (11.9%+53.2%; M=3.86) of them stated that their MSMEs had increased their revenue.

The overall mean of 3.55 exemplifies that a greater number of the respondents agreed with the various statements on growth of MSMEs. The average standard deviation of 1.43 for the

statements on growth development shows dispersion of the views of the respondents from the mean. Table 4.8 contains the summary of the results.

Table 4.8

Growth of Micro, Small, and Medium Enterprises

Statement	SD	D	N	A	SA	Mean	SD
My organization has increased the number of customers it serves	14.5%	8.2%	5.6%	24.9%	46.8%	3.81	1.46
There is high business profitability and increase in sales	7.4%	26.8%	7.1%	19.7%	39.0%	3.56	1.42
My organization has developed services or products that are in demand	13.4%	27.1%	8.2%	20.4%	30.9%	3.28	1.47
My organization has designed strategies that ensure maximization of output at a low production cost	10.8%	31.2%	8.2%	25.3%	24.5%	3.22	1.39
My organization has increased its revenue	9.3%	13.8%	11.9%	11.9%	53.2%	3.86	1.42
Average						**3.55**	**1.43**

4.5 Correlation Analysis

Correlation analysis was utilized to establish the linkage between entrepreneurial and business management skills development and growth of MSMEs. Entrepreneurial and business management skills development constituted the predictor variables while growth was the response variable of the study. As a statistical method, correlation analysis measures the extent to which two or more concepts are related to each other. The analysis is a technique utilized in the evaluation of strength and direction of the liner link among variables subjected to a scientific inquiry. It involves computing a correlation coefficient, which is a value ranging from -1 to +1. A correlation coefficient of -1 shows a negative correlation, suggesting that variables being studied move in completely opposite directions. On the other hand, +1, as a correlation coefficient, indicates a

perfect positive correlation where variables move in the same direction. Absence of correlation among variables is signified by a correlation coefficient of 0. The interpretation of the correlation coefficients for this research work was based on the recommendation by Hinkle, Wiersma, and Jurs (2003) who interpreted correlation coefficient of 0.90 to 1.00 as very high, 0.70 to 0.89 as high, 0.50 to 0.69 as moderate, 0.30 to 0.49 as low, and 0.00 to 0.29 as negligible.

Table 4.9

Correlation Analysis

		1	**2**	**3**
(1)Entrepreneurial Skills	r	1		
	p-value			
(2)Business Management Skills	r	.398**	1	.
	p-value	.000		
(3)Growth	r	.385**	.746**	1
	p-value	.000	.000	

** *p<0.01*

Table 4.9 revealed that the correlation coefficient between growth of MSMEs and each of the predictor variables (entrepreneurial and business management skills) is statistically significant ($p<0.01$), meaning that the correlations observed among the variables were not due to chance. Based on the strength of correlation, growth of MSMEs has a low positive and statistically significant correlation with entrepreneurial skills development ($r=0.385$, $p<0.01$), suggesting that the association between the variables is positive, such that as the level of entrepreneurial skills development improves or increases, MSMEs are more likely to grow in the market. It is worth noting that the positive and statistically significant correlation between entrepreneurial skills

development and growth of MSMEs does not point to possible cause and effect linkage among these variables of the study.

On top of the above, growth of MSMEs exhibited a highly positive and statistically significant relationship with business management skills development ($r=0.746$, $p<0.01$), indicating that as the level of business management skills development increase, MSMEs are inclined to follow a trajectory of growth. The study's results imply that business management skills development might be an essential factor for fostering the growth of MSMEs, whereas entrepreneurial skills development may as well positively enhance growth, despite the strength of the relationship being weaker than that of business management skills development. Table 4.9 tabulates the correlation analysis results of this scientific inquiry.

4.6 Regression Analysis

The relationship between entrepreneurial and business management skills development and growth of MSMEs was established by fitting a regression model to the data on the respective explanatory and outcome variables. The output of the results on the relationship between entrepreneurial and business management skills, as explanatory variables, and growth of MSMEs, as the explained the variable, is outlined in table 4.10 below. Overall, the study's findings demonstrate that the predictors considered in this research work depicted a highly positive relationship with growth of MSMEs as reported by a correlation coefficient of 0.752 ($r=0.752$).

The coefficient of determination, referred to as the r-square, denotes the proportion of variance in growth of MSMEs explained by the independent variables of the study. For this study, the r-square was 0.565, implying that entrepreneurial and business management skills development accounted for 56.5% of the variance in growth of MSMEs. The adjusted r-square value of 0.562 depicts that

the inclusion of more predictor variables may not significantly improve the regression model fit, thus it is possible that the present model is adequate in the prediction of growth of MSMEs based on entrepreneurial and business management skills development.

Table 4.10

Model Fit

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
	.752	.565	.562	.73790

The goodness of fit of the model used in the assessment of the relationship between entrepreneurial and business management skills development and growth of MSMEs was established through the ANOVA statistics shown in table 4.11. The F-value of 172.85 and the corresponding p-value of equal to 0.000 ($p<0.05$) show that the model was statistically significant. Accordingly, the implication of this result is that the predictor variables of the model significantly contributed to the variance in the response variable, hence entrepreneurial and business management skills development significantly explained the variance in growth of MSMEs.

Table 4.11

ANOVA Table

Model		Sum of Squares	df	Mean Square	F	Sig.
	Regression	188.234	2	94.117	172.853	.000
	Residual	144.835	266	.544		
	Total	333.069	268			

Table 4.12 indicates the regression coefficients of the linear regression with entrepreneurial and business management skills being the explanatory variables, predicting the dependent variable, growth of MSMEs. The regression coefficients show how the outcome variable varies when the corresponding explanatory variable rises by one unit, while keeping all other independent variables

constant. The finding of the study reveals that the regression coefficient for entrepreneurial skills is 0.164, suggesting that a one unit increase in entrepreneurial skills development will cause 0.164 increase in growth when there is no variation in other aspects of a research work. This coefficient is statistically significant ($p=0.018$; $p<0.05$), signifying that entrepreneurial skills development is a significant predictor of growth. Accordingly, the study deduced that entrepreneurial skills development depicted a positive and statistically significant linkage with growth of MSMEs ($r=0.164$, $p=0.018$).

Besides, the study established that the regression coefficient for business management skills is 1.024, thus a one unit increase in business management skills development will cause 1.024 increase in growth in instances where other factors do not vary. The coefficient is statistically significant as shown by the p-value of equal to $0.000<0.05$, indicating that business management skills development significantly predicts growth. Accordingly, business management skills development exhibited a positive and statistically significant link with growth of MSMEs ($r=1.024$, $p=0.000$).

Table 4.12

Regression Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	-1.040	.276		-3.767	.000
Entrepreneurial Skills	.164	.068	.105	2.391	.018
Business Management Skills	1.024	.064	.704	15.963	.000

4.7 Discussion of the Findings

The findings of this scientific work have indicated that entrepreneurial and business management skills are closely associated with growth of MSMEs. In effect, the study's results imply that

entrepreneurial and business management skills development affects the growth of MSMEs. The study found out that skills, such as goal setting, search for opportunities, innovation, and taking calculated risks, as entrepreneurial skills, and planning and organizing, as business management skills, positively influenced MSMEs' growth.

The overall results revealed that entrepreneurial skills development depicted a positive and statistically significant relation with growth of MSMEs ($r=0.164$, $p=0.018$). Skills, such as goal setting, search for opportunities, innovation, and taking calculated risks, have positive relationship with metrics of measuring growth of MSMEs, like increase in number of customers served, business profitability, product development, and increase in revenue. These results of the study herein concur with other empirically driven studies that have been undertaken within the context of skills development among MSMEs. For instance, a scientific inquiry by de Mello Macedo et al. (2020) established that entrepreneurial skills, particularly goal-setting, planning, monitoring, networking, information seeking, commitment, taking calculated risks, and opportunity finding influenced the performance of MSMEs in Brazil. Seemingly, this result of the study reinforces the importance of entrepreneurial skills development as a key driver of fostering performance of enterprises, especially those categorized as micro, small, and medium.

Other empirical studies that have given more light on the concept of entrepreneurial skills development and its relationship with various elements of MSMEs, such as growth, include Koe et al. (2018), Khuong and An (2016) and Mbugua and Moronge (2017). Koe et al. (2018) established that innovation and creativity, as specific entrepreneurial skills, exhibited a positive and significant relationship with business start-up intention whereas a study by Khuong and An (2016) revealed that perceived feasibility and environment external to firm, and entrepreneurial

experience positively and significantly influenced entrepreneurship intention. Results from a study carried out in Kenya by Mbugua and Moronge (2017) indicated that innovativeness and pro-activeness significantly improved the growth of MSEs. Whilst some of the skills and other dimensions of entrepreneurship identified in the scientific works above were not incorporated in this study, it is evident that entrepreneurial skills development has been proven to influence growth and performance of MSMEs.

Besides, the overall results established that business management skills development exhibited a positive and statistically significant relation with growth of MSMEs (r=1.024, p=0.000). This finding of the study suggests that planning and organizing as business management skills influence growth of MSMEs since they enable ventures to understand diverse aspects of business operations alongside possessing knowledge on labor, employment, and tax laws, including staying abreast of industry and market trends. There exist studies that have arrived at similar findings with this study where they have espoused the importance of enhancing business management skills of MSMEs. For example, undertaken in Pakistan by Ahmad and Ahmad (2021) established that the performance of MSMEs was positively influenced by managerial skills. Moreover, the result of this research work is comparable to that of Aliyu (2015) whose study findings revealed that managerial skills, such as leading, organizing, and planning abilities, significantly affected growth and performance of small-scale businesses. Ssempala et al. (2018) established that managerial skills along with access to credit and market were critical determinants of growth of MSMEs in Uganda.

The results generated by this research work that skills development in entrepreneurship and business management is a strong predictor of growth of MSMEs resonates with both empirical

evidence and theoretical foundations. In fact, existing literature has widely demonstrated that entrepreneurial and business management skills, for example, in risk-taking, planning, innovation, and opportunity identification, are critical in fostering growth of enterprises in the economy. Extant empirical research studies that have partly been discussed above have from time to time established that entrepreneurial and managerial skills and the growth of MSMEs are positively related.

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.0 Introduction

The summary of the key results in light of the arguments made above are contained in this chapter. In addition, conclusions and recommendations of the study are further outlined under this chapter. Suggestions for further research are presented in the last section of this chapter.

5.1 Summary of Major Findings

The rationale of this research work was to determine the nexus of entrepreneurial and business management skills development and growth of MSMEs in Nairobi, Kenya. The study further investigated the extent of entrepreneurial and business management skills development among MSMEs. Of the 380 self-administered questionnaires, 269 were duly filled and returned by the proprietors of MSMEs, resulting in a response rate of 70.8%.

Based on the results of the study, majority of MSMEs had been in operation for more than one year but less than 5 years. It was further established that majority of MSMEs in the study had between 1 to 9 employees, limited liability enterprises were the most common type of ownership for MSMEs in Nairobi City County, whereas most of the MSMEs operated in the wholesale or retail trading industry, with a significant number also offering professional services. The outcome of this scientific inquiry showed that the majority of enterprises in the study operated nationally while only a small percentage had an international scope. Majority of the ventures that took part in this scientific inquiry had an annual turnover of less than 5,000,000 Kenyan Shillings.

Study findings revealed that respondents agreed that their organizations were successful and committed to innovation. They outlined their own goals apart from those of their firm, produced

results from product and service sales realized from business opportunities discovered and exploited in the market, and developed innovation initiatives that helped them to create new markets, products, businesses, and methods of work. Most MSMEs were successful in developing new products and increasing its innovative performance. Respondents to the study also agreed that their firms developed new ideas, products, and processes to their organizational practices. This, therefore, suggests that the enterprises in the study are committed to innovation.

The majority of respondents agreed that their enterprises took calculated risks that had the potential to create good returns, including assessing the risks of their actions in the market or the firm using information collected from their organizations. Similarly, study findings revealed that majority of the MSMEs had a plan for the future, established specific strategies to achieve their goals, and used evidence-based methods to achieve their goals. Moreover, majority of the respondents stated that enterprises were organized, efficient, and financially responsible. They also stated that their organizations were able to adapt to change and resolve conflict in a positive way.

With regard to growth of the MSMEs, majority of respondents agreed that their organizations had increased the number of customers they served, reported high business profitability and increase in sales, and had increased their revenue. However, the respondents were neutral about whether their ventures had developed services or products that were in demand, and whether their organization designed strategies that ensured maximization of output at a low production cost. The result of the study implies that MSMEs are performing well in terms of customer acquisition, sales, and revenue, but may need to improve on developing new products or services that are in demand and designing strategies to reduce production costs.

Based on the correlation analysis results, growth of MSMEs had a low positive and statistically significant correlation with entrepreneurial skills development. Growth of MSMEs exhibited a highly positive and statistically significant correlation with business management skills development. Results from regression analysis established that entrepreneurial skills development depicted a positive and statistically significant linkage with growth MSMEs. In addition, the overall results from regression analysis revealed that business management skills development exhibited a positive and statistically significant relationship with growth of MSMEs.

5.2 Conclusions

According to results of this research work, the study results indicate that the surveyed MSMEs demonstrated a strong commitment to innovation and success. They outlined individual goals, capitalized on market opportunities, and implemented innovative initiatives to create new markets, products, businesses, and work methods. They were able to achieve their goals by taking calculated risks, planning for the future, and using evidence-based methods. They were also efficient, financially responsible, adaptable, and good at resolving conflict. In effect, the study concludes that MSMEs are committed to innovation, goal-oriented planning, and have effective organizational practices, which positions them for continued growth and success in the ever-changing business landscape.

The study results established that entrepreneurial and business management skills development depicted a positive and statistically significant relation with growth of MSMEs. In effect, the study concluded that that a unit increase in both entrepreneurial and business management skills development would cause a unit increase in the growth of MSMEs in Nairobi, Kenya. These results

showcase the importance of concerted efforts, which promote enhancement and nurturing of both entrepreneurial and business management skills to foster growth and success MSMEs in Kenya.

The findings of this research work concluded herein have contributed to the resource based view and the contingency theories. The study has provided a theoretical linkage of resource based view in skills development of MSMEs by demonstrating that entrepreneurial and business management skills have a statistically significant effect on growth of MSMEs. The results generated from the study have enriched the theories by substantiating that effective deployment of resources, particularly human capital, is pivotal for MSME growth. Similarly, evidence garnered from the study has underscored the significance of adapting strategies to the external context, such as a commitment to innovation to create new markets as the basis of improving a wide array of MSMEs metrics like growth, a position that aligns with the tenets of contingency theory.

5.3 Recommendations

According to the results of the study, it is recommended that MSMEs focus on enhancing their commitment to innovation and success. This can be attained by setting clear and specific goals, capitalizing on market opportunities, and promoting a culture of innovation. Moreover, enterprises should aspire to take calculated risks, strengthen organizational efficiency, and foster financial responsibility. In so doing, MSMEs can create a proactive and innovative environment, optimize resource allocation, and maintain financial stability, which will ultimately position them for continued growth and success in the ever-changing business landscape.

Based on the study findings, the study recommends that stakeholders in the MSMEs sector, including the Kenyan government to prioritize the development of both entrepreneurial and business management skills through targeted training workshops and education programs that

enhance competencies in areas, such as strategic planning, financial management, marketing, and innovation, to help MSMEs grow and contribute to the economy. Similarly, knowledge sharing and collaboration should be advocated among MSMEs since they encourage innovation and learning. Policymakers working in the area of enterprise development and innovation can create an enabling environment by developing supportive policies, simplified business registration processes, and incentives for entrepreneurial initiatives in the country.

5.4 Suggestions for Further Research

Entrepreneurial and business management skills development accounted for 56.5% in the growth of MSMEs in Nairobi Kenya. In this regard, it is imperative to delve into other factors that contribute to changes or variations in growth of MSMEs in Kenya. Future studies should seek to explore strategies and interventions, which promote the innovative capabilities of MSMEs. The approach can involve investigating the role of market dynamics, access to financial resources, and government policies in promoting innovation.

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APPENDICES

Appendix I: Questionnaire for Proprietors of MSMEs in Nairobi County

This research instrument was developed with the aim of gathering data on the relationship between entrepreneurial and business management skills development and growth of MSMEs in Nairobi County. Kindly place a tick (√) on the option of your preference.

SECTION A: MSME DEMOGRAPHICS

1. **Complete years of operation**

   0-1 year [ ]

   More than 1 year but less than 5 years [ ]

   More than 5 years [ ]

2. **Number of employees**

   1-9 [ ]

   10-50 [ ]

   51- 250 [ ]

   Above 250 [ ]

3. **Type of ownership**

   Sole proprietorship [ ]

   Limited liability partnership [ ]

   Limited partnership [ ]

   Limited liability company [ ]

   General partnership [ ]

4. **Industry of operation**

(More than one response possible)

   i. Financial & investment industry [ ]

ii. Manufacturing industry [ ]

iii. Energy and petroleum industry [ ]

iv. Real estate industry [ ]

v. Agricultural industry [ ]

vi. Professional services industry [ ]

vii. Information communication technology (ICT) [ ]

viii. Wholesale or retail trading industry [ ]

ix. Other (Specify) _____

5. Scope of operation

(More than one response possible)

i. International [ ]

ii. Regional [ ]

iii. National [ ]

6. State the average annual turnover of your MSME

Less than 5, 000, 000 Kenyan Shillings [ ]

5, 000, 001- 50 Million Kenyan Shillings [ ]

Above 50 Million Kenyan Shillings [ ]

SECTION B: ENTREPRENEURIAL AND BUSINESS MANAGEMENT SKILLS DEVELOPMENT

(Key: 1=Strongly Disagree; 2=Disagree; 3=Neutral; 4=Agree; 5=Strongly Agree)

7. The statements below describe entrepreneurial skills. For each of them, please indicate the extent to which you agree with it.

	Statement	**1**	**2**	**3**	**4**	**5**

	Setting goals					
i.	Your organization's goals are specific, clear and understood by those part of it					
ii.	Your firm has set measurable goals that are easily tracked					
iii.	You have outlined own goals apart from those of your firm					
	Search for opportunities	**1**	**2**	**3**	**4**	**5**
iv.	Your organization implements new strategies, ideas, and projects aimed at producing or conceiving new services or products					
v.	Your firm produces results that emanate from product and service sales realized from business opportunities discovered and exploited in the market					
vi.	Your organization develops innovation initiatives, which help it to create new markets, products, business, and methods of work					
	Innovation	**1**	**2**	**3**	**4**	**5**
vii.	There is augmented innovative performance and successful development of products in your organization					
viii.	Your firm introduces new ideas, products, and process to the already existing organizational practices					
ix.	You create new products and services, which are more attractive to customers, and provide better solutions					
	Taking calculated risks	**1**	**2**	**3**	**4**	**5**
x.	Your organization takes risks that have the potential to create good returns					
xi.	You take action aimed at reducing risks of intended actions					
xii.	You assess the risk of your actions in the market or the firm using the information collected					

8. The statements below relate to the dimensions of business management skills. Kindly indicate the extent to which you agree with each of them.

	Statement	1	2	3	4	5
	Planning					
i.	There is projection of the future and building of mechanisms to achieve goals					
ii.	Your organization establishes the broad strategy, translates it into specific strategies, followed by formulation of processes or techniques of accomplishing them					
iii.	Business planning and use of strategies, such as those in marketing, positively influence the growth and sustainability					
	Organizing	**1**	**2**	**3**	**4**	**5**
iv.	Your firm coordinates, integrates, and structures task activities and goals to resources as a means to achieve objectives					
v	You manage expenditures within the limit set by budgets					
vi.	There is effective management of change and conflict in your organization					

SECTION C: GROWTH OF MICRO, SMALL, AND MEDIUM ENTERPRISES

9. Place a tick on the scale showing the extent to which you agree or disagree with each of the statements

	Statement	1	2	3	4	5
i.	My organization has increased the number of customers it serves					
ii.	There is high business profitability and increase in sales					
iii.	My organization has developed services or products that are in demand					
iv.	My organization has designed strategies that ensure maximization of output at a low production cost					
v.	My organization has increased its revenue					

END

Appendix II: Krejcie and Morgan Table

N	*S*	*N*	*S*	*N*	*S*
10	10	220	140	1200	291
15	14	230	144	1300	297
20	19	240	148	1400	302
25	24	250	152	1500	306
30	28	260	155	1600	310
35	32	270	159	1700	313
40	36	280	162	1800	317
45	40	290	165	1900	320
50	44	300	169	2000	322
55	48	320	175	2200	327
60	52	340	181	2400	331
65	56	360	186	2600	335
70	59	380	191	2800	338
75	63	400	196	3000	341
80	66	420	201	3500	346
85	70	440	205	4000	351
90	73	460	210	4500	354
95	76	480	214	5000	357
100	80	500	217	6000	361
110	86	550	226	7000	364
120	92	600	234	8000	367
130	97	650	242	9000	368
140	103	700	248	10000	370
150	108	750	254	15000	375
160	113	800	260	20000	377
170	118	850	265	30000	379
180	123	900	269	40000	380
190	127	950	274	50000	381
200	132	1000	278	75000	382
210	136	1100	285	1000000	384

Note.—*N* is population size. *S* is sample size.

Source: Krejcie & Morgan, 1970