

Organizational Empowerment Programmes and
Entrepreneurial Outcomes in the Microenterprise
Sector

By

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DECLARATION

I declare that this conceptual independent study paper is my original work and that it has not been submitted in part or in full to any other university for a degree or any other qualification

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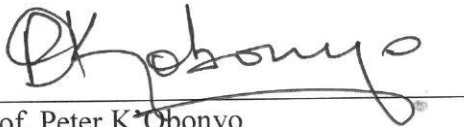
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23/12/2

DEDICATION

This work is dedicated to my supervisor Professor K'Obonyo, the entire University of Nairobi community, my immediate family Jay and Maryjoy, my parents, my siblings and all the supportive friends.

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Acronyms and Abbreviations

CD	Career Development
GOK	Government of Kenya
HR	Human Resource
HRM	Human Resource management
HRD	Human Resource Development
MSE	Micro and Small Scale Enterprise
OD	Organizational Development
TQM	Total Quality Management
USA	United States of America

Abstract

Empowerment at individual level is the art of increasing the competency and capability of others by endowing them with a sense of self-worth and potency. At organizational level, empowerment aims at enhancing participation of all stakeholders in the achievement of individuals' and organizational goals. The individual aspect of empowerment is well researched, but little has been done on organizational empowerment. Empowerment is an open-ended construct that takes different forms in different contexts amongst different people, hence the need for contingency studies (Zimmerman, 1993; Perkins, 1993). One of the areas where the role of empowerment is required is in microenterprise sector. Despite the significant role this sector is playing in economic development in developing countries, it has remained bounded, underdeveloped and dominated by outdated traditional management practices. As a result, entrepreneurs end up wasting massive investment as their enterprises die prematurely. Employees join the sector for diverse reasons or because they are displaced by the formal employment sector whose growth has taken a negative trend.

Previous studies on microenterprises focused on the role of technical skills, entrepreneurs' demographic factors, financial factors, infrastructural factors, policy issues, ownership arrangements, networks, linkages, cultural practices and market structures. Much less has been done about organizational development components and the role of human agency in enhancing microenterprise performance. Attempts to resolve the microsector problems have not yielded the desired outcomes. Increasingly, the role of organizational development programmes within the micro and small scale enterprises sector is being recognized as a positive direction for the bounded sector (Kamoche, 2000). The questions to be resolved by this conceptual independent paper are: how should empowerment studies in the microenterprise sector be conducted? What literature would advise empowerment studies in this bounded sector? What has or not been studied? Are there controversies that surround empowerment studies and how have they been resolved? What is the most appropriate empowerment conceptual framework for micro and small scale enterprise in Kenya?

SECTION 1: EMPOWERMENT

1.1. Introduction

In the 21st century, organizations are becoming more complex due to professionalization, internationalization, modernization, intense competition and technocalization. Non-renewable resources like capital and raw materials are becoming more scarce. The human resource development function which concentrates on building people rather than using people is the only known flexible and renewable organizational resource that is likely to guarantee organizational development in the 21st century (Bolman and Deal, 1997; Harvey and Drolet, 1994; Senge, 1991). The process and purpose of building people is to increase their competence and capability so as to enhance their sense of self-worth, potency and ultimately their productivity (London, 1988). The 21st century is certainly the era of empowerment (Hardy and Leiba-O'Sullivan, 1998).

In the 21st century, organizational effectiveness is the only sure way to remain competitive (DeGeus, 1997). The microenterprises which have organizational weakness (Okech, et al, 2002) are the most challenged, since they have been managed according to the traditional management orthodoxy (Morgan, 2000). Whereas organizational behaviorists in USA and Europe have been dialoguing on how new management certainties have replaced the old organizational management models in the areas of organization theory and behavior (Curry, 2005; Morgan, 2000; Clegg and Hardy, 1999; Clegg, Hardy and Nord, 1999; Pfeffer, 1997), their colleagues in developing contexts continue to focus on how environmental and market-economy factors influence performance of the MSEs. Absence of explicit and globally relevant research paradigm in the field of entrepreneurship have not made it easier for entrepreneurs the world over

(Hindle and Lansdowne, 2005). As a result, entrepreneurs have preceded through trial and error (Kitetu, 2005) hence their failure before maturing (K'Obonyo, 1999). The challenges of the MSE sector can be resolved through organizational empowerment programmes (Pearson, 1999).

1.2. Empowerment

The term empowerment has become part of everyday's management language, highly popularized through concepts like human resource management (HRM) and total quality management (TQM). Empowerment practices and programmes are providing solutions to age-old problem of bureaucratic workplaces and rudimental practices where creativity is stifled and workers are alienated (Perkin and Zimmerman, 1995). There are two versions of empowerment: Individual and organization. All these are grounded on empowerment theories. Empowerment theories provide framework of application, procedural and methodological guidelines for empowerment studies. Based on empowerment theories, there are two versions of empowerment: individual or personal and community or organizational version*-

Although empowerment as a management concept has generated a lot of attention, the concept continues to be controversial with some scholars dismissing it as "a fuss about nothing" (Randolph, 1995). Other scholars have posited that empowerment practices and programmes are instrumental in enhancing organizational efficiency and effectiveness hence firm performance (Harley and Leiba-O'Sullivan, 1998; Pfeffer, 1994; Arthur, 1992). However some scholars have little regard to empowerment. Ramaswamy and Schiphorst (2000) observed that empowerment cannot enhance desired organizational outcomes and that empowerment as used in recent labor-related font offer

little to workers. Randolph (1995) hinted that the practice of empowering a workforce is deceptively simple to understand, but difficult to implement.

1.3. Empowerment Theories

The individual version of empowerment is grounded on the feminist theory of empowerment which is traced to Brazilian educator Freire (1985) who dedicated his life to aide the oppressed and marginalized learners' communities to achieve liberation through a series of reflection and action meetings with the oppressors. The individual version of empowerment has to do with building the competency and capability of persons through training and other initiatives to enable them to execute their obligations. Based on this theory, a disempowered employee exhibits repressive tendencies; navigate by acquiescence and rebellion. Others suffer low self-esteem which is often reflected in frustration and poor performance. To the disempowered in an organization, empowerment programmes need to lead to social change whereby the oppressed gain assess and exercise some inherent power to make decisions and informed choices to enhance both organizational and individuals' performance. From this theory, empowerment is a transformational process through which individuals attain self-esteem, self-efficacy, gain moral and legitimate rights and responsibilities to engage their social, economic and political entities to uphold the principles of good governance, management and leadership through participation processes.

The second theory is transactional empowerment theory. This theory introduces several organizational aspects including environmental psychology (Zimmerman, 1993), processes and procedural science of diagnosing empowerment modules as engrained in

the principles of phenomenology and ethnomethodology necessary for practical application. This approach has attracted special interest and application of empowerment to sociological constructs that are anchored on values system. According to Ndemo (2005) and Hutcheon (1972), entrepreneurship studies are deeply rooted to value systems. Studies rooted on value systems are supposed to be holistically designed so that people and the environment integrate through psychological processes that are subject to socio-economic and political contexts and trends.

The third empowerment theory is the structuration theory. Giddens' structuration theory (1982, 1984) integrates the micro and macro level of empowerment analysis (Perkin and Zimmerman, 1995). From this theory, the social structure is the outcome of human action and the action is made possible within the boundaries of social structure where empowerment takes place (Perkin and Zimmerman, 1995). Giddens (1982, 1984) makes use of the term "system" to describe one of the overt patterns of social structures. From this theory, individual empowerment practices and structural outcomes are not the essence of empowerment processes and programmes. Rather, empowerment activities and practices are dynamic processes aimed at changing social systems and creating structural alternatives. The outcomes of organizational empowerment practices in summary outlines institutional processes, defines systems and processes. Through this theory, empowerment analysis takes on socio-economic approach that calls for use of

*

system-based techniques. From this perspective, empowerment takes a community or organizational dimension. From an organizational version, empowerment connotes organizational processes and structures that enhance members' participation and improvement of goals achievement (Perkins and Zimmerman, 1995).

1.4. The Empowered Organization

In the 21st century, the social, economic and political forces require people and organizations to respond as organic entities whose survival would depend on their willingness to learn for survival (De Geus, 1996). As recorded by Quinn (1996), only organic individuals can create organic and competitive organizations, hence the need for empowerment. Empowered entrepreneurs would engineer organizational empowerment and vice versa. For organizations in the empowerment era to sustain their competitive advantage, there is need for individuals to unite in shading away tendencies that focus on marginalization, excess control and acts that constraint employee's potential. This is possible through participative programmes that encourage teamwork, inclusiveness and formation of networks, linkages and associations. The 21st century organizations are required by: global markets and trends; shifts in workforce; customer demographics; industrial and socioeconomic forces to conduct themselves efficiently and effectively to remain competitive (Senge, 1991; Randolph; 1995; Kotter, 1996: DeGeus, 1997).

In the current knowledge and empowerment era, a competitive organization will need fast, facile and futuristic professionals who can use multiple and complex frames to be competitively positioned (Bolman and Deal, 1997). As pointed by McDade and Spring (2005), the "New generation of entrepreneurs" in Africa is trying to do this. It has become clear to these entrepreneurs that the resource based theory is inadequate as a means to sharpen the MSEs competitiveness. Therefore, they have turned to human agency approach that employs psychosocial and psychological factors to entrepreneurship. There is, however, a growing consensus that for MSE organizations to be more sustainable, they need to be organized in accordance to the principles of

organization development that take cognizance of the need to be strategic, systematic, have well-defined organizational purpose, promulgate better relationship and be effectively managed (Baanante et al. 1993).

1.5. Empowerment Research

Zimmerman posits that the interest of empowerment as a development construct is gradually growing and that more research is required to understand the terms and its application. Perkins and Zimmerman (1995) advised organizational psychologists interested in research work on organizational empowerment to focus on a careful and systematic research processes and methodologies from a structural, process and outcomes perspective. For a more guided research, they advised empowerment scholars to concentrate on settings that are different from the mainstream organizational forms and try to develop connection of relevant empowerment theory with research and empowerment-focused intervention. Perkins (1993) argues that empowerment researchers should pay greater attention to empowerment models practical to a specific population from both individuals' and organizational level.

Studies in the area of empowerment are on the increase. Perkins' and Zimmerman's (1995) search of psychological literature (PsycLit) from 1974 to 1986 identified 96 articles, some discussing the root word "empower." From 1987 through 1993, the number of articles mentioning the term empowerment increased to 686 journal articles and 283 edited book chapters were traced. The word has also been traced in sociology-related research (Socifile) and educational research (ERIC). Today, the term empowerment has become a vital construct for understanding development of

individuals, organizations and communities. However, the growth of the construct - empowerment is not as old as the term. Rappaport (1981) is said to be a leader in conceptualization, research, and practical application of empowerment and related ideals. Rappaport (1981) further advocate for adoption of empowerment as a guiding principle for organizational psychology.

A critical understanding of the environment for which empowerment studies are taking place is critical (Zimmerman, Israel, Scultz, Checkoway, 1992). Empowerment studies cannot be studied in a vacuum (Perkins and Zimmerman, 1995). As Kamoche (2000: 196) puts it,

"There is need to determine what are the relevant quintessential ... in Africa ... and how these can be constituted ... to inform ... organizational phenomena ... fill existing gaps ... (solve) problems of managing ... indigenous small and medium-sized enterprises (where) economic status presents ... acute set of challenges."

1.6. Premise and Justification of Study

Attempts towards empowering a workforce is deceptively simple to understand, but often difficult to implement (Randolph, 1995). To guide entrepreneurial organizations seeking to implement empowerment- programmes, there is need to assemble empowerment literature in the field of interest. This may be used by policy makers, government agents, training and research institutions interested in empowerment studies and scholars to develop appropriate policies, programmes and models for test in the field of entrepreneurship. The continuous entrepreneurial enterprise may thrive to industrialize if their subordinate human resource factors and the organizational components are well-managed in accordance to the principles of emergent human resource management and organizational development.

This conceptual study seeks to establish the entrepreneurial practices and outcomes that can be set in by organizational empowerment process and systems. The study seeks to understand if micro and small scale enterprises like other structured organizations would respond to contextual realities that face structured organizations in similar settings. The conceptual study is in search for a suitable meta-theory and model of empowerment and attempts to bridge the theory and practice of empowerment.

The growth of small scale entrepreneurship has not industrialized or developed to be a competitive and prosperous sector of the Kenyan economy (Pedersen, 1996). A study in the field of entrepreneurship is not only relevant to Kenya but to many other nations given that entrepreneurship is a universal construct as shall be pointed to later. As a matter of urgency, there has been an urge for new strategies for fostering entrepreneurship in many African countries (Chinyoka and Ndaba, 1999).

SECTION 2: ENTREPRENEURSHIP

2.1. Introduction to Entrepreneurship

There are a basket full of reasons as to why entrepreneurship studies are at the increase and why empowerment studies are most recommended in this field. Entrepreneurship studies are significant component of research on economic development in Africa (Jackson, 2002; McDade, 2003). The microenterprises sector which is largely an informal sector contributing 20% to 40% of the total Gross Domestic Product (GDP) in several African countries (Charmes, 1999). This sector said to be a major economic development engine given its ability to boost industrial development, create employment and eradication of poverty (Ndemo, 2005). The micro and small scale enterprises (MSE) are established to transit to medium and later to large scale enterprises. This however hardly happens since majority - 99% of MSE die before their maturity (Rogerson, 2000; K'Obonyo, 1998; Mead and Liedholm, 1998). The mean lifespan of most MSE is computed as 8.9 years (Atieno, 2009). Most MSEs are unable to attract investment capital, gain access to markets and are manned by people who lack of technical skills (McDade and Spring, 2005).

Entrepreneurs join the informal sector for varied reasons. Some join the microsector to make profit. Others do so for cultural reason, or because they have been displaced by the formal employment sector (Shapero and Sokol, 1982), or as a result of social grievance (Hagen, 1962) or due to adverse circumstance (Brenner, 1987). Ray (1993) describes the MSE sector as bounded. The informal sector is largely characterized by informal economic activities and goals that are temporal and non-systematic. Entrepreneurs in the sector employ basic managerial practices and loosely defined

structures to operationalize their enterprises (Flamholtz, 1986). Many entrepreneurs run their businesses in a reactionary manner (Dana, 1997) or through what Kitetu (2005) have described as trial and error a factor that has led to frustration of entrepreneurs and employees running and working in microsector. Employees in the microsector hardly consider entrepreneurship as a career but as a transitional engagement in-waiting for a better employment opportunity. Many of the employees end up being marginalized and frustrated (Ladbury, 1984). Any effort to make entrepreneurs and employees in the microenterprises sector industrious and entrepreneurial is a positive contribution to the national development agenda as per the National Development Plan 2005-15.

2.2. Entrepreneurship and Microenterprise Landscape

The terms microenterprises and entrepreneurship tend to be fluid with elusive definition or varied meaning (Sahlman, et al., 1999). A single psychological profile of the term entrepreneur and entrepreneurship is bound to fail (Dana, Dana, and Anderson, 2005). As used in this study, entrepreneurship has to do with person's ability to innovate in terms of goods, markets, supply of goods and methods of production (Schumpeter, 1934). It is about people buying goods and services at certain price and selling them at uncertain price for profit (Kitetu, 2005). Entrepreneurship also connotes a management style that involves pursuance of opportunities with regard to scarce resources often controlled elsewhere (Sexton and Bowman-Upto, 1991). In conceptualizing the term, other scholars have focused on the economic function (K'Obonyo, 1998) of the concept while others have placed emphasis on the sociological, cultural and economic interrelationship of the term (Kibera and Kibera, 1998).

The range of African entrepreneurial landscape can be classified either as formal to informal sector. Reasons behind this classification are often political and vary from one country to another. More often, this classification is usually designed to facilitate revenue collection. The focus of this conceptual study is the micro and small scale enterprises (MSEs) which have also referred to as small and microenterprises (SMEs). A firm is either informal or formal depending on number of employees, turnover and assets. The informal enterprises largely constitute the MSE subsector. Although entrepreneurship is a universal construct (Morris and Leyland, 1995), there are no universal upper limits for the number of employees and turnover. While in Kenya MSEs have been defined as having at most 50 employee (GOK, 2008), in USA, MSEs have up to 500 employees. Other institutions like the World Bank and UNDP have different limits.

A study on entrepreneurship in Kenya by McCormick's (1993) came up with four sub-classification of MSEs namely: (1) The *very small* (micro) enterprises to have one to six employees; (2) *small enterprises* as those with seven to ten employees; (3) *medium sizes* enterprises have eleven to fifty employees and (4) *large* enterprises to have over fifty workers. The Nairobi City Council has different classification all together.

In Kenya, the entrepreneurship sector is categorized into formal and informal sectors. The informal sector came into existence in the 1970s and has since maintained a steady growth which grew to surpass the growth of the formal employment sector as from 1992. As of 2007, the informal sector was engaging about 7.5 million (GOK, 2008) as per table 1 below.

Table 1: Persons Engaged in the Informal Sector Activity (2003-2007)

Activity	2003	2004	2005"	2006"	2007*
Manufacturing	1,236.1	1,318.5	1,434.0	1,532.4	1,619.0
Building and Construction	163.8	173.7	190.2	204.2	215.0
Wholesale, retail Trade, Hotel and Restaurants	3,356.3	3,632.4	3,890.8	4,131.6	4,386.8
Transport and Communication	530.3	576.9	614.2	650.6	692.2
Community, Social and Personal Services	259.8	280.2	301.2	320.1	339.6
Others					
TOTAL	5,716.4	6,168.2	6,628.3	7,048.7	7,475.6

* Provisional

+ Revised

Adopted from Economic Survey 2008

Most of the enterprises in the informal sector are operated by sole proprietors or by two to three employees (Jalloh and Falola, 2002; Kibera and Kibera, 1999). Only 2% of all African businesses have ten or more employees (Spring and McDade, 1998) spread across all sectors of national economies. The microsector type of businesses range from service businesses, (e.g. hairdressing, transportation, electrical and auto repairing etc.), production activities (e.g. furniture, metal equipment, manufacturing, leather products, plastics, detergents, pharmaceuticals, etc.), vendoring (e.g. food, clothing, medicines, etc.), agriculture (e.g. beverage, water, 'alcohol) and social and other services (e.g. training, microfinance, hoteliers, tourism industry operatives, non governmental organizations -NGOs, project development organizations -PDOs, community development organizations -CBOs, etc).

In African, race plays a critical factor in the way businesses are run. Ownership of small and micro enterprises is overwhelmingly by black Africans (Schulpen and Gibbon, 2001) while most of the large-scale enterprises are owned by ethnic minorities such as Asians, Syrians/Lebanese and Europeans (McDade and Spring, 2005). Gender is another factor greatly observable in microenterprise sector (Jalloh and Falola 2002). A study of

50,000 MSEs in Southern and Eastern African as from 1990 to 1998 revealed that 48% were owned by women (Mead, 1999).

2.3. Challenges of Microenterprises

The micro and small scale enterprises are established to transit to medium and later to large scale enterprises. This however hardly happens since majority - 99% of MSE die before they mature due to poor management practices, lack of market for products due to weak or no linkages. The mean lifespan of most MSE is computed as 8.9 years (Atieno, 2009). Other obstacles faced by MSEs include: difficulty in attracting investment capital, problems of gaining access to markets, isolation and lack of productive linkages with other businesses, lack of technical skills for owners and employees, severe competition and low customers' incomes (McDade and Spring, 2005).

The informal sector is largely characterized by informal economic activities and goals that are temporal and non-systematic. An example of the traditional management practices that characterize the MSEs include: over dependency in decisions and management ideas of entrepreneurs. Informal structures, basic managerial practices, and loosely defined structures (Flamholtz, 1986).

Entrepreneurs in the microsector usually consider entrepreneurship as a transitional engagement in-waiting for a better employment opportunity. Failure to which, the employees become frustrated and wasted (Ladbury, 1984). The microsector is also characterized by poor investment decisions, weak and inadequate policies, limited managerial and technical skills (Blankson et al, 2006; Ray, 1993), undeveloped socio-economic and physical infrastructure (K'Obonyo, 1998), rudimental cultural factors

(Ndemo, 2005), lack of credit facilities (Serumaga-Zake, et al., 2005) and intense competition (McDade and Spring, 2005). As a result, most of the MSEs especially in Africa are short-lived, with 99 per cent failing before they reach their maturity stage (Rogerson, 2000; K'Obonyo, 1998; Mead and Liedholm, 1998).

To improve performance in the informal sector, there is need to consider empowerment programmes at individual, organizational, corporate and national level. For instance, some commercial institutions have sought to availing credit and help entrepreneurs to manage their financial resources well and support firms towards some savings programmes. Other empowerment programmes are designed to offer trainings on the areas of vocational skills and business management. Technical assistance with product development, marketing and financing management programmes have also been designed to empower the entrepreneurs (Baanante et al, 1993).

To revitalize the economic activities in MSE sector, some attention have focused on how to enhance entrepreneurship resources, infrastructural and energy sector development (K'Obonyo, 1999; Chinyoka, 1996; Rebne, 1992; 1986). In the 1980s, it became imperative that the factors above that prescribe to the resource based theory were inadequate leading to introduction to psychosocial and psychological factors of intrapreneurship (Kitetu, 2005). There is however a growing consensus that for MSE organizations would be more sustainable if developed in accordance to the principles of organization behavior and organizational development science that take cognizance to the need to be strategic or visionary, and systematic, and the need to have defined organizational purpose, better relationship and effective management skills (Baanante et al, 1993). Research in the field is likely to lead to recommendations that policy makers

can use to make appropriate policies as a way to improve the sector's performance. Although benefits in terms of policies accruing from research in the microenterprises in the developed context is much more pronounced, research in the field of microsector in developing context is yet to be well developed (Okoso-Amaa, 1999).

2.4. Disempowering Attributes of Microenterprises

The management of MSEs is operationally very mechanical. MSEs are artificially managed with total disregard to emergent organizational principles in accordance to the traditional management style (Morgan, 2000). This management model is centered on the understanding that an organization is functionally effective if it achieved explicit goals defined through rational and logical decision making process (Morgan, 2000). Such goals in accordance to the sub-sector are profit maximization and cost minimization. The management model of MSEs are hierarchical and patriarchal, allowing for personalized and centralized management practices for optimal manipulation of production factors (Baanante, et al. 1993). The management in MSEs accommodated paternalistic practices that allow for nepotism, tribalism and other "primitive" practices associated with *...isms* all of which have been blamed for organizational ineffectiveness and inefficiency (Cohen, 1993). Although some scholars strongly believe that this traditional management paradigm is obsolete in the context of the new global orders (Pfeffer, 1997), the practice is still in existence (Perkin and Zimmerman, 1995) particularly in the microenterprise sub-sector (Baanante, et al. 1993).

Previous microenterprise studies have outlined a list of environmental issues, institutions, policy, resources, culture, demographic factors, linkages, association, competences as key determinants of firm performance (Atieno, 2009; Ndemo, 2005;

McDade and Spring, 2005; McComrmic, 2003; Oketch, 2002). The journey of building a strong organization is deeply rooted in empowerment practices and programmes that seek to increase competence, capability of workers, management practices, networks and linkages. All these factors influence organizational performance and are largely responsible for poor performance of microenterprises. Less has been done on organizational components including: relationship, rewards system, organizational structure, management, business enablers and purpose as listed by Weisbord (1982).

The growth of organizational and behavior sciences of the second and third quarter of the 20th century that facilitated positive changes in policies, growth and prosperity of formal/mainstream organizations gave raise to disempowering culture in the entrepreneurship sector (Pearson, 1999). To revamp the MSE sector, Pearson (1999) theorized that it is possible to repair the damage of microenterprise sector through some organizational empowerment programmes. The organizational version of empowerment programmes that correlates the organizational components in the microenterprise sector is yet to be empirically tested.

SECTION 3: FACTORS THAT ENHANCE MSE PERFORMANCE

3.1 Managerial Competence

Qualification of entrepreneurs and workers in microenterprise builds and develop a firm's distinctive capability critical for firms performance. Firm's capability refers to what the organization does best by using knowledge, skills and initiatives of its personnel (Okoso-Amaa, 1999). The new generation of entrepreneurship is reported to have university education with some with graduate degree, have managerial skills, rich working experience from the formal sector and are reported to be utilizing modern technology and technical skills to organize, structure and influence performance (McDade and Spring, 2005). This introduces the concept of competence as a critical variable to firms' performance.

Competency is a set of knowledge, skills, personality variables such as resilience required to facilitate successful behavior in a designated field (Caird, 1992). Competency refers to knowledge, skills, abilities and personality attributes needed by an individual to be successful at a particular job or task. Competence development calls for the deliberate accounting for and nurturing of knowledge and know-how. Several definitions of competence have been proposed (Katwalo, 2006; Caird, 1992). To an individual entrepreneur, competence account for intellectual material and capital if transformed in a coherent form that allows sharing and exploited for profit purposes. Ray (1993) argues that in order to understand why some MSEs become successful and others fail, it is crucial to study the entrepreneur's personality, background, experience and skills. Some of the managerial competence useful to entrepreneurs include propensity to take risks, the

ability to identify customer needs and wants, level of innovation and ability to identify new opportunities (Hills and Laforge, 1992).

Though competency is indeed critical in organizational management and in enhancing firms performance, alone, competence cannot be guarantee to entrepreneurial success. Studies reviewed seem to suggest that competence is the most critical factor in enhancing microenterprise performance (McDade and Spring, 2005). Very little attempts have been made towards linking competence with other factors that are critical to overall performance of microenterprises. There is need for a holistic analysis of the microenterprise sector to determine how competency relates with other factors and how these influence one another to enhance performance.

In an organizational set up, empowerment is the art of increasing the competence and capacity of employees by endowing them with a sense of self-worth and potency (Harvey and Drolet, 1994). This is possible through education and capacity enhancement programmes. However, there are many controversies discussion on the value of education and training programmes. Marris and Somerset (1971) assessment study done in Kenya revealed that performance of the entrepreneurship sector had not benefited from formal and technical education. Serumaga-Zake, et al. (2005) entrepreneurship study done in South Africa on the other hand pointed out that business performance tend to increase with entrepreneur's education until grade eight and decreases with more education. A recent study by Ndemo (2005) in Kenya pointed out that entrepreneurs' acumen is empowering and that managerial competence enhances performance of micro and small scale enterprise.

Ndemo pointed out that education influenced entrepreneurs' marketing skills, leadership and organizing skills, accountability skills, lobbying skills and planning skills. Okech et al (2002) pointed out that entrepreneurs in MSEs have weak organizational ability which limits the extent to which they form associations and networks. Ndemo (2005) reported that the biggest entrepreneurship challenges were rooted to managerial competence which includes management skills, peoples' skills, marketing, accounting and planning skills. Ndemo's (2005) study did not however analyze the role of managerial competence to empowerment systems in relation to organizational processes and firm's performance. The unit of analysis in Ndemo's study was individual entrepreneurs and not the microenterprise. There is need to establish the role of managerial competences in relation to organizational components and other crucial forces.

The role of competencies in influencing organizational systems is phenomenal. Senge (1991) and Schein (1992) are in agreement that without organizational systems; it is difficult to establish a progressive organizational empowerment culture. The managerial competence does influence reward system, selection systems, type of organizational structures, information flow, type of leadership and by extension the management paradigm that dictates managerial practices and organizational processes. For instance, empowerment systems have been linked to business products (Simonsen, 1997). The reward systems determine the possibility for which employees' needs are met across the hierarchy-need's ladder (Maslow, 1954). From an organization development perspective, a change in reward system leads to a change in organizational structure, management practices and organizational processes (Burke, 1994). Although studies on

the role of competences to organizational processes have been done, no studies in the field of entrepreneurship have correlated the sector with empowerment systems and programmes. Hence the need to determine: (1) if managerial competence does influence the level of empowerment systems, (2) if empowerment systems determine the type of organizational processes and (3) if managerial competency influence the level of organizational processes for microenterprise businesses.

3.2. Organizational Components and Processes

The effect of managerial competence and organizational empowerment systems can only be realized through organizational processes that can be moderated by organizational management systems and organizational development processes such as career management processes. Organizational processes are critical in enhancing organizational efficiency and effectiveness. Organizational processes in this case may include networking, formation of linkages, associations and partnerships (Perkins and Zimmerman, 1995). All these determine the market stake of MSEs according to Atieno (2009). The study by Okech et al (2002) posit-that MSEs are organizationally weak. The components of organizations that can lead to organizational weakness in this sector are yet to be studied.

According to Weisbord (1982), helpful mechanisms or business enablers (McDade and Spring, 2005) are organizational processes and practices that employ the use of machinery, resources and innovative technology as catalytic factors to organizational change processes. Business enablers are critical in production organizations and depending on how they are utilized; they influence organizational business processes which in turn influence business products (Simonsen, 1997). The

study by Atieno (2009), established that MSE's networks and linkages were influenced by firm's size and concluded that in small MSEs, networks only help to reduce information asymmetry and in tapping from the informal credit systems as well as in avoiding risks. Atieno further drew a parallel line between the effect of networks between small and large enterprises. She observed that networks and linkages in large MSEs help in tapping information about technology and markets. The researcher did not however draw a line between small and large MSEs neither did she specify why small firms would not respond in the same way as large firms. Atieno's (2009) study narrowed the term linkages to only involve relationships between different organizations. According to Roger (1988), linkages in an empowered organization are at the center of every organizational activity internally and externally, between people and processes and between outcomes and inputs. The effect of linkages as conceived by Roger (1988) in small and microenterprises have however not been empirically tested.

3.3. Employees' Attitudes Towards Entrepreneurship

A study by Kitetu (2005) on entrepreneurship indicated that entrepreneurs had not accepted entrepreneurship as a prospective career. The multiplication of small and medium microenterprise sector in Kenya has been associated with adverse factors rather than the industriousness or development entrepreneurship in to progressive career (Ndemo, 2005). Career development is a framework that offers a culturally appropriate interaction between employees' career planning and the institutional career management processes. While career planning processes have individual focus, career management processes is organizational oriented and includes organizational selection policies, fair recruitment practices, employees' mobility and workforce planning practices. This too has not been empirically tested in the informal organizational structures like the

microenterprise businesses. Some of these processes have been embraced by the "New Generation of entrepreneurs" in Africa. The scale of such practices has not been tested in relation to other factors highlighted in this study.

3.4. Organizational Processes

Business relationships, associations and linkages in microenterprises are critical to firms' performance (Bennet, 1998). Social actions have economic implications (Grannovetter, 1985). In business environment, relationships and linkages take place between entrepreneurs and employees, between employees and customers and between enterprise firms (McCormick and Atieno, 2002). Institutions govern the relations among individuals and groups and may take the form of labor unions, markets, contracts, cultural rules and codes of conduct. The importance of institutions derives from the fact that economic actions take place in a social context (Atieno, 2009). Studies have confirmed that entrepreneurs will use their personal networks for the benefit of the enterprise (Atieno, 2009). The position of an individual player in the network and the power associated with the position of the individual determines the benefits of networks in an enterprise. The relationships between networks shape the form that market exchange takes.

Theoretical and empirical evidence suggests that specific social relations are among factors that affect economic activities (Granovetter 1985; Whitley 1992). Networks, relationships and interrelations can enhance performance of manufacturing enterprises; reduce uncertainties that affect motivation and performance levels. Whereas linkages and relationship between firms have been studied, the roles that can be played by smooth relationship between the employees and the employers in microenterprises have not been adequately analyzed. The relationship between employers and employees facilitates the flow of information on various aspects like markets and technology. As a component of

organizational development, the role of relationship in microenterprises needs to be analyzed from a personal and organizational process level as well as in relation to other factors that influence performance. Whereas it is clear that in small enterprises, networks help to reduce information asymmetry and in tapping from the informal credit systems as well as in avoiding risks and that networks and linkages in large MSEs help in tapping information about technology and markets. The role of interpersonal relationships in a microenterprise unit has not been sufficiently analyzed.

Organizational processes in this case are processes like networks, linkages, associations and partnerships (Perkins and Zimmerman, 1995). Internal and external linkages are empowering in MSEs (Atieno, 2009; Roger, 1988). In a micro enterprise business, linkages take place at three levels: (1) staff and organization, (2) between one MSE with other MSEs and (3) amongst staff according to McCormic and Atieno (2002). Linkages and networks enhance performance, reduce staff uncertainties, facilitate information flow and enhance relations and connections. Studies indicate that empowerment outcomes vary in their outward form and that no single measure of standard can fully capture the scope in all contexts or across populations (Zimmerman, 1993; Rappaport, 1984).

3.5. Employees Outcomes

Empowerment outcomes for individuals according to Perkins and Zimmerman (1995) are situation-specific. In Kenya, literature suggests that employability of entrepreneurs has been low and that entrepreneurs enjoy little or no job security since most MSE businesses die prematurely (K'Obonyo, 1999; 1998) leaving most entrepreneurs frustrated (Ladbury, 1984) and staff more displaced. Thus in the microenterprise, individuals' empowerment outcomes include: wellness measures, levels

of job security, job satisfaction and opportunities for advancement. Table 2 outlines some of the firm's performance measures. There is need to test staffs perception on the bases of the organizational empowerment framework offered by Harvey and Drolet (appendix 1). These have a motivational effect to the staff which usually translates to organizational performance.

3.6. Environmental Factors

Environmental factors have been classified as "external/elemental issues" that influence MSEs performance at macro level. Such factors are implicit or explicit in every study that belongs to microenterprises (Hindle and Lansdowne, 2005). A study in the microenterprise sector cannot be complete without testing the correlation between some of these socio-economic factors that may include government's regulatory requirements, infrastructural facilities and commercial services. All these factors facilitate or hinder the overall performance of the MSEs. Empowerment studies compel researchers to test the strength versus weaknesses of these environment factors (Perkins and Zimmerman, 1995). These factors will be correlated to organizational components.

3.7. Business Enablers

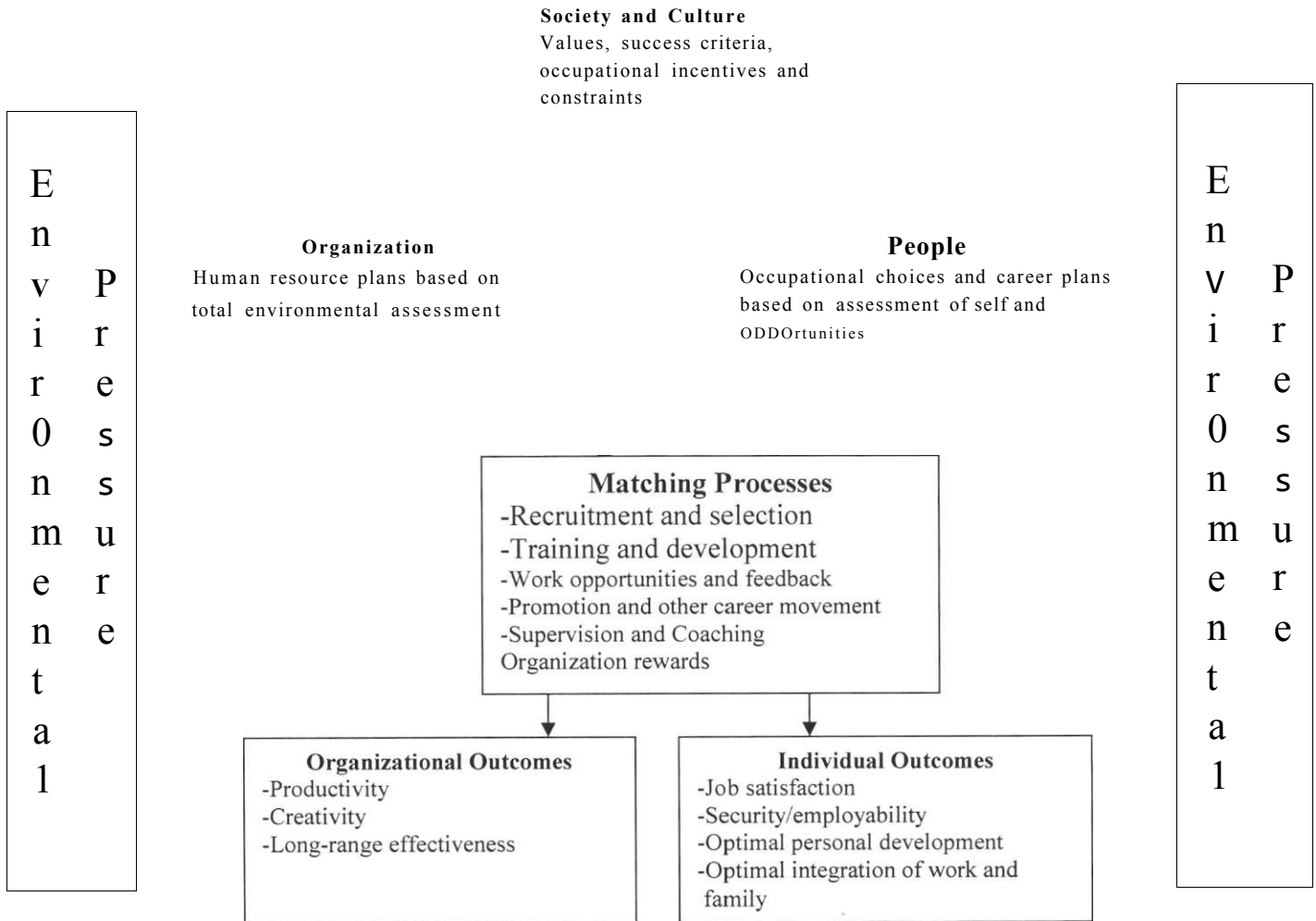
Helpful mechanisms (Weisbord, 1982), also referred to as business enablers (McDade and Spring, 2005) are organizational processes, structures, systems and practices that that enhance performance. Business enablers are critical in production organizations and depending on how they are utilized they influence organizational business products (Simonsen, 1997). For the purpose of this study, enablers to be analyzed include: use of production machinery, resources, innovation and technology. These factors cannot be studied in isolation from other factors and the weight of business enablers relative to other organizational factors has not been determined.

SECTION 4: ORGANIZATIONAL EMPOWERMENT PROGRAMMES

4.1. Introduction to Empowerment Programmes

Empowerment is a whole embracing organization development intervention through which workforce planning, organizational systems and processes, organizational career management processes, individual career planning efforts, and appropriate reward systems collectively work together towards an organizational development oriented culture. An example of organizational empowerment program is career development (CD). Career development is known to create opportunities for strategic thinking and planning whereby diverse organizational issues interact to enhance individuals' and organizational outcomes (Schein, 1978). Figure 1 (Components of career development perspective) show how certain organizational components interact as a way to enhance organizational performance. The model attempts to integrate aspects and dynamics of organizational management, organizational systems and processes, personnel management systems, reward systems, and environment factors just to mention a few.

Figure 1: Components of career development perspective

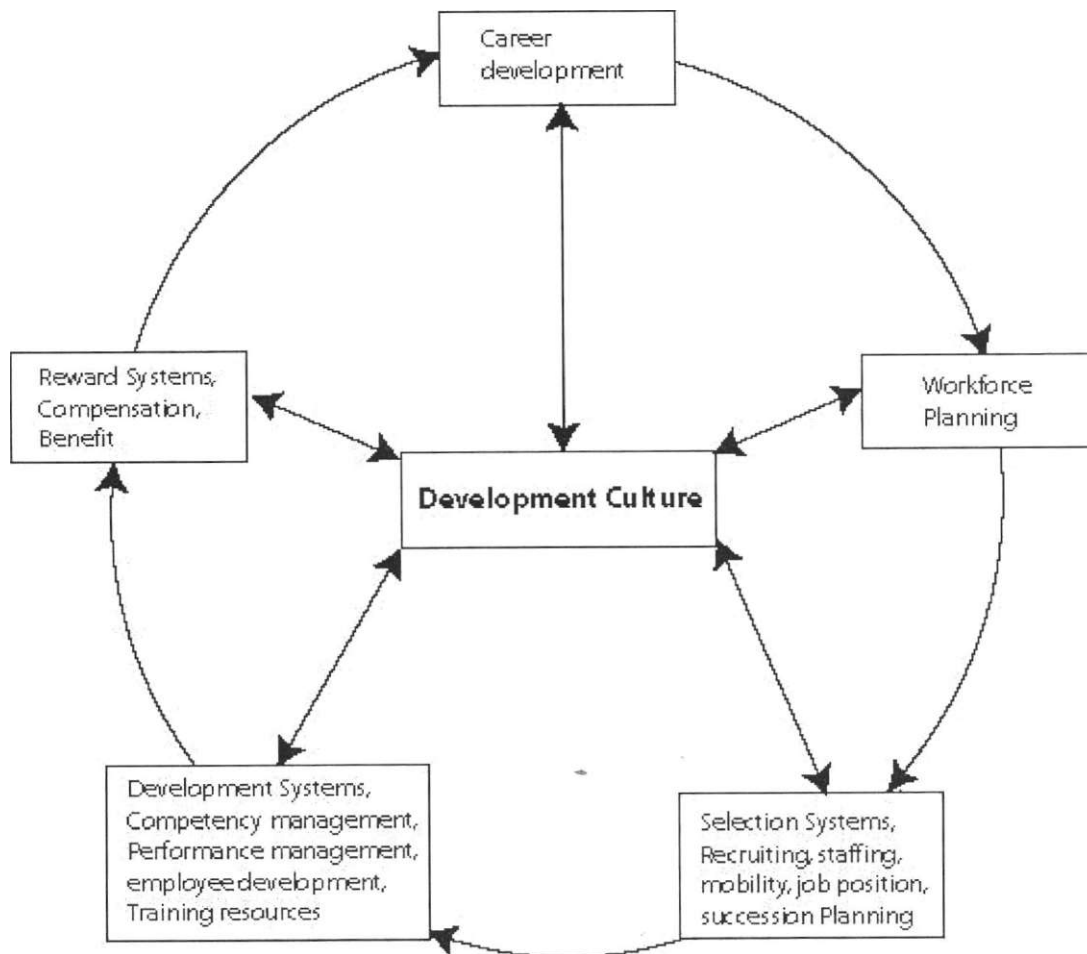


Source of Figure 3: Schein, E.H. (1978). *Career dynamics: Matching Individual and Organizational Needs*. Addison-Wesley Publishing Company, Inc.

Although the model integrates the machine factor of an organization and the psychological factor in an empowered organization through matching processes, the model is too general. No investigation has confirmed whether or not this model is applicable in the microenterprise sector. The details of what is environmental pressure are not given and the point of their interaction with the model is not specified. According to this model, there is a mix up of individuals' outcomes and organizational outcomes and

thus need for a better conceptual model specifically for microenterprises sector in Nairobi, Kenya. Simonsen (1997) placed more emphasis on the role of career development programme in organizational development as per figure 2 below.

Figure 2: **Elements of a Comprehensive Career Management System**

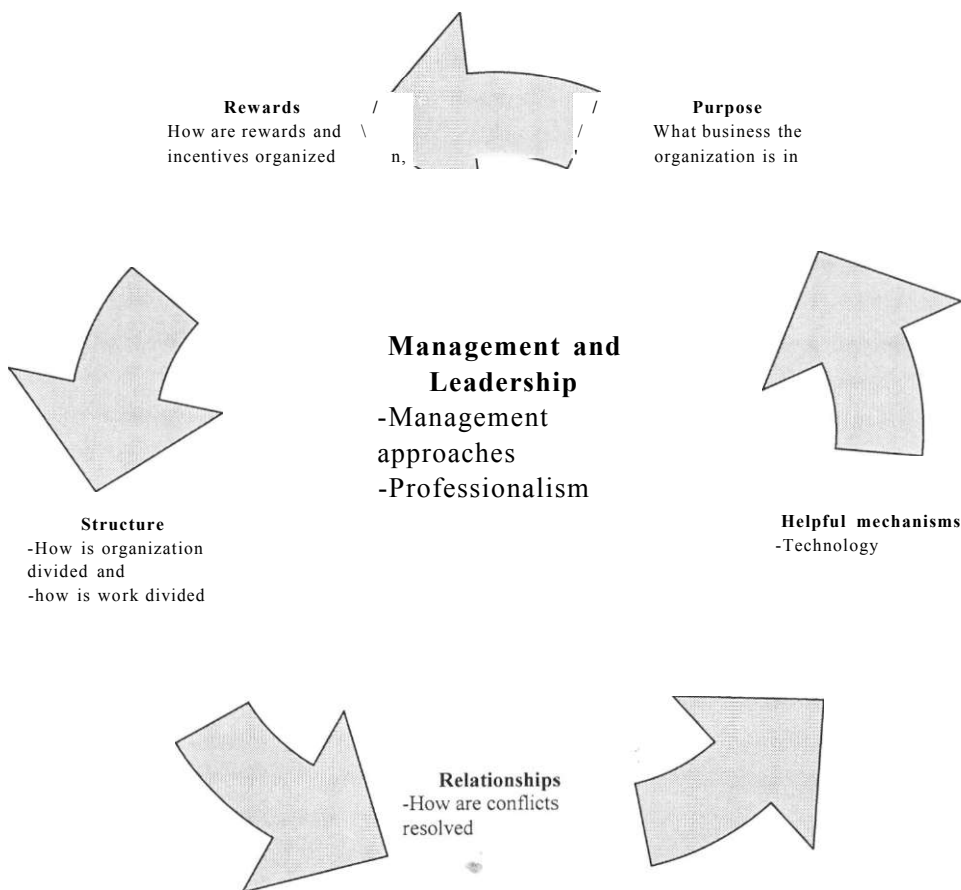


Adopted from Simonsen (1997: 93)

Neither of these two models has considered the organizational empowerment systems that determine the importance of clear organizational vision, structures and purpose conceptually. According to Baanante et al, (1993) for continuous microenterprises entities to be sustainable, there is need for the enterprise to have a clear

vision, adequate skills and resource capability. The role of business enablers or helpful business mechanisms, organizational resources, relationships and the environmental factors has been ignored. Some of these factors like resources, relationships and business enablers are included in Weisbord's (1982) model illustrated by Figure 3 (Six-Box Organizational Development Model) below.

Figure 3: The Six-Box Organizational Development Model



Source: Weisbord, M.R. (1982). (Adapted by Kitetu-2010)

SECTION 5: EMPOWERMENT AND ORGANIZATIONAL OUTCTOMES

5.1. Principles of Organizational Empowerment

While quoting Maton and Salen's article on empowerment, (Perkins and Zimmerman, 1995) view empowerment as a process that enables individual, through participation with others, to achieve their primary personal goals. Communities or organizations are however created by individuals. Thus individual goals, interests, values and individual plans most often spill to organizational outcomes. The individual values are inculcated to employees through empowerment activities and programmes such as HRD practices, career pathing processes and career management exercises. For instance, self-motivating values when earnest would produce positive group value and belief system that can in turn produce impressive array of economic and social outcomes (London, 1988; Simonsen, 1997).

Empowerment as a management construct is based on eight principles according to Harvey and Drolet (1994). Organizations are made up of people (Schein, 1992) and based on the human agency theory; people are the most important resources in an organization (Kamoche, 2000). To create an empowered organization, there is need to empower people in the organization (Schein, 1992). People are empowered if they are given important work to do (1) and given full discretion to do their work (2). To do this type of work, the people need to be given the required resources in terms of time, materials, money and people (3). Then they should be acknowledged for work done (4). Empowered employees are made to know that their survival is on their own hands (5) and that there is a deliberate attempt by the employer to enhance and build their task skills (6). Such employees are encouraged to work in teams (7) and to be innovative (8).

For empowerment to take place there must be links between individual competencies with organizational competence (Burke, 1994) and links between individual capacities and capabilities (Conger, 1996) for the purpose of enhancing organizational outcomes. For organizational empowerment to take place, there must be a shift; of attention from unitary aspects of organizational and individual behavioral attributes to interrelations that links multiple organizational structures (Bolman and Deal (1997) into complex interrelations and systems (Senge, 1991) that are part of organizational components. These components are: reward systems, organizational purpose, leadership and management, helpful mechanisms and relationship (Weisbord, 1982). Management and leadership is concern with efficiency, effectiveness, quality and enhanced individual and organizational performance (Gilley and Egglund, 1989). Leadership and management is what bring together all the other organizational components and thus empowerment is founded on the principle of effective leadership (Perkins and Zimmerman, 1995).

In 1957, an opinion poll on employees reward ranking found that the four things most valued by organizational employees were: (1) the job itself, (2) family value/matters, (3) employees' health and (4) recreation. This was later confirmed thirty years later in 1987 by a similar survey. Schein (1978) summed the individuals' outcomes to include (1) Job satisfaction and job security, (2) optimal personal development and (3) optimal integration of work and family and the organizational outcomes as productivity.

5.2. Organizational Performance

There is a direct relationship between individuals' outcome and business results or outcomes (Simonsen, 1997; Schein, 1978). According to studies by Tani and Smyrniou (2008), Wang et al. (2004) and Schein (1978), a wide range of indicators have been used to measure organizational performance. Business results can be measured by firms level of profitability approximated by firms annual income, the firms productivity approximated by amount of firms production units and sales level as well as firms longevity approximated by the number of years the firm has been operational. The average number of years for MSEs has been approximated to be 8.9 (Atieno, 2009). As noted by other scholars, microenterprise firm's indicators of measuring performance might not be generally applicable to all firms and at all time (McCormic and Atieno, 2002; Okech et al, 2002; Meyanathan and Munter, 1994).

Previous MSE studies have used different performance indicators such as:

1. Volume of firm products across a specified a period of time (Atieno, 2009).
2. Profit level of firm across a specified period of time (Atieno, 2009)
3. Volume of sales across a specified period of time (Atieno, 2009)
4. Size of firm in terms of branches/departments and number of employees (Atieno, 2009)
5. Amount of savings done and association maintained by MSEs determine the type of linkages that an MSE keeps (Atieno, 2009).

Other indicators are summarized by table 2 below.

Table 2: Empowerment and MSEs Outcomes

Study	Categorization	Performance Measurement
Schein (1978)	Organizational Outcomes	<ul style="list-style-type: none"> • Productivity and profitability Creativity and innovation Long-range effectiveness/efficiency Returns to Investment Competitiveness and Sustainability
Schein (1978)	Individuals Outcomes	<ul style="list-style-type: none"> Job satisfaction Job Security Optimal personal development Optimal integration of work and family Self efficacy and esteem
Wang et al. (2004)	Organizational Outcomes	<ul style="list-style-type: none"> Profitability ratios • Ratio of sales • Number employees Rate of productivity.
Tani and Smyrniou (2008)	Qualitative factors	<ul style="list-style-type: none"> • Customer satisfaction • Industry awards Website popularity Innovations Employee perception indices Staff retention Longevity

5.3. Empowerment Indicators

Harvey and Drolet (1994) developed a profile with 10-point Likert scale as an organizational version of empowerment based on the eight principles of empowerment (see Appendix 1: Empowerment Profile). According to Rogers (1988), there are three profound management paradigms that seem to have separated different management approaches in every quarter of the 20th century namely: the traditional, the technocratic and the emergent management paradigms. These can be plotted along a continuum of organizational empowerment profile. Management of microenterprise firms have largely conformed to the traditional management paradigm, however, the new generational crop of entrepreneurs in Africa has given hope to application of modern management

approaches that largely characterize the empowered organization. Paradigm refers to some understandable views that are predictable based on certain fundamental assumption (Kamoche, 2000).

A paradigm is made up of the general theoretical assumption and laws and techniques for application that members of a particular scientific community adopt (Chalmer, 1984: 90)

Appendix 2 (Paradigm Management Chart) summarizes the distinct characteristics of traditional organization, the technological organization, the emergent and empowered organization and tries to trace the developmental journey that organizational entities have taken from their traditional outfit to the current outfit often referred to as the empowered organization of the 21st century. An empowered organization is also referred to as *living organizations* according to De Geus (1997).

SECTION 6: CONCEPTUAL FRAMEWORK OF MICROENTERPRISES

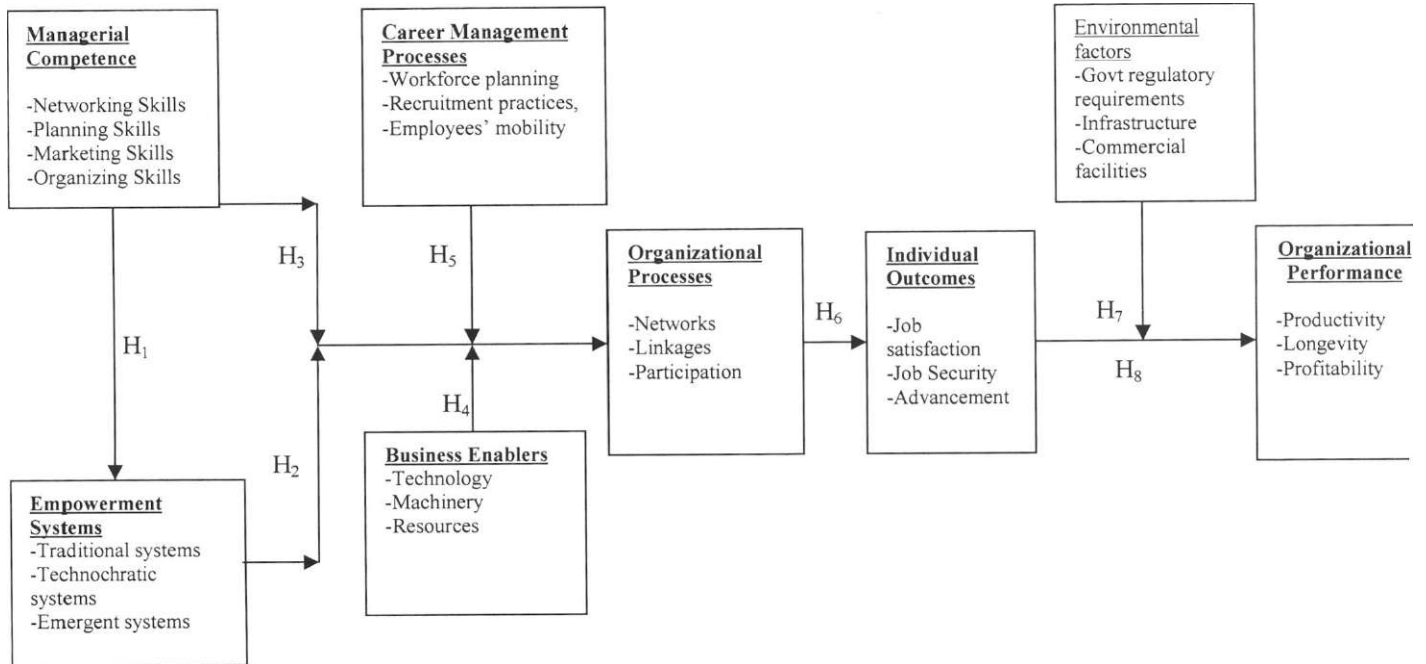
6.1. Introduction

There are several studies that have sought to analyze variables critical in the microenterprises sector. A conceptual model with the critical variables and those that have not been analyzed will be proposed in this chapter. From the previous chapter, the role of business enablers, organizational resources, relationships and the environmental factors in enhancing the microenterprise performance has been ignored.

6.2. Conceptual Model

From the literature reviewed, it is clear that performance of microenterprises is determined by competencies and the interrelationship between organizational components, career management processes, organizational empowerment systems and processes and environmental factors. A model is proposed whereby the dependant variable is firms or organizational performance and the independent variables are competencies and organizational empowerment programmes and systems. The model further proposes that there are two intermediate variables including organizational processes and individual outcomes, while the moderating variables are career management processes, business enablers and environmental factors.

Figure 4: **Entrepreneurship Empowerment Model - A Conceptual Framework**



6.3. Conceptual Hypothesis

The expositions captured by the literature reviewed and illustrated by the conceptual framework above can be tested by the following hypothesis:

- H₁: There is a positive relationship between managerial competence and organizational empowerment systems
- H₂: There is a positive relationship between empowerment systems and organizational processes
- H₃: There is a positive relationship between managerial competences and organizational processes
- H₄: The relationship between managerial competence, empowerment systems and organizational processes is positively influenced by business enablers

- H₅: The relationship between Managerial competence, organizational empowerment systems and organizational processes is positively influenced by career management processes
- H₆: There is a positive relationship between organizational processes and individuals' outcomes
- H₇: The relationship between individual outcomes and organizational performance is influenced by environmental factors
- H_g: There is a positive relation between employees outcomes and organizational performance
- H₉: There is a positive relationship between managerial competences, empowerment systems, organizational processes and business outcomes

SECTION 7: SUMMARY AND CONCLUSION

From the literature extolled, it was established that empowerment is a loaded developmental mantras deserving considerable scholarly attention. Conceptualization of the term empowerment is very confusing. Agreeably, the best way to study and analyze the concept is to contextualize an issue or phenomenon from an empowerment perspective; study the issue as it relate to the preferred field and as it affect people within a certain context. Arising from the characteristic features of Micro and small scale enterprises (MSEs) there is need for empowerment studies in the field, given that those absolved by sector either do so by mistake or as rebound or as a way to escape realities of underemployment and poverty. As such, entrepreneurs operate on trial and error leaving both the entrepreneurs and employees frustrated and lots of resources wasted as many businesses end up dying prematurely.

An empowerment study on entrepreneurship allows a closer look on the key players in the sector. An analysis would give some deserving attention to the micro and macro perspective of the concept and allow necessary attention to be given to internal and external factors. An empowerment study in the field of entrepreneurship would get to the bottom of certain interventions and programmes with a view of evaluating and assessing their impact. This would bring into focus empowerment programmes like organizational development and career development.

Organizational empowerment programmes are system wide perspective that brings together organizational systems, selection and recruitment systems, reward systems, career development and workforce planning in a culture of development to eventually facilitate desired individuals' and organizational outcomes. Implementation of organizational empowerment programmes are however haphazardly implemented and hence need for an empowerment and entrepreneurship model. Literature reviewed indicated that indeed empowerment programmes have attracted antagonistic views. While some scholars view such programmes as universal, others thinks that empowerment programmes are only relevant in certain contexts. The question is, can organizational empowerment studies revolutionalize MSEs into highly productive and successful firms in Nairobi, Kenya?

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Appendix 1: Empowerment Profile

EMPOWERMENT PROFILE											
Organizational Version											
The Empowered organization					Technocratic Organization						The Traditional Organization
	10	9	8	7	6	5	4	3	2	1	
People have important work to do											People have trivial uninteresting work to do
People have complete discretion to do their work											People have no discretion to do their work
People have all resources needed to do their work											People have no resources to do their work
People receive much recognition and praise											People receive no recognition or praise
People feel their survival is completely their own hands											People feel their survival is in the hands of others
People have all the needed task skills											People have no task skills
People receive much recognition and praise											People work separately and apart from others
The organization welcomes surprises											The organization hate surprises

Adopted from Harvey and Drolet (1994:138)

Appendix 2: Descriptions of Manaj

Traditional Paradigm

1. World is small/simple =Closed wed.
2. Person and revered past are centers.
3. Key role = Family membership
4. Society is a given status
5. Foundation is traditional = makes life is predictable
6. Behavior is organized through belief.
7. Information is sacrosanct.
8. Knowing is the result of obedience, faithful reflection on antecedent order of things.
9. Stress is caused by rapid change.
10. Future is approached with wishes/hopes.
11. Values are assumed.
12. World is a sacred mystery.
13. Man's role is to discover: to be subject.
14. One morally right way.
15. Building block = (Unknown).
16. Security is home/family.
17. Work is instinctual/ God-ordained. (Work).
18. Workers are craftsmen.
19. Performance = (Unknown)
20. Management by ordering/dictating

Source: Roger (1988): Azusa Pacific University

Technocratic Paradigm

1. World is orderly/mechanical: toward entropy.
2. Product/procedures (objective reality) are center.
3. Key role =Worker/organizational member.
4. Society is creatable: status is earned
5. Foundation is logic = makes life predictable
6. Behavior is organized through bureaucracy.
7. Information is controlled.
8. Knowing is the result of analysis: Value-free/a moral fact.
9. Stress is caused by unfixable/unachievable expectations.
10. Future is approached with expectations.
11. Values are clarified and limited.
12. World is machine (clockwork mechanism).
13. Man's role is to fix (analyze and arrange: to be object (detached spectator).
14. One pragmatcal right way.
15. Building block =Time.
16. Security is job/position loyalty.
17. Work is profitable (Work harder).
18. Workers are cost centers
19. Performance =effective/ineffective workers
20. Management by controlling/coordinating.

Emergent Paradigm

1. World is open/emergent =Towards complexity.
2. Process/present moments are centers.
3. Key role =Learner
4. Society is synergistic: no status.
5. Foundation is present process (prediction is useless).
6. Behavior is organized through contingency/awareness.
7. Information is public utility.
8. Knowing is the result of synthesis (relations/connections).
9. Stress is caused by ignorance (not enough information).
10. Future is unknowable/emerging.
11. Values are developed.
12. World is garden (organic).
13. Man's role is to relate; to participate with; to be subject/object.
14. Many ways (no one right way).
15. Building block =Light.
16. Security is skill/versatile competence.
17. Work is a challenge/meaningful (work smarter).
18. Workers are resource.
19. Performance = effective/ineffective - "fit" of workers to work.
20. Management by networking/collaboration.