

Influence Of Entrepreneurial Management On Growth Of Micro And Small Furniture Manufacturing Enterprises

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Background of the study •

- Micro and small enterprises are an important segment of our economy.
 - They contribute 70% of our country's' GDP and over 80% the country's employment.
 - MSEs are the main source of employment in developed and developing of country's comprising over 90% of African business operations.
 - However report indicates that MSEs ranked highest to the risk exposure related to management that either led to the collapse of others or stagnation in growth of the sector.
 - This contributes to loss of jobs and hence resulting to poor economic development.
 - High dependence of old methods of doing business lack of entrepreneurial management were ranked as the highest among risks by the businesses in Kenya.
 - Entrepreneurial management has been provided as a key determinant of growth and profitability. It has been related to firm growth.
 - Entrepreneurial management helps firms to be proactive in managing uncertainty to create long term values because uncertainty has upside potential as well as downside exposure.
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- MSEs contributed 18.4% of the country's gross domestic product (GDP) because of 80.6% of the jobs were in the MSE sub sector (The Kenya economic survey, 2015).
 - However, the main question is why MSEs continue to face low growth and stagnation despite the unfolding opportunities in the economic changes.
 - The study aim was to determine how entrepreneurial management could be a driver of growth of SMEs in the furniture manufacturing industry.
 - The study opted to find to out and suggest possible remedies to curb the poor and stagnant growth of micro and small furniture manufacturing enterprises in Kenya with Nairobi as the core area of target.
 - The study had to find out what prevents furniture manufactures from taking up spaces in supermarkets and furniture stores in the city center.
 - The study therefore sought to establish effect of entrepreneurial management its components: strategic orientation, resource orientation, reward philosophy on growth of micro and small furniture manufacturing enterprises in Kenya.

Statement of the Problem

- Devolution in Kenya has presented micro and small enterprises with new challenges that have threatened their survival and growth.
- MSEs are faced with constant threat of failure, redundancy and most do not graduate to large enterprises.
- There is not enough public/private dialogue at the county level and little consultation with MSEs on the ground in the policy making process.
- Poor coordination between national and county government has led to poor enforcement of regulations.
- Despite their significance, past statistics indicate that 3 of 5 businesses fail within the first few months of operation
- Those that continue 80% fail before the 5th year. This problem is attributed to management issues.
- Furniture imports stand at US\$66 million and constitute 13 percent of the total market, however, exports are growing more slowly at a 10% CAGR.
- According to the trend the furniture industry is taking in Kenya this means that soon there'll be a furniture deficit in the market.
- While furniture manufacturing in Kenya drops, furniture demand in Kenya is increasing due to increased purchasing power, population and growing urbanization.
- It is clear that there is a business opportunity for the furniture business in Kenya, yet, the business still struggle with stagnated growth and failure to meet the market demand.
- Despite the problem persisting in Kenya, few studies have been conducted to shed light on the same for instance, (Bendixen & Migliorini, 2006; Hortoványi, 2010, Antoncic & Hisrich 2010; Covin & Slevin's (2011).
- Therefore, based on the above backdrops, this study sought to fill the gap in establishing the relationship between EM and growth of MSE's.
- This study specifically looked into the following variables: strategic orientation, Resource orientation, reward philosophy and entrepreneurial culture.

Objectives of the Study

General objectives

To establish the influence of entrepreneurial management on growth of micro and small furniture manufacturing enterprises in Kenya

Specific objectives

- To establish the influence of strategic orientation on growth of micro and small furniture manufacturing enterprises in Kenya
- To establish the influence of strategic orientation on growth of micro and small furniture manufacturing enterprises in Kenya.

To establish the influence of resource orientation on growth of micro and small furniture manufacturing enterprises in Kenya.

- To determine the influence of reward philosophy on growth of micro and small furniture manufacturing enterprises in Kenya
- To assess the influence of entrepreneurial culture on growth of micro and small furniture manufacturing enterprises in Kenya
- To assess the moderating effect of networks on the relationship between manufacturing enterprises in Kenya

Research Hypothesis

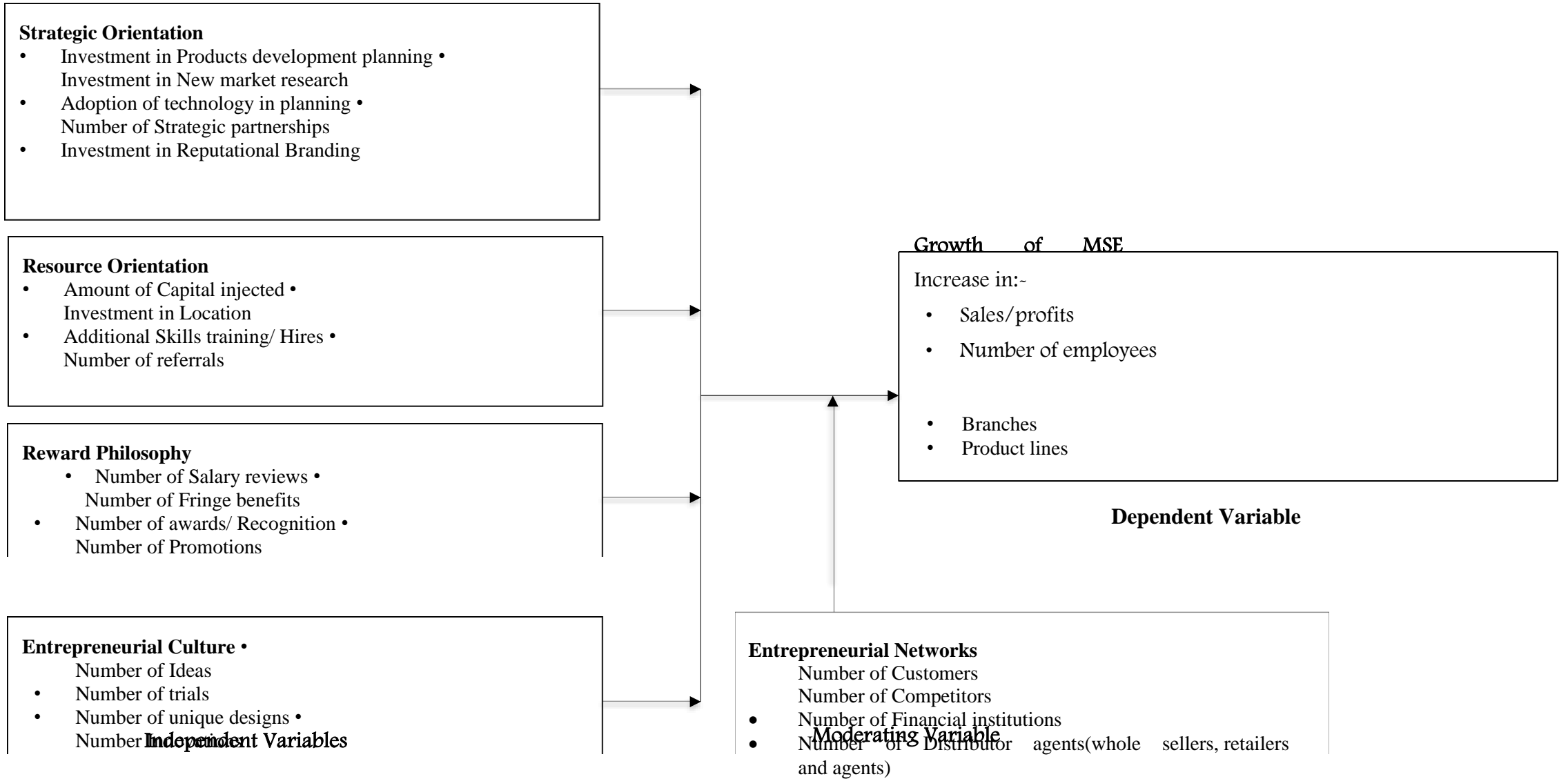
The study was guided by the following hypothesis

- Ha1: strategic orientation significantly improves the growth of micro and small furniture manufacturing enterprises in Kenya.
- Ha2: resource orientation significantly improves the growth of micro and small furniture manufacturing enterprises in Kenya.
- Ha3: reward philosophy significantly improves the growth of micro and small furniture manufacturing enterprises in Kenya.
- Ha4: entrepreneurial culture significantly improves the growth of micro and small furniture manufacturing enterprises in Kenya.
- Ha5: networks have a significant influence on the relationship between entrepreneurial management and growth of micro and small furniture manufacturing enterprises in Kenya.

The study was guided by the following theories:

- **Contingency theory (Burns & Stalker, 1961) supporting to strategic orientation.**
- **Resource based view theory (Barney's 1991; Ray, Muhanna & Barney, 2010).**
- **Herzberg hygiene theory(Herzberg et al. (1959)) in relation to reward philosophy**
- **Schumpeter's theory of innovation (Schumpeter, 1942)-**
The theory looks into how frequently the firm encourages and promotes new ideas, creativity, experimentation, and broad search for opportunities within the firm
- **Firm growth theory (Green et al. 2006)-**The relevance of this theory lies in preposition that the growth of MSEs can contribute to poverty reduction through employment generation.
- **Network theory (Granovetter's, 1973; Burt, 1992)-**The relevance of this theory lies in preposition that the growth of MSEs can contribute to poverty reduction through employment generation.

CONCEPTUAL FRAMEWORK



Methodology

Item	Description
Research Design	§ Mixed method (causal, non-experimental and cross-sectional).
Population	§ 10345 owners/managers of furniture manufacturing MSEs in Nairobi (Nairobi city county, 2017) § 3652 micro enterprises and 6693 Small enterprises
Sample and Sampling and 241 from small enterprises).	§ The sample size was 373 owners/managers of furniture business in Nairobi (132 from micro Techniques enterprises § Stratified random sampling and systematic sampling
Data and data Collection Instruments	§ Quantitative data § Primary data and secondary data § Closed-ended questionnaire
Data Collection Procedure	§ A drop and pick later method § Interviews by trained research assistants
Pilot Testing (10 owner managers of MSEs)	§ Validity – face, content (input by lectures/supervisors) and construct (KMO & Bartlett’s test) validity § Reliability - Cronbach Alpha coefficient (α) (0.7)
Diagnostic tests	§ Linearity Test, Normality Test, Multicollinearity Test and Autocorrelation (test for independence), Heteroscedasticity
Data Analysis and Presentation	§ Analysis involved the use of descriptive and inferential statistics § Descriptive statistics was in form of averages, standard deviations, counts and percentages

Analytical model

- Inferential statistics include the correlation analysis (r & p values) and regression analysis (beta Coefficients, R^2 & p values).
- Data was coded and analyzed using SPSS version 23.0. § Presentation was by use of tables graphs and charts

Statistical the panel data model is represented as follows:

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \varepsilon$$

Where;

Y = Growth of MSEs;

X1 = Strategic Orientation;

X2 = Resource Orientation;

X3 = Reward Philosophy;

X4 = Entrepreneurial Culture, and;

β_0 = Constant β_1 β_2 β_3 and β_4 = the regression equation coefficients for each of the variables, and;

ε = error.

RESEARCH FINDINGS AND DISCUSSION.

- The study targeted a sample size of 373 respondents
- 319 filled them correctly and returned the questionnaires making a response rate of 85.5%. • This response rate was satisfactory to make conclusions for the study as it acted as a representative.
- According to Mugenda and Mugenda (2012), a response rate of 50% is adequate for analysis and reporting; a rate of 60% is good and a response rate of 70% and over is excellent.

	Questionnaires Administered	Questionnaires filled & Returned	Percentage
Respondents	373	319	85.5

Reliability and Validity Results

From the table below the KMO from the pilot study was 0.715, which is close to 1 indicating relatively compact patterns of correlations, and thus factor analysis should yield distinct and reliable factors.

Test	Value
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.	0.715
Bartlett's Test of Sphericity	Approx. Chi-Square
	Df
	Sig.
	4330.234
	465
	0.000

The pilot test showed that the scales measuring the objectives had a very high reliability.

CONSTRUCTS	CRONBACH ALPHA	No. of Items
Strategic orientation	0.834	9
Resource orientation	0.921	8
Reward philosophy	0.902	4
Entrepreneurial culture	0.850	8
Entrepreneurial networks	0.836	4

NOTE: All the constructs yield alpha values are above 0.7 and hence more reliable

Normality Test

- Normality tests are done to determine whether the sample data has been drawn from a normally distributed population.
- In this study, the usable response rate was 319 and, hence, the Shapiro-Wilk test was used.
- All the curves are consistent with the Shapiro -Wilk test in showing that the data are normally distributed.

Linearity Test

- Computation of ANOVA statistics was used to test for the linearity assumption.
- ANOVA results were computed with F-statistics for both the linear and the non-linear components for each independent variable.
- All the p-values are above 0.05 hence confirming insignificant deviations from linearity and thus linear relationships (constant slope) between the independent variable and the dependent variable.

REGRESSION ANALYSIS

Strategic orientation and growth model

Analysis model for strategic orientation- Anova and model summary for strategic Orientation and Growth Model

Model Summary				
R	R Square	Adjusted R Square	Std. Error of the Estimate	
.225a	0.051	0.048	0.976	

The model summary for strategic orientation shows a positive correlation of 0.225 and R square variation of 5.1% implying that strategic orientation increases growth by 5.1%.

ANOVA					
Sum of Squares	Sum of Squares	d.f	Mean Square	F	Sig.
Regression	16.110	1	16.110	16.916	.000b
Residual	301.890	317	0.952		
Total	318	318			

The model summary shows that the p values is 0.000 which is less than alpha (0.05) hence implying that **we** reject the null hypothesis and conclude that strategic orientation influences growth.

Resource Orientation and growth model

Model Summary

R	R Square	Adjusted R Square	Std. Error of the Estimate
.360a	.129	.127	.934

A correlation of 0.360 which is 36% between the resource orientation and growth of micro and small furniture manufacturing enterprises. This implies that the resource orientation is positively correlated to the growth of micro and small furniture manufacturing enterprises.

ANOVA

Sum of Squares	Sum of Squares	d.f	Mean Square	F	Sig.
Regression	41.158	1	41.158	47.128	.000b
Residual	276.842	317	.873		
Total	318.000	318			

The model show a positive correlation of 0.36 between resource orientation and growth of SMEs with an R square variation of 12.9%. This implies that increase in growth is brought about by 12.9% variation in resource orientation. The model summary shows that the p values is 0.000 which is less than alpha (0.05) hence implying that we reject the null hypothesis and conclude that resource orientation influences growth

Reward Philosophy and Growth Model.

A correlation ($r = 0.263$) between the reward philosophy and growth of micro and small furniture manufacturing enterprises. This implies that the reward philosophy is positively correlated to the growth of micro and small furniture manufacturing enterprises.

ANOVA					
	Sum of Squares	Df	Mean Square	F	Sig.
Regression	21.989	1	21.989	23.548	.000b
Residual	296.011	317	.934		
Total	318.000	318			

The model summary shows that the p values is 0.000 which is less than alpha (0.05) hence implying that we reject the null hypothesis and conclude that reward philosophy influences growth.

ANOVA					
Sum of Squares	Sum of Squares	Df	Mean Square	F	Sig.
Regression	11.873	1	11.873	12.295	.001b
Residual	306.127	317	.966		

Total	318.000	318			
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Entrepreneurial Culture and Growth Model

Independent Variable		Growth	Entrepreneurial Culture
Entrepreneurial Culture	Pearson Correlation	-.336	1
	Sig. (P-value)	.000	

The model summary shows that the p values is 0.000 which is less than alpha (0.05) hence implying that we reject the null hypothesis and conclude that entrepreneurial culture influences growth.

The table negative correlation of $r = -.336$ hence implying that entrepreneurial culture is negatively correlated with growth of micro and small furniture manufacturing enterprises in Kenya..

MULTIPLE REGRESSION ANALYSIS.

Model Summary for all the variables

The study showed a positive correlation between entrepreneurial management and growth of micro and small furniture enterprises in Kenya.

R square is 23.6% implying that 23.6% variation in growth is influenced by entrepreneurial management.

The p value is 0.000 which is less than 0.05 hence implying that we reject the null hypothesis and conclude that entrepreneurial management significantly affects growth.

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate		
	.486a	0.236	0.227	0.879		
Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	75.198	4	18.800	24.31	.000b
	Residual	242.802	314	0.773		

The study showed a positive correlation between entrepreneurial management and growth of micro and small furniture enterprises in Kenya.

R square is 23.6% implying that 23.6% variation in growth is influenced by entrepreneurial management.

The p value is 0.000 which is less than 0.05 hence implying that we reject the null hypothesis and conclude that entrepreneurial management significantly affects growth.

FINAL REGRESSION COEFFICIENTS AND REGRESSION MODEL EQUATION WITHOUT A MODERATOR

	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		

(Constant)	13.36	2.049		6.5203	
Strategic orientation	0.227	0.050	0.1355	4.54	0.000
Resource Orientation	0.344	0.054	0.2054	6.3704	0.000
Reward Philosophy	0.216	0.050	0.1289	4.32	0.000
Entrepreneurial culture	-0.025	0.055	-0.0149	-0.4545	0.002
Dependent Variable: Growth	0.253	0.055	0.1510	4.6	0.000

$$Y = 13.36 + 0.227X_1 + 0.344X_2 + 0.216X_3 - 0.025X_4 + 0.253Z$$

Where: Y = Growth of MSEs; X_1 = Strategic Orientation; X_2 = Resource Orientation; X_3 = Reward Philosophy; X_4 = Entrepreneurial Culture. The implication is that a unit change in strategic orientation leads to 0.227 increase in growth of MSEs, a unit change in resource orientation leads to 0.344 increase in growth of MSEs, a unit change in reward philosophy leads to 0.216 increase in growth of MSEs and a unit change in resource entrepreneurial to 0.025 decrease in growth of MSEs

MODERATING EFFECT OF ENTREPRENEURIAL NETWORKS

The study also sought to establish the moderating effect of entrepreneurial networks on the relationship between entrepreneurial management and the growth of micro and small furniture manufacturing enterprises

Model Summary for the MMR model

a Predictors: (Constant), Entrepreneurial culture , Reward Philosophy, Strategic orientation , Resource Orientation b Predictors: (Constant), Entrepreneurial culture , Reward Philosophy, Strategic orientation , Resource Orientation, Entrepreneurial Networks

c Predictors: (Constant), Entrepreneurial culture , Reward Philosophy, Strategic orientation , Resource Orientation,

Entrepreneurial Networks , X₁ intersection Z, X₂ intersection Z, X₃ intersection Z, X₄ intersection Z d Dependent Variable: Growth

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.486a	0.236	0.227	0.879	0.236	24.312	4	314	0.000
2	.508b	0.258	0.246	0.868	0.022	9.093	1	313	0.003
3	.565c	0.319	0.299	0.837	0.061	6.933	4	309	0.000

$\hat{Y} = 0.122X_1 * Z + 0.119X_2 * Z + 0.030X_3 * Z + 0.253X_4 * Z$ becomes the final regression model equation after network is added as a moderator hence implying that entrepreneurial network has an influence between entrepreneurial management and growth of SMEs. The changes in correlation are evident from the 3 phase approach when network is added.

CONCLUSIONS

- The study concluded that there was a significant positive relationship between strategic orientation and growth of the micro and small furniture manufacturing enterprises.
- The prime benefit of strategic orientation is that it is never isolated from any aspect of the organization. Adopting strategic orientation, micro and small furniture manufacturing enterprises may never lose their focus from any of these important business aspects.
- Strategic orientation of the firm leads to, at least in part, superior performance because of the innovative products and services which are brought to market.
- The research also concluded that there was a significant and positive relationship between resource orientation and growth of the micro and small furniture manufacturing enterprises.
- Micro and small furniture manufacturing enterprises know that, for a firm to take high levels of performance and a sustained competitive advantage, it needs to acquire heterogeneous resources and establish sufficient shield to manage resource constraints
- In addition, the research concluded that there was a significant but positive association between reward philosophy and growth of the micro and small furniture manufacturing enterprises.
- The study found the reward philosophy is one of the most critical issues for competitive advantage of the micro and small furniture manufacturing enterprises and we can conclude that it lays meaningful emphasis on innovation.
- Firms provide greater reward for innovative employees, which becomes strategic to the firm.
- Based on the data collected from the field, the study reached a conclusion that entrepreneurial culture had a significant negative association with the growth of the micro and small furniture manufacturing enterprises

- Although entrepreneurial culture is one of the crucial aspects that can differentiate one firm from another, many micro and small furniture manufacturing enterprises lack entrepreneurship skills and experience which affect the propensity of enterprises to become entrepreneurial and the likelihood of their success.

RECOMMENDATIONS

- Given that our study found resource orientation to be the largest contributor in the model (0.344), the study recommends the government to focus more on financing the MSMEs.
- In view of the findings made and conclusions drawn from the study, the following recommendations are provided to help enhance an accelerated and sustained growth in the micro and small furniture manufacturing enterprises in Kenya.
- Access to credit is important for the growth and development of micro and small furniture manufacturing enterprises in Kenya.
- However, access to credit is still a challenge to most micro and small furniture manufacturing enterprises in Kenya, especially those in developing economies, and it is also
- There is need for the government and other partners to facilitate the accessibility of credit to micro and small furniture manufacturing enterprises in Kenya.
- A policy should be developed to ensure that entrepreneurs engaging in micro and small furniture manufacturing enterprises undergo some training before they are issued with a business license. Still a key issue both within the private and public sectors
- This will assist the micro and small furniture manufacturing enterprises in Kenya to possess a little of technical/entrepreneurial knowledge on enterprise initiation and growth.
- The training will be important in aligning the skills of owner managers of micro and small furniture manufacturing enterprises with technological advancements and new
- Therefore, partnerships with suppliers, financial institutions and other development associations can go a long way to improve efficiency and productivity in the industry.

- Moreover, there is a dire need for capacity building support to enable micro and small furniture manufacturing enterprises to grow.
- They need to be helped to liaise with the public agencies and institutions responsible for implementing the various schemes aimed at assisting micro and small furniture manufacturing enterprises.
- Strong associations would enjoy legal recognition; negotiate with official authorities on issues such as work permits, credit and the right to occupy public land.
- Therefore, there is need for the players in the furniture manufacturing business to form associations or cooperatives to strengthen their bargain and access to resources.
- Associations could help the micro and small furniture manufacturing enterprises to improve their access to capital and information through links with formal markets.

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