

Training Needs Perceptions of Kenyan Entrepreneurs

Robert Gichira

World Bank

Robert E. Nelson

University of Illinois at Urbana-Champaign

Over the past 10 years, economic planners have realized the importance of the small enterprise sector in achieving economic development. Estimates are that 900,000 small enterprises in Kenya employ two million people (Dolman, 1994). While little evidence exists that these small firms grow into medium-size firms (employing 50 to 100 workers), many of these small firms have the potential to add one to five employees. In addition to its importance in creating jobs, the small enterprise sector contributes 33% of the value-added in manufacturing and the retail trade in Kenya (Onyango & Tomecko, 1995).

Major constraints to expanding the small enterprise sector in Kenya appear to be lack of capital, infrastructure, and managerial skills. Government can provide leadership in developing a policy framework that will create a more positive environment within which small enterprises can operate. However, entrepreneurs must take the initiative to improve their small enterprises by improving their managerial skills through training.

Individuals from different economic, social, and educational backgrounds become entrepreneurs in many different ways and under varying conditions, many without undergoing any training. Other people become entrepreneurs only after having been selected and trained. One question is whether they can develop these skills to expand their business operations through training or by merely engaging in entrepreneurial activities (Osirim, 1990; Rissal, 1988). A second question is whether training provides entrepreneurs with a

Gichira is Chief Technical Advisor, World Bank Project, Nairobi, Kenya. Nelson is Associate Professor and Coordinator of International Programs, Department of Human Resource Education, University of Illinois at Urbana-Champaign, Champaign, Illinois.

better understanding of the external and internal problems affecting the performance of their businesses. This study helped to identify both trained and untrained entrepreneurs' perceptions of the external and internal problems that are likely to cause failure. In Kenya, over 60% of small businesses are estimated to fail each year.

Small enterprises, which have been in existence for some years and have growth potential, may require a special focus for management training, counseling, and extension services (Republic of Kenya, 1992). One realistic approach to extension services would be to identify problems within the context of the Kenyan business sector that are likely to cause failure for both trained and untrained entrepreneurs (Onyemelukwe, 1973). If these problems can be diagnosed early enough, training and managerial assistance can be provided and failure may be averted.

The Problem

In Kenya, there are many examples of businesses that have been started and operated by people who have received no formal training, financial aid, or extension assistance. They have survived and prospered in spite of limited resources and skills. Other successful businesses are managed by people who have received various forms of assistance including technical and managerial training (Harper, 1984). Since entrepreneurship development programs are unlikely to cover more than a minority of the potential or existing small-scale enterprises (on the order of three percent nationally), a choice of training priorities becomes necessary (Neck, 1977).

Most modern management techniques developed in African countries address the problems and circumstances of medium to large-scale enterprises. However, these management techniques may be inappropriate for the needs of entrepreneurs in most small enterprises in Africa (Little, Mazumdar, & Page, 1987). Without being modified and adapted, these techniques are unlikely to be widely accepted or bring long-term benefits to small enterprises. Furthermore, before modifying and adapting the techniques currently being taught, a thorough investigation of problems being encountered by small entrepreneurs in their daily operations should be conducted (Chuta, 1983). The results of such investigations should highlight potential solutions to problems perceived by entrepreneurs that would assist in developing appropriate training programs.

Purpose of the Study

The purpose of this study was to develop and compare the profiles of entrepreneurs who have enrolled and completed the Small Business Development Program (SBDP) with those entrepreneurs who have not received any business training. Based on the profiles of entrepreneurs in both groups, implications for designing training programs for these two groups were developed.

Research Questions

The study was guided by the following research questions:

1. What are the demographic and operational characteristics of trained and untrained entrepreneurs in Kenya?
2. What are the perceptions of external and internal problems encountered by trained and untrained entrepreneurs in Kenya?
3. Based on the profiles, what training might be offered to the group at the advanced level and to the untrained group at the initial level?

Forty percent of the people in Nairobi are estimated to be engaged in income-generating activities (Republic of Kenya, 1987). Macharia (1989) indicated that this 40% figure is low. Much of the success of small businesses depends upon the quality of technical and managerial skills acquired by entrepreneurs through formal training and/or on-the-job experience. Since many entrepreneurs fail during the initial start-up phase, specific training is needed to help them (a) identify viable business opportunities, (b) locate alternative suppliers and markets, (c) obtain sufficient financing, and (d) analyze cash flow. Short-term training workshops may be conducted after problems encountered by entrepreneurs are identified.

Small Business Development Program

In 1984, the International Labor Organization began implementing a SBDP to improve the business and managerial skills of indigenous entrepreneurs in developing countries. A participatory approach was used when implementing this program. The instructional materials were prepared in English and were written at the fifth-grade reading level. The materials included many illustrations and diagrams to ensure that the information would be useful to entrepreneurs who might have had limited formal education. In addition to the participant materials, two companion manuals (the

Business Advisor's Manual and the *Trainer's Manual*) were developed for use in SBDP training and consultancy activities.

Since the SBDP was established in Kenya in 1984, other program activities in Africa have been carried out in Zambia, Tanzania, Mauritius, Lesotho, and Ethiopia. In every country, the SBDP staff collaborated with representatives of local organizations concerned with business development. The SBDP not only prepared useful teaching materials, but has also developed a method of business training through seminars and workshops relying on participatory education techniques. The SBDP has conducted training seminars both for entrepreneurs and for training officers of local organizations concerned with small enterprise development. The purpose of preparing training officers was to enhance the capabilities and effectiveness of these trainers to promote entrepreneurship development in vocational and business training institutions.

Over the past 13 years, the SBDP has trained over 15,000 people, including entrepreneurs, trainers, and those intending to initiate small enterprises. The implementation of the SBDP training program consisted of three parts:

1. Seminars where business topics are taught to entrepreneurs in a classroom setting. The topics covered during these seminars include (a) buying and selling, (b) marketing, (c) stock records and control, (d) recording cash and credit purchases, (e) costing and pricing, (f) manufacturing, (g) calculating profit or loss, (h) preparing balance sheets, (i) budget forecasting, (j) cash flow statements, and (k) planning for business expansion.
2. Follow-up activities, where short refresher courses are held and individual assistance is given to entrepreneurs who are attempting to implement the SBDP practices.
3. Feedback to the project office on the effectiveness of field activities, so that the program could be continuously monitored and modified as needed to ensure optimum effectiveness.

Methodology

This study principally utilized a qualitative approach to explore, identify, and compare the demographic, operational characteristics, and perceived problems between two groups (Walker, 1985). These groups were entrepreneurs who had received training and manage-

ment assistance from a SBDP and a group of entrepreneurs who had no training or assistance. This study also identified areas of potential training for both the SBDP group and the untrained group.

Subjects

A sample of 106 entrepreneurs were randomly selected from the total group of entrepreneurs who had received SBDP training. A second sample of 94 entrepreneurs was also randomly selected from a list obtained from the Attorney General's Chambers (Business Registration Office). The listing was reviewed to ensure that none of these entrepreneurs were on the SBDP list. Based on personal interviews, it was also determined that none of these 94 entrepreneurs had received any formal business training.

Data Collection

This study used the in-depth interview method to gain a more thorough understanding of the complex phenomena of entrepreneurship. A questionnaire containing 42 questions (primarily open-ended) was used to involve respondents in two-way communication where the interviewer was able to observe closely both explicit and implicit expressions of the respondents. A questionnaire (in English) was used to collect data on the demographic and operational characteristics as well as the external and internal problems the two groups of entrepreneurs encountered in the day-to-day operation of their businesses.

Prior to conducting the study, the questionnaire was pilot-tested on a sample group of 25 entrepreneurs. This helped to identify potential problem areas and clarify the respondents' interpretation of each question. The questionnaire was then revised based on the results of the pilot study.

A timetable for the interviews with entrepreneurs was prepared by the researchers. Respondents were first located by the researchers and an interview was arranged for later in that day or on the following day. Since the training for the SBDP group was conducted in English, the team encountered very few language problems during the interviews. Only in rare cases was the interviewer required to speak in Swahili.

Each interview lasted for approximately one hour. However, much more time was spent discussing respondent problems upon completion of the interview. The introduction of the interview (10 to 20 minutes) and the time spent locating respondents varied greatly in each case. The respondents were located in 15 towns in 11 districts throughout Kenya. No more than six respondents came from any

given town. Some were located outside the major towns, thus requiring considerable travel time.

Data Analysis

Data on the demographic and operational characteristics of the trained and untrained entrepreneurs were analyzed through descriptive statistics using percentages and frequencies. Responses regarding the perceptions of external problems encountered by both groups of entrepreneurs as well as their causes were coded around common themes and phrases before being analyzed using frequencies and percentages. The training needs for each of the two groups were derived from the causes of the major problems.

Results and Discussion

Demographic Characteristics

Five demographic characteristics were identified which illustrated differences between the SBDP group (i.e., the group receiving SBDP training) and the Untrained group (i.e., the group who received no business training): (a) type of business, (b) type of business ownership, (c) gender of the owner, (d) age of the business owner, and (e) reasons for going into business.

Over 80% of the SBDP group were in businesses requiring vocational and technical skills: manufacturing (33%), repairs/maintenance (29.2%), and construction (18.9%). This compared to only 35.1% of the Untrained group that were in businesses requiring technical skills. Of the Untrained group, 64.9% were in trade and service businesses as compared to only 18.9% in the SBDP group. The owners of trade and service businesses depended more on their management and marketing skills rather than vocational and technical skills. This may be attributed to the fact that 48.1% of the SBDP group, as compared to none in the Untrained group, obtained post-secondary technical diplomas.

Forty-nine percent of the SBDP group had attended National polytechnics or technical institutes compared to none in the Untrained group. It may be that entrepreneurs who have completed post-secondary vocational programs understand the importance of management training. Technical skills are necessary in manufacturing, repairs/maintenance, and construction, but are less important when starting trade and service businesses.

The SBDP group managed more complex businesses (37.7% were in partnerships and 18.9% were in limited companies). This

compared to the Untrained group where 23.4% of the businesses were in partnerships and 76.6% were sole proprietorships. The results indicate that entrepreneurs in more complex organizations are more likely to seek management training.

Business owners in the SBDP group tended to be younger than in the Untrained group. Of the SBDP group, 88.7% were between 21 to 40 years of age, whereas 90.4% of the Untrained group were 41 years or older. Of the SBDP group, 82.1 % had been in business 11 years or less as compared to 46.8% of the Untrained group. These results indicate that the entrepreneurs who are pursuing training through the SBDP are younger and presumably do not want to rely solely on experience to be successful in business.

The level of formal education for the SBDP group was higher than that of the Untrained group; 48.1% of the SBDP group had post-secondary education compared to none in the Untrained group. Studies conducted in the 1960s and 1970s indicate that education was not a factor in determining the success of entrepreneurs. Results of this study indicate that those entrepreneurs who completed post-secondary vocational programs are more likely to enroll in management training. By contrast, 46.8% of the Untrained group had only a primary education as compared to only 15.1% of the SBDP group. This result indicates that Kenyan entrepreneurs in general are not well-educated.

Sources of Initial Capital

As indicated in Table 1, 68.9% of the SBDP group had access to credit from commercial banks, development financial institutions (DFIs), or non-government organizations (NGOs) compared to 30.8% of the Untrained group. By contrast, 64.9% of the Untrained group obtained their initial capital from personal savings compared to only 3.7% of the SBDP group. Within the SBDP group, 27.4% obtained trade credit as compared to only 4.3% of the Untrained group. This implies that 96.2% of the SBDP group had more access to capital than the Untrained group. These results indicate that entrepreneurs in the SBDP group were more likely to share the risks of initiating an enterprise with lending institutions than the Untrained groups.

Ownership of Premises

Of the SBDP group, 62.3% owned their premises (which they had purchased, built, or inherited), compared to 33% of the Untrained group. Premises ownership allows entrepreneurs to use their build-

Table 1*Primary Source of Initial Capital*

Primary source	SBDP Group		Untrained Group		Total	
	N	%	N	%	N	%
Personal savings	4	3.7	61	64.9	65	32.5
Trade credit	29	27.4	4	4.3	33	16.5
Loan from commercial banks	10	9.4	6	6.4	16	8.0
Loan from development finance	61	57.6	2	2.1	63	31.5
Loan from NGOs	2	1.9	21	22.3	23	21.5
Total	106	100.0	94	100.0	200	100.0

ings as collateral for loans. Investing in premises also indicates the entrepreneur's commitment to the business as a long-term venture.

The two groups differed greatly regarding the number of employees; 19.8% of the SBDP group and 41.5% of the Untrained group employed between 1 and 6 employees. By contrast, 36.8% of the SBDP group while only 8.5% of the Untrained group employed 21 or more employees. The more employees in a business, the greater the need to implement good management techniques. Management training becomes more essential as employment expands in a business.

Entrepreneurs in the SBDP group appeared to delegate authority and responsibility to managers, which allowed the entrepreneurs more time to expand and develop their businesses. Entrepreneurs in the Untrained group tended to be more involved in managing, accounting, purchasing, sales, and production than entrepreneurs in the SBDP group. The non-delegating behavior of the Untrained group appeared to be compatible with their desire to personally ensuring maintenance of high-quality standards in their businesses. This tended to keep the scale of operations at a lower level than for the SBDP group.

Perceptions of the External and Internal Problems

The information in Table 2 indicates that the two groups differed in their perceptions of the major problems within the enabling environment. Of the SBDP group, 36.8% rated poor access to technology as their major problem. This compares to only 12.8% of the

Untrained group. This finding might be expected since 33% of the SBDP group were in manufacturing, 29.2% were in repair and maintenance, and 18.9% were in construction. These types of businesses require appropriate technology.

In contrast, only 9.4% of the SBDP group as compared 42.5% of the Untrained group indicated a negative legal environment as the major constraint. This ranking could have been due to the fact that 67% of the Untrained group rented their business premises. Market constraints were ranked second by 34.9% of the SBDP group as compared to only 13.8% of the Untrained group. Over 30% of the Untrained group ranked inadequate provision of physical infrastructure as their second major problem compared with only 18.9% of the SBDP group.

The respondents were also asked to identify the cause for the major problem they encountered. These responses differed signifi-

Table 2

Perceived Enabling Environment Problems

Problem	SBDP Group		Untrained Group		Total	
	N	%	N	%	N	%
Poor access to technology	39	36.8	12	12.8	51	25.5
Market constraints	37	34.9	13	13.8	50	25.0
Inadequate provision of physical infrastructure	20	18.9	29	30.9	49	24.5
Negative legal environment	10	9.4	40	42.5	50	25.0
Total	106	100.0	94	100.0	200	100.0

cantly and are presented in Table 3. Regarding poor access to technology, the SBDP group indicated that the major cause of this problem was insufficient sources of technical information. For the Untrained group, however, it was lack of appropriate technical skills among the entrepreneurs. In this regard, the SBDP group appeared to be more technically-qualified than the Untrained group. The SBDP group indicated that sufficient technical information and institutional counseling were needed, while the Untrained group indicated that they lacked appropriate technical skills.

On the issue of market constraints as the major problem, the SBDP group indicated that the major causes were undeveloped forward and backward linkages and unexploited export market opportunities. The only two causes of market constraints indicated by the Untrained group were inadequate access to the government procurement system and controlled prices on certain commodities. The SBDP group responses indicated a higher level of business understanding, whereas entrepreneurs in the Untrained group were more inclined to blame the government.

Regarding the problem of inadequate physical infrastructure, the SBDP group indicated that inadequate business space for expansion was the major problem. The Untrained group noted poor maintenance of access roads to the premises as the major cause of the problem of inadequate provision of physical infrastructure. When questions about legal impediments to small enterprise development, both groups indicated that the main cause was cumbersome and centralized registration requirements. The second major cause was multiple and expensive licensing requirements. These findings are similar to a study of small business owners in Kenya (Kenya Management Assistance Program, 1996). The overall analysis of Table 3 indicated that the entrepreneurs in the SBDP group perceived the major cause of each of the major problems at a higher and broader level of complexity than those in the Untrained group.

The internal problems that the respondents encountered were categorized into (a) working capital management, (b) costing/pricing, (c) investment decisions, (d) market penetration, (e) product development, (f) product input optimization, and (g) productivity improvement. As depicted in Table 4, the SBDP group perceived the causes of the internal problems at a higher and broader level of complexity, while the perceptions of the Untrained group were at a lower and narrower level of complexity. For example, in the area of working capital management, entrepreneurs in the SBDP group indicated (a) inability to optimize material purchases, (b) too much money tied up in "work-in-progress," and (c) inability to sell the finished goods in a reasonable time. In contrast, entrepreneurs in the Untrained group noted (a) inefficiency in collecting money from clients, (b) inability to maintain cash in a bank because of family demands, and (c) inability to balance cash flow.

Training Needs for the Untrained Group and SBDP Group

The external and internal problems and their causes as perceived by the SBDP group and the Untrained group were translated