

Towards Improving the Performance of Women Entrepreneurs in Small and Medium Enterprises in Nairobi County, Kenya: Policy Recommendations

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Abstract

The study sought to investigate the determinants of performance of small and medium women-owned enterprises. The study employed desk top research. Small and medium enterprises have been recognized as a major source of global economic growth and women entrepreneurs have been acknowledged to play critical roles for bringing their ideas and capabilities towards successful achievement of the SMEs development. Prior research has indicated that capital, networks affiliation, education, training and usage of ICT are important determinants of performance of women entrepreneurs in Kenya. This research not only helps the Government to identify appropriate women entrepreneurs, but also leads the Kenyan women entrepreneurs in developing sound skills and capabilities in doing businesses which might help them to create and sustain successful business ventures so as to help achieve Kenya's vision 2030 which is based on the economic, social and political pillars with Science, Technology and Innovation (ST&I) as their foundation so as to create a knowledge-based economy

Keywords: Women Entrepreneurs, Performance, Small and Medium Enterprises

1.0. Introduction

Kenyan women entrepreneurs are increasingly recognized to play an important role to the unprecedented rate of growth of the Small and medium enterprises (SMEs) and indirectly to the Kenyan Economy. The number of women in Kenyan SMEs in 2004 was 48 percent of the total employment in SMEs. The ILO report of 2004 indicated that 44 percent of Kenyan women surveyed professed desire for self-employment. It is not surprising that the number of women entrepreneurs in Kenya has increased in the past decade due to the emphasis on industrialization, and growing interests in privatization, self-employment and business oriented employment. All of these have been facilitated by the growth in various sectors such as banking and financing, food manufacturing, general trading, personal and public services, education, training and consultancy. It was found that Kenyan women have been involved in various enterprises formerly male-dominated (Mutuku, *et al*,2006).

According to the Republic of Kenya (2005), there were 800,000 companies involved in services, manufacturing and agricultural sectors, of which 85 percent were SMEs. About 16 percent were women-owned companies with 48 percent of them involved in the services sector, 8 percent in manufacturing and 25 percent in the agricultural sector.

The Kenyan government has come to realize that fostering the development of women entrepreneurship in the country is crucial for the achievement of Kenya's broader development objectives, including economic development and growth. Kenya is one of the very few countries which established the Ministry of Gender in 2002 and Women Enterprise Fund in 2007. Together, these two oversee the growth and development of existing and potential women entrepreneurs in the country. Various government grants and funds are made available to the women entrepreneurs through many of its agencies such as Youth Enterprise Fund and Women Enterprise Fund. In its effort to turn Kenya into an "Information Society" as part of the efforts to become a knowledge-based economy, the government has pledged to see that all segments of the society, women entrepreneurs in urban and rural areas have access to new information technology (IT), particularly computers and Internet facilities. It is clear that the Kenyan government has been actively involved and concerned about women entrepreneurship development in the last decade. This is to ensure that women entrepreneurs are not left out from the process of national and economic development, particularly in important sectors such as ICT in order for the country to successfully realize Vision 2030. It is important that a comprehensive list of determinants are identified and that the Kenyan women entrepreneurs are able to comprehend these determinants as they bear substantial influence on their business performance, especially when they compete in this challenging, globalised business arena. This was the objective of this study. As the determinants proposed are generic in nature, they are also applicable to women entrepreneurs globally. Practical recommendations are provided.

1.1. Statement of the Problem

Researchers have made attempts to distinguish an entrepreneur from a business person. They consider an individual to be an entrepreneur if he/she exhibits a high propensity for growth. They view growth propensity as one's desire to grow and change in future as well as his/her self-perceived power to achieve the same. As such, size and growth are typically used as criteria for evaluating organizational success ((Langowitz, N. & Minniti M. 2007)). Women, however, conceive their businesses differently from the way men do which women have different socialization experience which might shape varied strategic choices among themselves such as their prior professional experience and social network affiliation. This leads to different approaches to venture creation and business performance expectancies. Some studies show that women-owned businesses are more likely to fail than men-owned (Langowitz, N. & Minniti, M. 2007). Namusonge (2006) however, reported that women perform less well on quantitative measures such as job creation, sales turnover and profitability since women do not enter business for financial gain but to pursue intrinsic goals (for example, independence, and the flexibility to run business and domestic lives). Other researchers found that differences in initial capital and goals explain the poorer performance in women-owned businesses (RoK, 2005). Among the list of priority determinants to women entrepreneurship are lack of access to: (i) credit; (ii) formal business and social networks; (iii) opportunities to gain management experience and exposure; as well as (iv) the limitations of combining household and family care responsibilities with those of running the enterprises. These determinants can be summarized to three elements, i.e. financial and capital assistance; network; education, training and counseling; which impact on the performance of women entrepreneurs in the development of small and medium enterprises in Kenya and this is what this study sought to investigate.

1.2. Research Objective

This study sought to find out the determinants of performance of women-owned small and medium enterprises in Kenya and there after come up with policy recommendations that can help improve the same.

2.0. Methodology

To meet the research objectives, the study employed desktop research by reviewing relevant texts, websites, journals, magazines and research thesis.

3.0. Literature Review

3.1. Finance and Capital Assistance to the Women Entrepreneurs

Much of the research conducted in the 1980s identified business challenges specific to women entrepreneurs. Some of the difficulties reported included obtaining start-up funds, financial management and development of effective marketing and advertising (Hisrich et al., 2008). The root causes of limited financial success were often attributed to early management practices of the women entrepreneurs. Female owners tended to prefer internal to external sources of financing. In addition, women used smaller amount of capital at the start-up phase and that they are less likely to use financial instruments such as overdrafts, bank loans, and supplier credit. Women were more likely to use their banks for a source of advice, but men were more likely to respond to that advice (Republic of Kenya, 2005). Specifically, women-led businesses that used bank loans as a primary source of start-up capital outperformed those that used alternative funding sources. Therefore Namusonge (2006) stressed the importance of having a relationship with a bank in place at the time of the business launch. This is because having access to financial resources and emphasizing the financial aspects of the business had stronger effects on performance than did intention or choice. However, it was reported that one of the biggest obstacles facing women entrepreneurs is the discrimination they suffer from the banking and finance communities (Mutuku, et al., 2006) Thus, they prefer to rely on their own personal funds. Many women entrepreneurs feel that there is a huge barrier for them to obtain debt capital at banks and lending agencies. It is therefore crucial for the government agencies, banks and lending agencies and women associations especially Women Enterprise Fund to assist the women entrepreneurs in terms of financial problems.

3.2. Networks towards the Performance of Women Entrepreneurs

Networks have long been hailed as essential to the survival of female-run establishments (Boyd, 2005). It is a critical element for entrepreneurs in gaining access to capital/loans, advice and information needed for initiating and operating a new venture easily (Carter et al., 2006). Entrepreneurs make use of social relations and social contacts as channels to gain access to information, customers, and suppliers and to the sources of finance. They make use of family networks to access unpaid family work as well as emotional support. It has been found that support from personal network improves survival, growth and performance chances of new ventures. Specifically, support from strong ties (spouse/life partner, parents, friends and relatives) is more important than support from weak ties (business collaborators, acquaintances, former employers and former co-workers) which influence the success of new ventures. Help and emotional support from spouse are more important for success in case of the women entrepreneurs (Mutuku, et al, 2006). Men and women have different priorities in establishing networking relationships. Men's motives are more instrumental (seeking personal gain) while women have more affective considerations in social relationships. Their management style is not seen as being relevant and thus, women are often excluded from the male networks which are very effective. Women do not have the same tools, assets, and chances than men in the small business arena. When confronted by business problems or difficulties, women entrepreneurs seek assistance first from family, then from close friends and only last from knowledgeable business sources whereas men entrepreneurs rather seek advice from their networks. According to Mutuku, et al (2006), this might be due to lack of professional experience or the diverse social network needed for women to fully utilize the information and resources provided.

This phenomenon seems to be applicable to Kenyan women entrepreneurs. It was reported that women entrepreneurs faced a shortage of peer support networks compared with men even though various women entrepreneurs and industry associations have been formed which generally serve as a platform for women entrepreneurs to establish networks and exchange information and experiences as well as to conduct training programmes, seminars and workshops on motivation, leadership and entrepreneur development and to provide other means of support. This is due to the fact that women may not join these associations as they might be overloaded with business and family responsibilities. This limits the women entrepreneurs' ability to seek informal advice and peer financing as well as the information networks needed for survival and growth. This might pose a challenge to women entrepreneurs in establishing networks which are helpful to the survival of their businesses (De Tienne, D. R. & Chandler, G. N. (2007).

3.3. Education, Training and Performance of Women Entrepreneurs

The combined impact of globalization, changing patterns of trade, and evolving technologies such as ICT calls for skills that women entrepreneurs on the continent do not for a large part possess, as many more women than men lack the requisite level of education and training, including business and technical skills and entrepreneurship training. Women are often disadvantaged in terms of access to training. They are often unaware of training opportunities and are less likely to be able to afford the cost of training provided by the private sector.

According to International Labour Office (2007), even if women could afford to pay for the training, they have difficulty in travelling to central locations to participate in training programmes, and quite often cannot afford time away from their enterprises and family responsibilities to attend weeklong programmes. Most entrepreneurship training programmes is too general in scope and does not offer a growth strategy orientation. Many of them focus on the start-up process with very limited effort on the part of the training providers with regard to doing any post-training follow-up. In addition, women tend not to use supporting government programmes including the training programmes provided (Langowitz, N. & Minniti M. 2007). This might be a problem pertinent to women entrepreneurs as generally there is a lack of entrepreneurship training and skills development in Kenya where most women entrepreneurs acquire their skills and experience through their family members, friends and previous experiences (Republic of Kenya, 2005). Efforts are thus needed to increase the level of awareness among women entrepreneurs of existing training opportunities.

4.0. Policy Recommendations

- i. The women entrepreneurs should be able to have a good understanding of the financial assistance available to them.
- ii. They must also understand the importance of social and business networking to their business success.
- iii. They must take the initiatives to participate in any training programmes organized for them.
- iv. The government can do more in providing special assistance to women entrepreneurs on a continuous basis.
- v. The women entrepreneurs must be made to understand the advantages of external sources of financing for their businesses.
- vi. Understanding the limitation of grants that could be provided by the government even by increasing the allocation, the government should encourage more banks and micro institutions through tax incentives to provide a wider range of financial services with flexible terms and conditions so as to assist women in establishing and expanding their own enterprises.
- vii. The government could engage in dialogue with the banks and financial institutions in expanding their range of financing products and delivery mechanisms to the SMEs.
- viii. Besides government grants and loans from financial institutions, the associations of women entrepreneurs and NGOs can also play important roles in providing credit schemes to women entrepreneurs.
- ix. Although the SME promotion programmes could be gender-neutral, additional support and services should be made available to women in view of the additional constraints they face, particularly the dual role they play in running a business while at the same time taking care of their households.
- x. Women entrepreneurs must be made to realize the importance of network in gaining access to capital/loans and information from various stakeholders. The government, associations of women entrepreneurs and NGOs can also formulate strategies to enable informal mentoring supportive relationship among the women entrepreneurs. This will definitely help the new entrepreneurs to bypass the obstacles which impede growth, success, and personal fulfillment.
- xi. The society should encourage the development of more women entrepreneurs and see them as key enablers in the nation's economic development agenda.

Conclusion

This paper provides a comprehensive review of the three determinants of performance of women entrepreneurs in the SMEs, particularly in Kenya. As the determinants are derived from the global literature on women entrepreneurship, it is hoped that the recommendations made in this study provide useful guidelines to women entrepreneurs, government, associations, the NGOs and other relevant stakeholders. Research is being undertaken by the authors to build upon this work. Empirical evidence on successful women entrepreneurs based on these determinants proposed is on-going. These would aid in better positioning the significance of these determinants towards the success of women entrepreneurs in Kenya.

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