

Networking Skills and Performance of Youth-Owned Micro and Small Enterprises in Nairobi Metropolitan Region

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Abstract

The government of Kenya has undertaken several measures such as upgrading of metropolitan market to support and nurture youth entrepreneurship in Kenya. Despite, the various government policies, statistics show low performance among youth owned micro and small enterprises. Entrepreneurship skills have been documented to be a driver of firm performance. Thus, the purpose of the study was to establish the effect of networking skills on performance of youth-owned MSEs. The study adopted dual positivist and interpretivism approaches as research philosophy and exploratory research design. The sample size was 344 respondents selected from seven markets in the Nairobi metropolitan region. The study used questionnaires to collect the data. Data analysis involved the use of descriptive and inferential statistics. The findings established that networking skills had a positive and significant influence on performance of youth-owned MSEs. This implies that possession of networking skills among youth entrepreneurs is essential for performance of their enterprises. The study concluded that networking skills played a crucial role in enhancing the performance of youth MSEs in the newly upgraded markets. The study recommended that possession of networking skills such as relational skills, partner's knowledge and internal communication skills among youth entrepreneurs is essential for performance of their enterprises.

Keywords—entrepreneurial; networking skills; youth-owned; micro and small enterprises

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Introduction

Globally, performance of micro and small enterprises (MSEs) has emerged as a significant topic due to the importance of enterprises as a catalyst for improving the social and economic status of nations (Msuvya, 2019; Padya, 2015). In the recent past micro and small enterprises have taken centre stage as the main drivers of economic performance in most countries (Brijal, Naicker & Peters, 2016). In Kenya, the definition of micro enterprises is largely based on number of employees which is tangibly 0-9 while small enterprises consider 10-49 employees (RoK, 2016). According to Simiyu, Namusonge and Sakwa (2016), micro and small enterprises constitute over 70% of enterprises in Kenya. Additionally, in the newly upgraded markets in Nairobi Metropolitan region of Kenya, with over 20,000 traders, the youths comprise of over 70% of the entrepreneurs in the upgraded markets (Githira et al., 2019).

Entrepreneurship skills

Entrepreneurship skills refer to the knowledge which is demonstrated through action by an entrepreneur. Undiayaundeye (2015) argued that entrepreneurship skills are abilities that assist an entrepreneur to start and manage an enterprise. According to Msuvya (2019) and Olajide (2018), the crucial entrepreneurship skills that youth enterprises must possess to inculcate performance include qualities like networking skills. Networking skills refer to social interaction activities of small and new enterprises. Kiprotich, Kimsop and Kemboi (2015) describe networking skills or social networking skills by entrepreneurs through the influence of friends, family, role models and advisors in the undertaking of enterprise activities.

Barr (2015) argues that the ability to foster business networks skills can help any firm to build its customer and supplier base, improve access to debt and equity finance, and provide useful advice and support. Such entrepreneurial networks can be especially beneficial for new and smaller firms, which because of their size often have a narrower range of contacts. In the view of Stam, Arzlanian and Elfring (2015) networking skills contribute moral support while Stuetzer, Obschonka et al. (2015) suggested that networking skills provide information resources.

Youth-owned MSEs

In Kenya, the government has made some strive to encourage and support youth entrepreneurship. There are legal and regulatory frameworks which have been done to guide and accelerate performance of youth owned MSEs. The development of policy framework of MSEs in Kenya is contained in the Sessional paper No. 2 of 2005 Republic of Kenya (KNBS, 2016). This document forms the background for enacting the MSEs' Act to operationalize MSE policy in Kenya. The act is supposed to give direction on issues relating to the legal and regulatory environment, markets and marketing, business linkages, the tax regime, skills and technology, and financial services (World Bank, 2016).

The Kenya government has set up funds that actualized policies and support the sector. The funds include the Youth Enterprise Development funds and Uwezo funds (RoK, 2017). These support programs are meant to provide guidance, promotion, production efficiency, research and development activities, and product development. The net effect should be an increase in job opportunities among the youths, an expanded market for MSEs' products, increased capacity to service the market, and improved returns (Bwisa et al., 2015).

Further, the Government of Kenya through the Ministry of Infrastructure, Housing and Urban Development (MoTIHUD) and in partnership with Nairobi Metropolitan Services Improvement Project (NaMSIP) has upgraded 15 markets within the Nairobi Metropolitan region (Githira, Opiyo & Mwaniki, 2019). The markets include New Wakulima, Karandini, Muthurwa, Kitengela, Tala, Westlands, Kihara, Juja, Ruiru, Kikuyu, Kiambu, Ongata Rongai, Uhuru, Mwariro, and Ngong (Muute, 2019). The upgrading of the market is focused on creating enabling space for organized markets, market linkages for products and services, enhancing efficiency of quality of products and services and reliability of linkages with financial institutions. The youths and women entrepreneurs are the targeted groups in the upgrading of the 15 markets. With over 20,000 traders, the youths comprise of over 70% of the entrepreneurs in the upgraded markets (Githira et al., 2019).

In spite of the role played by youth owned MSEs in performance of the Kenyan economy, these enterprises are facing numerous challenges (Kiprotich et al., 2015). The challenges are best summarized in the proceedings of a stakeholder workshop on youth and development organized by the World Bank on 11th March 2016 that recorded a number of challenges affecting youth in Kenya (World Bank, 2016). The highlighted challenges in the proceeding were; lack of marketing skills, lack of entrepreneurship education, access to credit and poor attitude towards self-employment. Due to the stated challenges, the Youth owned MSEs have constantly experienced slow performance and high failure rate.

Enterprise Performance

Due to the critical role that micro and small enterprises play in the Kenya economy, the government through Kenya Vision 2030 envisages the strengthening of MSEs to become the key industries of tomorrow by improving their performance (RoK, 2016). Further, the Youth Enterprise Development Fund (YEDF) was conceived by the government in June 2006 as a strategic move toward arresting unemployment among the youth in Kenya (Sambo, 2016). Most striking, in 2015, Nairobi hosted the sixth annual Global Entrepreneurship Summit (GES) which was a platform for venture capitalists, entrepreneurs, and foundations to network and celebrate entrepreneurs from around the world, exchange innovative business ideas as well as provide investment opportunities and identify ways to improve entrepreneurial ecosystem (Itibe, 2016). These and others are some of the efforts the Kenya government aimed at boosting performance of MSEs in the country.

Despite the various interventions the government and Non-governmental Organizations (NGOs) have deployed to promote and nurture MSEs in Kenya especially those owned by youth, statistics shows that they are either stagnating or winding up (Kenya National Bureau of Statistics, 2016). Sessional paper No.2 of 2005 Republic of

Kenya (RoK, 2017) states that in Kenya MSEs have high mortality rates with most of them not surviving to see beyond their third anniversaries. Msuvya (2019) reported that most of MSEs in Kenya are faced with immeasurable challenges during start-up and maturity in a highly competitive environment. The causes of the internal and external challenges facing youth enterprises in Kenya requires to be addressed if the future performance of these enterprises is envisioned to be salvaged.

Nairobi Metropolitan Region

Globally, metropolitan regions present huge development opportunities. The rapid urbanization also generates a lot of problems and challenges – economically, socially and environmentally (Mundia, 2019). Nairobi is one such metropolitan region in Kenya. The Government of Kenya embarked on an ambitious Nairobi Metro Vision 2030 to spatially redefine the Nairobi Metropolitan Area and create a world-class city region which is envisaged to generate sustainable wealth and quality of life for its residents, investors, and visitors. Nairobi metropolitan region (NMR) covers approximately 32, 715.5 km squared, consists of 5 (Nairobi, Kiambu, Murang'a, Machakos and Kajiado) out of 47 counties in Kenya. NMR covers 15 local authority areas – City Council of Nairobi, County Councils of Kiambu, Olkejuado, Masaku and Thika; Municipal Councils of Ruiru, Thika, Kiambu, Limuru, Mavoko, and Machakos; and Town Councils of Karuri, Kikuyu, Kajiado, and Kangundo (Mundia, 2019).

Nairobi Metropolitan Region's strategic vision is to be a world class African Metropolis by 2030 (ROK, 2019). The mission for NMR is to build a robust, internationally competitive, dynamic and inclusive economy; develop world class infrastructure to support development; enhance linkages and accessibility to national, regional and global contexts. In line with the mission, the Government of Kenya through the Ministry of Infrastructure, Housing and Urban Development (MoTIHUD) and in partnership with Nairobi Metropolitan Services Improvement Project (NaMSIP) has upgraded 15 markets within the Nairobi Metropolitan region (Githira, Opiyo & Mwaniki, 2019). With over 20,000 traders, the youths comprise of over 70% of the entrepreneurs in the upgraded markets (Githira et al., 2019).

Statement of the Problem

The government of Kenya in conjunction with the World Bank has upgraded 15 markets in Nairobi metropolitan region (Githira, Opiyo & Mwaniki, 2019). This effort is geared towards uplifting the performance of youths and women enterprises. However, though the markets have been upgraded and traders effectively, performance of youth owned enterprises is still wanting. Statistics from a report by the World Bank (2019) indicated that over 68% of youth businesses in the upgraded markets have either failed or stagnated. Additionally, over 65% of the youth enterprises in these markets are facing performance-related challenges.

According to Inoti and Mbura (2017) suggested that enhancing of entrepreneurship skills such as networking skills among the youths is a catalyst for better performance of micro and small enterprises. Studies by Msuvya (2019) and Olajide (2018) suggested that the crucial entrepreneurship skills that an enterprise must possess to inculcate performance include networking skills. There are limited studies focusing on networking skills and performance of youth-owned MSEs in Kenya. This study, therefore, sought to fill this knowledge gap.

Research Objectives

To determine the influence of networking skills on performance of youth-owned Micro and Small Enterprises in Nairobi Metropolitan region

Research Hypothesis

Ha1: Networking skills have significant relationship with performance of youth-owned micro and small enterprises in Nairobi Metropolitan region, Kenya.

Literature Review

Salfiya and Ummah (2016) examined the impact of social network on business performance, Eastern Province, Sri Lanka. The study is an attempt to isolate and examine the significant relationship between the social network and the small-scale business to perform as a profit-making entity in the short run as well as in the long run. Social network activity, social network density and social network centrality were regressed against business performance. Questionnaires and interviews were used as data collection techniques to absorb important information from the sample which had been selected as sample from Ampara, Batticaloa and Trincomalee areas in the Eastern Province. Through simple random sampling a sample size of 200 respondents were selected. Data analyzes were done using descriptive correlation and regression. The finding showed that social network had a strong positive relationship on small business performance in the Eastern Province. Social network activity and social network density is the key driver which influence on small business performances. Customer is key element of social network. Therefore, it is important to give higher attention to customer. Since attracting and

retention customer directly or indirectly affect to business performance. Resource sharing and communication support Micro and small entrepreneurs of social network as well as their enterprises

Mwangi and Namusonge (2015) investigate the entrepreneurial factors influencing the performance of youth enterprise development funded enterprises in Kirinyaga County, Kenya. Entrepreneurial networking and entrepreneurial experience were the predictor variable while performance dependent. The research utilized personal interviews and questionnaires to collect data from the respondents. Stratified random sampling technique was used to draw the sample. The data was subjected to descriptive and inferential statistical. Entrepreneurial networking had the best correlation with performance of YEDF youth enterprises, which is a strong positive correlation. The implication is that entrepreneurial networking among youthful entrepreneurs in Kirinyaga County is vital in cultivating network ties that can bring with it marketing assistance in the form of new markets and marketing capabilities for youth SMEs. Entrepreneurship experience was the second-best predictor of performance of youth enterprise development funded enterprises, with a significant positive correlation. This implies that entrepreneurial experience among youthful entrepreneurs is paramount to the overall performance of the enterprise. Networking of youth enterprises is central to success of any enterprise and there is need for YEDF to help in exposing the enterprises to potential customers through vertical and horizontal networking

Wamoto (2016) investigated research on entrepreneurial factors influencing the performance of Government Funded Youth Group enterprises in Turbo Sub-County Uasin Gishu County-Kenya. The predictor variables were leadership skills, entrepreneurial skills, entrepreneurial resources and entrepreneurial vision. The study adopted a descriptive survey research design; used purposive, stratified random and random sampling to get respondents for the study. The Data was collected by both primary and secondary sources. Inferential statistics were used to make generalization about the study; Simple and multiple linear regression was used to show how independent variables related to dependent (Youth group enterprise performance). The findings show all independent variables were all significant to performance of Government Funded Youth Group enterprises in Kenya. Entrepreneurial resources emerged the best on youth group enterprise performance since it could explain 50.1% variation on Youth group Enterprise performance It was also found out that social networking, good customer relationship, more trainings, regular entrepreneurial campaigns are necessary for youth groups to achieve their goals.

Maina et al. (2016) investigated the influence of network dimensions on the performance of Kenyan manufacturing Small and Medium Enterprises (SMEs). Networking dimensions was conceptualized under two variables. The study used descriptive design and targeted firms in the Kenyan manufacturing sector. Data was collected using self-administered questionnaires from a sample of 132 manufacturing SMEs operating in Kenya registered by Kenya Association of Manufacturers (KAM). Data was analyzed using descriptive statistics and inferential statistics using SPSS version 21. These two variables are network intensity and range. Two hypotheses regarding network dimensions were tested and subsequently accepted. It was evident from the study network intensity and range has positive and significant relationship on firm performance

Another study by Kiprotich et al. (2015) examined the moderating effect of social networking on the relationship between entrepreneurial orientation and performance of small and medium enterprises in Kenya. The independent variable of the study was risk taking, pro activeness and innovativeness and performance being the dependent variable. The relation between explanatory and explained was moderated by social networking. The methodologies of the study were explanatory research design, stratified sampling questionnaire, a sample of 214 SMEs in Nakuru town, Kenya. Data analysis was done using descriptive and inferential statistics were used to analyze data. The results indicated that risk-taking, pro-activeness and innovativeness influence significantly the performance of SMEs in Nakuru town. The study also demonstrated that social networking enhanced the relationship between risk-taking, pro-activeness and performance of SMEs in Nakuru town. Further it was found social networking offer a cost-effective way in expanding contract bases and enhancing the profitability of firm.

Methodology

Research Philosophy

To determine the influence of networking skills on performance of youth-owned MSEs, the study used dual positivist and interpretivism approaches as study philosophy.

Research Design

Since this study sought to explore an undefined problem of the interaction between networking skills and performance of youth MSEs, exploratory research design was adopted.

Target Population

The target population comprised of 2467 youth entrepreneurs in seven upgraded markets in Nairobi Metropolitan region. The sample size was 344 respondents.

Data Collection Methods

In this study primary data was collected using questionnaires. Reliability of questionnaire was tested using Cronbach's alpha coefficient while validity used content and construct validity measures.

Data Analysis and Presentation

The data collected was entered into Statistical Package for Social Sciences version 26.0. Two categories of data collection were undertaken: descriptive and inferential statistical techniques.

Regression Model

The following model was used to explain the relationship between the predictor and the criterion.

$$Y = \beta_0 + \beta_1 X_1 + \varepsilon$$

Where Y – Performance of youth-owned MSEs

X₁ – Networking skills

ε – Is the error term

Findings

The results of the descriptive statistics showed that the average results for EMKP Composite illustrated that 33.5% of the respondents supported that networking skills influenced performance of youth-owned MSEs as supported by the moderate value of standard deviation (SD=0.30). The results support Salfiya Ummah (2016) findings that presence of networking skills had a strong positive relationship on performance of enterprises. The implication is that entrepreneurial networking among youthful entrepreneurs is vital in cultivating network ties that can bring with it marketing assistance in the form of new markets and marketing capabilities.

Results of Regression Model

The regression results are discussed in this section. Table 1 summarizes the results of the regression model.

Table 1. Results of linear regression analysis

Variable	B	SE	95.00% CI	B	T	P
(Intercept)	0.36	0.25	0.13, 0.86]	0.00	1.45	.001
Networking skills	0.08	0.13	[-0.17, 0.34]	0.09	0.63	.002

The results show that ($\beta = 0.08$, $t(315) = 0.63$, $p = .002$).

H_{a1}: Networking skills have significant relationship with performance of youth-owned micro and small enterprises in Nairobi Metropolitan region, Kenya.

Networking skills significantly predict performance, $\beta = 0.08$, $t(315) = 0.63$, $p = .002$. Networking skills has positive and significant influence on performance of youth-owned MSEs. The results support studies by Salfiya Ummah (2016), Mwangi and Namusonge (2015), Wamoto (2016), Maina et al. (2016) and Kiprotich et al. (2015) demonstrated that networking skills have significant relationship with youth-owned micro and small enterprises.

Conclusions, Recommendations and Area for Further Studies

Conclusions

Based on the findings, networking skills significantly predict performance. This is because networking skills had positive and significant influence on performance of youth-owned MSEs. The study concluded that networking skills played a crucial role in enhancing the performance of youth MSEs in the newly upgraded markets.

Recommendations

The study recommended that possession of networking skills such as relational skills, partner's knowledge and internal communication skills among youth entrepreneurs is essential for performance of their enterprises. Stakeholders should invest in improving the ability of youth entrepreneurs to be positively active in networks with other entrepreneurs inside and outside the newly upgraded markets.

Area for Further Studies

1. The focus of this study was on youth entrepreneurs, similar studies should target other demographics like women and men who are not youths.

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