EFFECT OF COMPETITIVE STRATEGIES ON GROWTH ON EMPLOYMENT BY WOMEN ENTERPRISE FUNDED SMALL AND MEDIUM ENTERPRISES IN KENYA

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ABSTRACT

Many women-owned small and medium enterprises (SMEs) are being created every year but the sizes in terms of sales, profits and capitalization remain small majority employing one to two employees. The growth potential of enterprises is linked to access to and control over resources, including land, credit, technology, networks, information and markets. Women's limited access to each of these factors severely impairs the viability of their businesses, with the result that most women entrepreneurs are to be found in the smallest informal enterprises. The Government of Kenya set up the Women Enterprise Fund (WEF) as part of an integrated strategy on the promotion of women owned enterprises to provide accessible and affordable credit to support women start or expand business for wealth and employment creation. It is not well understood to what extent the loans to SMEs through WEF are contributing to growth of SMEs in Kenya. Most beneficiaries of WEF are low value enterprises therefore due to high level of competition they therefore need to develop and apply strategies which will make their businesses grow and survive competition. It has been suggested that certain strategic alternatives are typically more appropriate for a small firm, namely those that avoid direct competition with larger firms and that involve the development of close customer relationships and product adaptation. This paper examined the effect of competitive strategies on growth of women owned MSEs. Growth of SMEs means increase in sales, employees, production and service lines, this study focused only on growth measured through number of employees. Primary data was collected using questionnaires, which were analysed deployed descriptive and inferential statistics to facilitate the study findings. The results showed that the SMES that emphasized on market penetration strategy performed slightly better than those SMES which emphasized on market development and product development strategies.

Keywords: Competitive Strategies, SMEs, Employment, Growth, WEF.

INTRODUCTION

The MSE sector is expected to generate significant employment opportunities given the decline in the agricultural sector's capacity to absorb new labor force and the shrinking public sector. While MSEs have tended to absorb large numbers of unemployed people, they themselves are not able to generate reasonable remunerated long-term jobs (Mutai, 2011). SMEs face various barriers and constraints relative to large firms and women face greater disadvantages and difficulties than men in operating SMEs. Yet SMEs have proved to be big employers and to be more resilient than large firms during the recent economic crisis (ILO, 2011). By 2008, SMEs created employment for about 75% of the national workforce and contributed up to about 22% of the national Gross Domestic Product (GDP) (Government of Kenya, 2008). Governments around the world are placing increasing importance upon the success of small business entrepreneurs and providing increased resources to support this emphasis (Burgess, 2001).

LITERATURE REVIEW

Many women-owned MSEs are being created every year but the sizes in terms of sales, profits and capitalization remain small majority employing one to two employees. Majority of them do not live to see their second birthday. Further, those businesses that survive have remained small with insignificant growth. Many MSEs do not survive for long or they transit to big ones or perhaps they are self-limiting in the sense that one is pushed out of operations in the course of time by unfavorable conditions. This could account for the observations that majority of the businesses are young and less than 5 years in operation (Kinyanjui, 2006). Lack of planning, improper financing and poor management have been posited as the main causes of failure of small enterprises (Longenecker, et al., 2006).

Female entrepreneurs find it difficult to start and operate their business because of traditions, customs and societal attitudes towards women. Generally rural woman appear to start business for survival to balance work and family with no intention to grow. Rural women are burdened the family household roles. Because of these women are left with little time for their businesses (Mbiti et al, 2015). The socio-cultural factors influenced the growth of women-owned MSEs in rural areas (Mbiti et al, 2015). Rural women appear not to be driven by profits but rather, by the need to provide for their families (Muriungi, 2012).

Women enterprise fund

Women in Kenya constitute a population of slightly over 50% and have been marginalized from accessing economic resources and opportunities due to a number of reasons amongst them institutional, cultural, and structural factors. Approximately 40% of all Kenyan women have no access to finance at all; another 40% only have access to informal financial systems that often represent a range of restraints (WEF, 2013). In August 2007 the government of Kenya set up the Women Enterprise Fund [WEF] to provide accessible and affordable credit to support women start or expand business for wealth and employment creation. WEF has reach hitherto un-served or seriously under-served women, not too many as yet and not too smoothly as yet. WEF has been able to extend loans to women amounting Kenya shillings 2.6 billion to over 645,825 women entrepreneurs (WEF, 2009).

The WEF is built on the assumption that Kenyan women face difficulties accessing credit and financial resources. Most microfinance clients in Kenya and elsewhere are women and the number of served women is growing rapidly every day: so there is no general access issue. Although, access does become a problem the lower we descend in the socio-economic pyramid. Below a certain level there virtually is no access at all. If the WEF indeed is about creating access, it is to create access there were it really does not exist. That holds for micro entrepreneurs known as jua kali as well as for women groups that can handle group loans but are denied access to loans (WEF, 2009).

The WEF is one major initiative to provide accessible and affordable credit to support women start or expand business for wealth and employment creation (WEF, 2013). If true, infusions of capital should increase occupational choice and spur investment and earnings, especially among poor new market entrants such as young people (Blattman et al., 2013), and women. Most beneficiaries of WEF are low value enterprises which face high level of competition, therefore need to develop and apply strategies which will make their businesses grow and survive. The crucial barometer for the success of the Government’s integrated strategy on the promotion of women owned enterprises is to provide accessible and affordable credit to support women start or expand business for wealth and employment creation (Kiraka et al. 2013). Seven years after official launch of WEF in 2007, it is not well understood to what extent the provision of the Fund is contributing to the growth of the MSMEs and improving the livelihood of women in Kenya.

According to Kiraka et al. (2013), it is unclear to what extent the Fund is supporting new and existing business that often do not get support from the more conventional financial institutions. Their study on the performance of the WEF focused on growth and innovation of WEF funded SMEs.

SME growth

For growth, all women entrepreneurs would benefit greatly from a supportive environment that encourages women to “go for it”. Currently, there is a lack of social and cultural support for the role of women as entrepreneurs; women are subject to stereotypes with few visible role models for them at any level. Gender barriers need to be addressed at all levels, from the legal system to the domestic system (Stevenson & St. Onge).

Women entrepreneurs also need more access to a full range of financial and non-financial support services. The growth of their enterprises is restricted by lack of collateral and flexible finance options (Stevenson & St. Onge). The growth and expansion of SMEs requires sustained investment in working capital. At low levels of income, the accumulation of such capital may be difficult. Under such circumstances, microcredit facilities may help small-scale entrepreneurs improve their incomes and accumulate own capital (Atieno, 2001). Growth can be an objective in itself, it can constitute a yardstick for the success of the manager and his firm, and for the "progress" achieved by the latter (Starbuck, 1965). Focusing the firm’s strategy on sharing equity, identifying a particular market niche, identifying new products, technological sophistication and devolution of decision-making are key to growth businesses tend to be those that extend ownership of the firm to others in exchange for equity (Storey, 1994). According to Mbiti et al (2015), growth is the very essence of entrepreneurship, making the relationship between growth and entrepreneurship a relevant question. However, growth means increase in sales turnover, increase in profitability levels, increase in number of employees, production lines, services and total capitalization. Whereas women based enterprises have helped create 462,000 jobs annually in Kenya (Republic of Kenya, 2005).

Women-owned enterprises have recorded low growth rate. General observation is that there are many women-owned MSEs being created every year but the sizes in terms of sales, profits and capitalization remain small majority employing one to two employees. Majority of them do not live to see their second birthday. Further, those businesses that survive they have remained small with insignificant growth. This trend supported the studies that many MSEs do not survive for long or they transit to big ones or perhaps they are self-limiting in the sense that one is pushed out of operations in the course of time by unfavorable conditions. This could account for the observations that majority of the businesses are young and less than 5 years in operation (Kinyanjui, 2006). Management devolution is essential for growth as it becomes impossible for the entrepreneur to manage on their own. Those firm that recruit experienced managers from larger firms are likely to be more successful (Storey, 1994). A management team that is too small is likely to be too busy to manage growth effectively (Hay & Kamshad, 1994).

Growth enterprises are entrepreneurial firms with high possibilities to grow. Yet, not all enterprises' first and foremost objective was growth (Njeru, Namusonge & Kihoro, 2013). Some enterprises are established merely to exploit a short-time opportunity. The introduction of the women enterprise fund through joint lending had greatly eased access to microcredit for the rural poor. However, being able to access finance is not an end in itself because the success of an enterprise depends on how the microcredit was utilized (Ijaza, Mwangi & Ngetich, 2014). Entrepreneurs and small business owners are motivated to solve problems or deliver services better, faster, cheaper than others in the market. Entrepreneurs harness creativity and innovation to seize opportunities and offer alternatives in the marketplace. Successful entrepreneurs manage risk by closely monitoring business processes and financial obligations, as well as by focusing intently on their market and the challenges of building market share (Muriungi, 2012).

Competitive strategies

Firms undertake internal analysis on the quantity and quality of their financial, human and physical resources. They also assess the strengths and weaknesses of the management and organizational structure. Finally, it contrasts the company's past successes and traditional concerns with the company's current capabilities in an attempt to identify the company's future capabilities. Strategic analysis and choice in a single or dominant product/service businesses center around identifying strategies that are most effective at building sustainable competitively advantage based on key value chain activities and capabilities (core competencies) of the firm (Pearce & Robinson, 2011).It has been suggested that certain strategic alternatives are typically more appropriate for a small firm, namely those that avoid direct competition with larger firms and that involve the development of close customer relationships and product adaptation (Storey & Sykes, 1996).

In the specific language of Ansoff's Matrix, it has been suggested by (Perry 1987) that for SMEs the most appropriate growth strategies are therefore market penetration, product development and market development. Ansoff, (1987) developed four directional strategies model called product /market matrix as a tool for corporate level strategic choice is a business analysis technique that provides a framework enabling growth opportunities to be identified. It can help businesses to consider the implications of growing the business through existing or new products and in existing or new markets. Each of these growth options draws on both internal and external influences, investigations, and analysis that are then worked into alternative strategies.

Market penetration is the name given to a growth strategy where the business focuses on selling existing products into existing markets. This is done by taking part or a competitor's entire market share. Other ways to penetrate the market could be by finding new customers for your product or by getting current customers to use more of your products. Market penetration is considered a low risk method to grow the business and is very much about considered as a business as usual affair (Free Management, 2015). The ability of an organization to achieve higher usage by customers can be greatly enhanced by rapidly changing technologies that encourage users to upgrade or that offer more reasons to use the product or service (Strauss el Ansoury, 2004). A successful market penetration strategy relies on detailed knowledge of the market and competitor activities. It relies on having successful products in a market that is already known well. Market penetration strategy requires both market and competitor intelligence. One key constraint of market penetration is that does not allow anything in the drive to grow market share to compromise existing success (Free Management, 2015).

Market development is a grand strategy of marketing present products, often with cosmetic modification, to customers in related marketing areas. Firms that open branch offices in new cities, states or countries are practicing market development. Likewise firms are practicing market development if they switch from advertising in trade publications to advertising in newspapers or if they add jobbers to supplement their mail-order sales efforts (Free Management, 2015). Market development allows firms to leverage some of their traditional strengths by identifying new uses for existing products and new demographically; psycho graphically, or geographically defined markets. Frequently, changes in media selection, promotional appeals and distribution signal the implementation of the strategy (Pearce & Robinson, 2011).

Product development involves the substantial modification of existing products that can be marketed to current customers through established channels. Product development strategy often is adopted either to prolong the life cycle of current products or take advantage of a favorite reputation or brand name. The idea is to attract satisfied customers to new products as a result of positive experience with the firm's initial offering (Pearce & Robinson, 2011). This strategy is based on the penetration of existing markets by incorporating product modifications into existing items or by developing new products with a clear connection to the existing product line (Pearce & Robinson, 2011). The complete process of bringing new product to the market, there are two parallel paths involved in new product development process one path involves idea generation, product design and detail engineering the other path involves market research and market, analysis (Koen et al, 2007).

The overriding message in the previous studies is that access to microcredit is a crucial factor for the survival and performance of SMEs. Although a number of studies have their setting in developing countries, in Kenya, the relationship between business strategies and performance of women-owned SMEs has not attracted as much empirical investigation, notwithstanding the fact that microfinance institutions such as WEF, have been operational in the country for close to three decades. WEF has exclusively served the financing needs of women-owned SMEs; however, whether the microcredit services provided by the institution has spurred growth as well as identifying the strategies they had used in the performance of women-owned SMEs, especially within Homa Bay county remains unclear and undocumented. Against this background information, this study determined the impact of microcredit services on women-owned SMEs within Homa Bay County.

Growth has been measured on the basis of an impressive number of variables, the two indicators most widely used by literature being employment and sales (Kirchoff, 1991). This study will measure growth based on growth on number of employees.

The general objective of the study was to investigate the effect of competitive strategies on the growth of employment of Women Enterprise Funded SMEs in Kenya

Ho1: Market penetration strategy has no significant effect on growth on number of employees of WEF Funded SMEs

Ho2: Market development strategy has no significant effect on growth on number of employees of WEF Funded SMEs

Ho3: Product development strategy has no significant effect on growth on number of employees of WEF funded SMEs

METHODOLOGY

This study adopted a cross sectional survey research design used to study where exposures and outcomes are observed or measured simultaneously in a population. In this design, a researcher examines the association between the exposure and the outcome, but cannot infer cause and effect. The target population in this study was all the WEF funded 3,612 SMEs as at 30th September 2015 in Kasipul and Kabondo Kasipul (C-WES, 2014). The computed sample size is 304 respondents. This sample size comprised 8.1% of the target population which was sufficiently large even for descriptive studies.

The research instrument was a questionnaire with questions that were a mixture of open-ended, forced response types and matrix type (Likert-type scales). The study used primary data which was largely qualitative, quantitative and descriptive in nature. The questionnaire was designed to solicit data on competitive strategies, and growth on number of paid employees this was administered to the owners of SMEs.

The explained variables of this study were quantitative while explanatory variables were categorical or exclusively dummy in nature. Dummy variables can be used in regression models just as easily as quantitative variables. As a matter of fact, regression model may contain explanatory variables that are exclusively dummy or qualitative in nature. Such models are called analysis-of-variance (ANOVA) models (Gujarati, 2007). Therefore, the data analyses for this study was done using ANOVA model. This was because in regression analysis the dependent variable is frequently influenced not only by variable that can be readily quantified on some well-defined scales, but it also by variables that are essentially qualitative in nature (Greene, 2002).

Since the independent variables for this study were qualitative in nature and the dependent variables were quantitative, therefore, ANOVA model helped to assess the influence of the independent variables on the dependent variables more efficiently and effectively. The general rule for ANOVA model is that if qualitative variables have m categories, introduce only m-1 dummy variables (Greene, 2002). If this rule is not followed, the model will fall into what might be called the dummy variable trap. This is the situation of perfect multicollinearity. In order to avoid multicollinearity problem in the regression model, the market penetration strategy was used as a reference or base group. It was the base in the sense that comparisons was done with that omitted category. This study applied adjusted R-Squared to measure the proportion of the variation in the dependent variable (Yi) explained by the independent dummy variables for the linear regression model (Gujarati, 2007).

RESULTS

The explained variables of this study were quantitative while explanatory variables were categorical or exclusively dummy in nature. Dummy variables can be used in regression models just as easily as quantitative variables. As a matter of fact, regression model may contain explanatory variables that are exclusively dummy or qualitative in nature. Such models are called analysis-of-variance (ANOVA) models. The base category or reference was market penetration strategy. Hence, the intercept term refers to the base category and

comparison was done with this base category. After the analysis of model fitness and coefficient of determination, the impact of competitive strategies on growth of SMEs was assessed. The influence of competitive strategies (market penetration, market development and Product development) on the growth on employment of WEF Funded SMEs through the following hypothesis: Ho1: Market penetration strategy has no significant effect on growth on number of employees of WEF Funded SMEs; Ho2: Market development strategy has no significant effect on growth on number of employees of WEF Funded SMEs;
Ho3: Product development strategy has no significant effect on growth on number of employees of WEF funded SMEs

Table 1 Regression Results for Effect of Competitive Strategies on Performance

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.074[a]	.005	-.001	3.578

a. Predictors: (Constant), Productdevlop, Marketdevelop

ANOVA[a]

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	23.232	2	11.616	.907	.405[b]
	Residual	4250.201	332	12.802		
	Total	4273.433	334			

a. Dependent Variable: Currentstaff
b. Predictors: (Constant), Productdevlop, Marketdevelop

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	6.027	.263		22.911	.000
	Marketdevelop	.589	.446	.075	1.322	.187
	Productdevlop	.346	.566	.035	.611	.542

a. Dependent Variable: Currentstaff

According to Table 1, the variation of the employee size explained by the strategies was 7.4% and the model was not significant. This implied that the strategy does not have impact on employee size. The results also showed the results Adjusted R Squared value of 0.5% implying that there was variation of the number of employees due to market penetration strategy which had statistically insignificant effect on employee size. Market penetration strategy had statistically insignificant effect on employee size (P = .405). Market development strategy had statistically insignificant effect on employee size (P = 0.187) and as well as product development strategy had statistically insignificant effect on employee size (P = 0.542).

The hypotheses were tested using a multiple linear regression model where the values of performance were regressed on the values of each of the three competitive strategies. The results are presented in Table 1. Market penetration strategy had statistically insignificant effect on employee size (P = .405, F= 0.907) therefore we accept the hypothesis that market penetration strategy has no effect on growth on employment of WEF funded SMES. Market development strategy had statistically insignificant effect on employee size (P = .187, T-value =1.322) therefore we accept the hypothesis that market development strategy has no effect on growth on employment of WEF funded SMES. Product development strategy had statistically insignificant effect on employee size ($P = .542$, T-value = 0.611) therefore we accept the hypothesis that product development strategy had no effect on growth on employment of WEF funded SMES.

The mean impact of market penetration on employment was 6.027 which implied that the employee numbers are insensitive as indicted in the descriptive analysis below. The mean impact of market development on employee size was 6.616 (market penetration mean of 6.027+0.589=6.616). The mean impact of product development on employee size was 6.373 (market penetration mean of 6.027+0.346=6.373). Based on regression coefficients results in Table 1 the regression equation can be written as follows:

$$\hat{Y}i = 6.027 + 0.589D2i + 0.346D3i$$

Y = growth in employment, D2= Market Development, D3 = Product Development, intercept term refers to the market penetration.

DISCUSSION

The growth in the size of the employees was insignificant in this study which is also agrees with the findings of Mwobobia (2012), that in general, women tended to operate smaller enterprises than men, with the average number of employees in a women-owner/manager MSE being 1.54. Kinyanjui (2006) also posits that many women-owned MSEs are being created every year but the sizes remain small majority employing one to two employees. Majority of them do not live to see their second birthday. Further, those businesses that survive have remained small with insignificant growth. This is further confirmed that vertical growth is desired for any enterprise since it has been associated with increased capacity for employment generation (Ndungu & Mwambeo, 2015). While MSEs have tended to absorb large numbers of unemployed people, they themselves are not able to generate reasonable remunerated long-term jobs (Mutai, 2011).

CONCLUSIONS

The study had implications on Ansoff's Marketing Matrix which emphasizes avoid direct competition with larger firms and that involve the development of close customer relationships and product adaptation. It can help businesses to consider the implications of growing the business through existing or new products and in existing or new markets. In the study, none of the strategies had impact on growth on employment as shown in Table 1 meaning WEF financing does not contribute to increase on number of employees by SMEs. Hypotheses of this study states that competitive strategies have significant influence in the performance of WEF funded SMEs. This means that competitive strategy can be applied to manage resources and capabilities. This forms the link between the theory and study findings

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