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Kasarani Division of Nairobi County**

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# Effect of Prior Knowledge on Growth of Women-Owned MSEs in Kasarani Division of Nairobi County

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## Abstract

The growth of women-owned enterprises is currently attracting much policy and literal attention. There is debate that prior knowledge is essential to the growth of micro and small enterprises (MSEs). However, empirical evidence of the role of prior knowledge on the growth of women-owned enterprises in Kenya is scarce. The purpose of this study was to examine the effect of prior knowledge on the growth of women-owned enterprises in Kasarani Division in Nairobi County. A random sample of 400 women-owned and managed MSEs was surveyed using a structured questionnaire. Prior knowledge was measured using educational attainment, networks and experience of women entrepreneurs. Regression models were used to examine the effect of prior knowledge on enterprise growth. Prior Knowledge had a positive and statistically significant relationship with enterprise growth. Having parents in business and obtaining business advice were negatively associated with growth. Further, the age of the business and obtaining credit for business operations were positively associated with enterprise growth. These results cast doubt on the role of prior knowledge on enterprise growth. The results of this study suggest that prior knowledge in women-owned enterprises is a viable policy option. The need to enhance business heritage is recommended.

**Key Words:** *Prior Knowledge, Growth, Women-owned SMEs*

## 1.0 Introduction

### 1.1 Background to the Study

Growth is a multidimensional concept which includes economic and financial measures such as sales growth, profits, owner income, and number of employees. This can be referred to as objective measures (Lerner & Almor, 2002). Another way of looking at growth is by use of subjective measures which include non-financial goals and global success ratings made by women entrepreneurs (Helgesen, Nettet & Voldsund, 2008). Any of the above measures can be used to describe growth of an enterprise, hence the term multidimensional. According to a survey report by Central Bureau of Statistics, International Center for Economic Growth and K-REP Holdings (1999) change in the number of employees over time is considered a useful indicator of growth for MSEs. There is evidence that women usually view growth of their enterprises using subjective measures (Machado, St-Cyr & Mione, 2003). Studies in Kenya have mainly focused on objective measures of growth (Gakure, 2003; Kibas, 2006) while neglecting subjective measures. Understanding the nature of growth in women-owned enterprises using subjective measures may reveal patterns of growth that are currently not known, hence the need for further research.

Existing data shows that women-owned enterprises in the country suffer from high mortality rates, operate informally thus incur the penalties of informality and rarely grow or graduate to high value-adding activities (Government of Kenya [GoK], 2005). According to McCormick (2001), women-owned enterprises that started small tend to remain small and very little Stion occurs among them. Eagly *et al.*, (2003) demonstrates that firms set up and run by women tend to display distinctive features which influence their growth.

Prior knowledge refers to the sum total of one's competencies which are derived from the unique backgrounds of individuals. According to Ardichvili, Cardozo and Ray (2003), the key indicators of prior knowledge include elements like educational background, past experience and networks of women. Formal education is said to be a highly efficient way to provide access to information (Shane & Venkataraman, 2000). The same is of great importance in that it exposes an individual to knowledge in many disciplines. Social networks are equally important. They are a key source for gathering information. Life experiences, on the other hand, provide valuable information on unmet needs and can stimulate the process of generating business ideas. Entrepreneurs past experiences provide good ground for the development of basic skills needed in management of an enterprise.

Some extant literature, however, suggests that women's past experience and backgrounds may shape their subsequent behaviours (Fischer, Reuber & Dyke, 1993; Beasley, 1999). For instance, Bruni, Gherardi and Poggio (2004) suggest that due to the constraints women face in a male dominated environment, women are likely to develop an ability to feel and anticipate the reactions of others. Therefore, the concern for relational aspects and flexibility that women portray in business has roots in the variations in power and opportunity accorded to men and women in society. Elsewhere, Beasley (1999) argues that differences between men and women exist from their early stages of growth in life and result in fundamentally different ways of viewing the world. That is, men and women are inherently different because of differences in their socialization, training and experiences encountered prior to entry into particular work positions. Therefore differences emerge in nurturing results in different self-perceptions, motivations and belief structures between men and women. Consequently, women adopt different approaches to work (Fischer, Reuber & Dyke, 1993). Therefore, the unique experiences and backgrounds of women may explain the subsequent behavior in enterprise. This dearth of literature could largely be attributed to lack of appropriate frameworks. Existing literature highlights a universalistic model when investigating the relationship between prior knowledge (Alsos & Kaikkonem, 2006) and the growth of women-owned enterprises.

Following literature that demonstrates that women's past experiences and backgrounds may shape their subsequent behaviours (Bruni, Gherardi & Poggio, 2004; Fischer, Reuber & Dyke, 1993; Beasley, 1999), universalistic models may not be realistic representation of the factors involved in the growth of women-owned enterprises. Examining the effect of prior knowledge on the growth of women-owned enterprises is therefore an important area of research. The participation of women in business and especially, in the Micro and Small Enterprises (MSEs) sector has increased tremendously since the 1980s (Stevenson & St-Onge, 2005). MSEs are broadly defined as income generating enterprises that employ less than 50 persons (GoK, 2005) and have now become the main source of income and employment for the majority of women in the Kenya. By 1999, there were 612,848 women-owned MSEs in Kenya, making 47.7 percent of the total ownership of the MSEs in the country (Central Bureau of Statistics, International Center for Economic Growth and K-REP Holdings Ltd., 1999). The patterns of growth and factors involved in these enterprises is however not clear.

Literature generally shows that women-owned enterprises are concentrated in the formal, micro, low profit areas where competition is intense and their incidence of growth is very low (GoK, 2005; McCormick, 2001; Kibas, 2006). Women are more likely to be

operating in the trade, retail and entertainment sectors accounting for 75, 56 and 55 percent respectively (Central Bureau of Statistics, International Center for Economic Growth and K-REP Holdings Ltd., 1999). Perhaps this is not surprising in light of the multitude of challenges that they face (Gakure, 2003; McCormick, 2001). Yet there is little information as to how the few women who grow their enterprises manage to do so in the face of this very difficult environment. This calls for research to establish why some women-owned enterprises slowly grow, stagnate or die off in Kenya.

The performance of women-owned enterprises in Kenya is modest. Data shows that the average number of employees in women-owned MSEs in Kenya is 1.54 (Stevenson and St-Onge, 2005; Central Bureau of Statistics, International Center for Economic Growth and K-REP Holdings Ltd., 1999). These reports also indicate that in total, women-owned enterprises account for 40 percent of the employment in the MSE sector. About 86 percent of the workers in women-owned MSEs are owner managers, 4 percent are employees and the remainder is made up of either family members or apprentices. Women-owned enterprises also report on average, lesser income than that reported by their male counter-parts. For example, in the 1999 National Baseline Survey (Central Bureau of Statistics, International Center for Economic Growth and K-REP Holdings Ltd., 1999), women enterprises reported 57 percent of the income reported by male-owned enterprises. The performance of women-owned enterprises must therefore be improved if they are to effectively respond to the challenges of creating employment and wealth, alleviating poverty and redistributing wealth. Enhancing the performance of women-owned enterprises requires a clear understanding of growth and the factors involved.

Women-owned enterprises have a lot of potential (Stevenson and St-Onge, 2005; GoK, 2005). Apart from employment and wealth creation, women-owned enterprises provide training and acquisition of skills for the masses of women outside formal educational and vocational systems cost-effectively. They also redistribute welfare, link closely with agriculture and promote equitable distribution of income. Arguably, women-owned enterprises also serve as the breeding ground or seedbed for large firms. That is, they constitute the entry point and training ground for women entrepreneurs and a testing ground for the development of low-cost products. However, inappropriate policies and misallocation of investment resources may skew the distribution of these benefits away from women, who would potentially gain the most from such benefits. In this context, a search for policies designed to effect benefits to women entrepreneurs seems appropriate. The growth of women-owned enterprises has attracted a lot of policy interests globally, Kenya included. Two notable initiatives have been taken by the Government of Kenya to improve the growth of women-owned enterprises. The challenge of growth in women-

owned enterprises especially in the MSE sector was initially highlighted in *Sessional Paper Number 2* of 1992 on Small Enterprises and *Jua Kali* Development in Kenya (GoK, 1992). This policy document stipulated among others, that data on women entrepreneurs be collected and successful women entrepreneurs be identified and promoted as role models. However, such novel measures failed to yield the expected impact, largely due to weaknesses in policy design and implementation. Lack of data on women entrepreneurs was largely to blame for the poor design of this policy initiative. Limited effort has been devoted towards accumulating data on growth of women-owned enterprises, a situation that compromises the development of evidence based policy initiatives. A need, therefore, exist to examine the growth of women-owned enterprises.

The second policy initiative to address the plight of women-owned enterprises is stipulated in *Sessional Paper Number 2* of 2005 on Development of Micro and Small Enterprises for Wealth and Employment Creation for Poverty Reduction (GoK, 2005). Gender equality continues to be identified as a priority in this *Sessional paper*. Specifically, this policy paper identifies the limited access to formal education and training as the most critical factors that explain the limited performance and growth of women-owned enterprises. Other factors identified include: gender inequalities in the distribution of income, limited access to and control of productive resources such as land and credit, and the multiple roles of women. While the identification of such factors is an important exercise, it appears that issues that affect women in general appear to be mentioned without regard to their relative importance in determining the growth of women-owned enterprises. Thus validation of such factors among women-owned enterprises is necessary. Conducting studies on the growth of women-owned enterprises might also identify other factors that are not explicitly mentioned in this *Sessional paper*. Identifying these factors along with their relative importance is crucial for policy prioritization, given that different factors might be associated with particular policy measures.

After identifying the constraints to growth of women-owned enterprises, *Sessional Paper Number 2* of 2005 on Development of Micro and Small Enterprises for Wealth and Employment Creation for Poverty Reduction (GoK, 2005) outlines in detail four sets of strategic options that are aimed at addressing the gender issues in MSEs. These include ensuring that the MSE policy is gender responsive, establishing a gender mainstreaming framework, empowering women and ensuring that MSE support programmes and projects are designed in such a way that they offer equal opportunities to all. The need for collecting and sharing gender-disaggregated data to facilitate gender responsive planning and policy formulation is also recognized. However, the institutional set-up for this process is not adequately spelt out. The need for analytical work for monitoring these

strategies is also neglected or not explicitly emphasized. This study, by laying the foundation for analytical work on the in-depth understanding of growth in women-owned enterprises should help the government's efforts to realize a gender-responsive MSE policy. In sum, this *Sessional paper* provides the issues that need to be examined in detail to inform policy formulation. The prerequisite for policy intervention is sound empirical information on issues where action is required. The findings of this study therefore, stand to provide a concrete input in the design of effective and gender-responsive MSE policy in Kenya.

### **1.2. Research Problem**

Women-owned enterprises in Kenya suffer from high mortality rates, operate informally thus, incur the penalties of informality, rarely grow or graduate to high value-adding activities. These shortcomings compromise the current government's efforts that are aimed at wealth and employment creation, poverty alleviation and redistribution of wealth and policy formulation to enhance growth of this important sector as indicated in the *Sessional Paper* Number 2 of 2005. Appropriate policies are therefore needed to spur growth in women-owned enterprises. A prerequisite for policy intervention is sound empirical information on issues where action is required. However, data on the factors that influence growth of women-owned enterprises is scanty in Kenya. In the developed world, prior knowledge has been associated with growth of women-owned enterprises (Bruni, Gherardi & Poggio, 2004; Eagly *et al.*, 2003; Beasley, 1999; Fischer, Reuber & Dyke, 1993). It is not clear whether these factors lead to enterprise growth in the Kenyan context. This study, therefore, sought to examine the effect of prior knowledge in women-owned enterprises in order to spur growth in Kasarani division of Nairobi County, Kenya.

### **1.3. Objectives of the Study**

- i) To determine the relationship between prior knowledge and the growth of women-owned MSEs Kasarani Division of Nairobi County.

### **1.4. Research Questions**

- i) What is the relationship between prior knowledge and the growth of women-owned MSEs in Kenya?

### **1.5. Significance of the Study**

This study has academic, policy and practical implications. Academically, this study not only attempts to apply entrepreneurship concepts into the growth of women-owned enterprises but also seeks to represent enterprise growth from a woman's way of being, thinking and doing. This is quite unlike the common and restrictive gender dualism

approach. In addition this study attempts to document the contingent effect of prior knowledge on growth of women-owned enterprises. This is unlike in the current literature where prior knowledge is treated as mutually independent determinant of growth. Thus it is expected that this study would eventually deepen the understanding of growth in women- owned enterprises. The policy relevance of this study rests on its empirical basis for identifying policy options to enhance the growth of women-owned enterprises. It is, therefore, of value to those who seek to target women enterprises with offerings (such as the government and other service providers) and the women entrepreneurs themselves who can benefit from a greater insight into their growth.

## **2.0. Literature Review**

### **2.1 Theoretical Review**

#### **2.1.1. The Psychological Theory**

This theory was first proposed by McClelland (1965). This theory considers entrepreneurs as people who do things in a better way and makes decisions in times of uncertainty. The dream to achieve big things overpowers monetary or other external incentives. McClelland's theory holds that people have three motives for accomplishing things that is the need to achieve; the need for affiliation; and the need for power. The need for achievement and the need for power are the two major drivers to entrepreneurship. However, it is pertinent to note that McClelland failed to prove the sense of frustration that drives people to entrepreneurship.

#### **2.1.2. Max Weber's Sociological Theory**

Weber held religion as the major driver of entrepreneurship, and stresses on the spirit of capitalism which highlights economic freedom and private enterprise. The sociological theory of entrepreneurship holds social cultures as the driving force of entrepreneurship. The entrepreneur becomes a role performer in conformity with the role expectations of the society. He based such role expectations on religious beliefs, taboos and customs. He stated that capitalism thrives under the protestant work ethics that haps on these values. The right combination of discipline and an adventurous free-spirit define the successful entrepreneur (Brush, 1992).

#### **2.1.3. Joseph Schumpeter's Theory**

Schumpeter (1934) was another famous contributor to the theory of entrepreneurship. According to him, innovation is an essential function of the entrepreneur. He contends that entrepreneurship is not necessarily invention but it turns invention into a profitable venture. Schumpeter saw entrepreneurship as a fundamental factor in the economic development process and the entrepreneur as an innovator. According to Schumpeter an



entrepreneur in the process of exploiting what was previously in use can further improve it into a new arrangement of economic value, that is, innovation (Schumpeter 1942). Schumpeter rejects the equilibrium analysis and he believes that human economic development is the history of continuous creative destructions by entrepreneurs. The entrepreneur is an innovator, not an imitator in the production. Thus, the reward of innovation and taking entrepreneurial risky activities is profit. Schumpeter viewed the profit as the result of innovation and also the inducement to innovation. With his analysis unlike Marshall (1890), Schumpeter is able to explain how the system works and where the profits come from.

## **2.2 Empirical Review**

### **2.2.1 Prior Knowledge**

Accumulating relevant prior knowledge appears to help entrepreneurs to think in a more intuitive way, which is possibly related to higher alertness. As Venkataraman (1997) writes, a potential entrepreneur's prior knowledge directs his gaze towards certain opportunities and away from others. This is likely why some entrepreneurship research attempts to demonstrate that entrepreneurs rely more on heuristics than others and that entrepreneurs with some prior knowledge are likely to focus on relevant information in their environment which can encourage opportunity identification. As Shepherd and De Tienne (2005) explain, individuals with prior knowledge have an increased ability to recognize important connections between concepts which increase their ability to recognize entrepreneurial opportunities.

Prior knowledge is generally not effective in isolation. Cognitive properties necessary to value prior knowledge are also seen as playing an important role (Shane & Venkataraman, 2000). Opportunities can only be identified if some relevant prior knowledge is processed along with cognitive properties for understanding its relevance. Shane and Venkataraman (2000) suggest that information and cognitive properties are two main factors that determine whether entrepreneurs discover particular opportunities. These two factors, information and cognitive properties can be explained in Shane (1999)'s empirical study. This case study concludes that prior knowledge and experiences are the antecedents of entrepreneurial recognition. The information individuals possess can be viewed as ones' prior knowledge and experiences. The cognitive properties in valuing opportunities are dependent on the prior information one possess.

Education is one of the factors that impact positively on growth of firms. Those entrepreneurs with large stocks of human capital, in terms of education and/or vocational training are better placed to adapt their enterprises to constantly changing business environments (King & McGrath, 1998). Prior knowledge gained from education (referred

to as general human capital) facilitates the integration and accumulation of new knowledge, providing individuals with enhanced abilities to identify opportunities (Shane, 1999). Davidsson and Honing (2003) found that years of education had a positive influence on the chance that a person would identify new opportunities.

Intuitively, one might expect higher levels of formal education to spur SMEs growth by enhancing firm capabilities. It could also be implied that formal education could provide entrepreneurs with a greater capacity to learn new production process and product design and other specific technical knowledge conducive to firm expansion which would increase the entrepreneur's flexibility. Empirical evidence suggests that firms with better educated entrepreneurs are more efficient (Burki & Terrell, 1998). However, greater complexity emerges when examining the relationship between education and MSEs' growth in developing economies Kenya included.

MSE owners and workers in developing countries often have low levels of education. One of the reasons for this is that despite the recent advances, primary education completion rates remain only fifty-five percent in sub-Saharan Africa, seventy-eight percent in South Asia and eighty-nine percent in Latin America (World Bank, 2001). In addition, MSEs tend to have less educated owner-managers and workers than large firms (Soderborn & Teal, 2001). Educational disparities across firm size are more striking at the university level. For example, twenty-one percent of micro enterprise owners in Chile have degrees compared to forty-two percent of small firm and fifty-five percent of medium firm owners (Alvarez & Crespi, 2003). The lower level of educational attainment among MSE owners and workers is remarkable when contrasted with developed countries, where, those with higher educational levels are more likely to be self-employed (Woodruff, 1999). One major reason for this contrast is that the poor in developing countries often create survival oriented MSEs due to lack of alternative employment opportunities.

On the growth of MSEs, an inter-American Development Bank study found that secondary school attainment did not have impact on the growth in Latin America (Kantis, Angellini & Koenig, 2004). On the other hand, numerous studies in Sub-Saharan Africa suggest that entrepreneurs completing secondary schools have more rapidly growing firms in Kenya and Zimbabwe, but found no significant effect on primary education on the expansion of MSEs (Parker, 1995; Liedholm & Mead, 1999). Some clarity emerges when recognizing the threshold effect of education. MSEs with more highly educated owners tend to grow faster but a country's threshold must be reached to observe this growth effect. For example, whereas a threshold of secondary education may identify high growth potential in the African countries, a higher threshold of university education appears to exist in Latin America. Latin American entrepreneurs with high growth firms

were found to be university graduates (Kantis, Angellini & Koenig, 2004). Despite various potential benefits, education may also affect MSEs performance negatively if the owners divert their attention to other attractive opportunities. Research on small manufacturing firms in Chile found that university education did not induce higher efficiency in the sense that some highly educated owners, who got distracted by other activities paid little attention to monitoring their labour force (Alvarez & Crespi, 2003).

According to women entrepreneurs in Kenya (2008) lower levels of educational attainment puts women entrepreneurs at a disadvantage compared women. While gender gap in primary education in Kenya is decreasing in recent years, the gap remains high at secondary and tertiary education levels. Lower education does not emphasize entrepreneurial skills. It decreases the chances that women will have the knowledge needed to excel in business. Lack of sufficient education and training for women contributes to MSEs success. In addition, women are usually less educated than men, making them less equipped to manage an enterprise (Common-wealth Secretariat, 2002). Since education is one of the indicators of prior knowledge, this study established whether the level of educational attainment of women entrepreneurs would have a positive effect on the enterprise growth.

Women enter business from a wide variety of backgrounds and with a wide range of experiences. The provision of business start-up training and advice needs to accommodate these very different experiences. Life experiences provide valuable information and unmet needs and can stimulate the process of generating business ideas. Entrepreneurs' past experiences provide good ground for the development of basic skills needed in the management of an enterprise. Women's past experiences and backgrounds could shape their subsequent behavior and by extension, their performance (Bruni, Gherardi & Poggio, 2004; Fischer, Reuber & Dyke, 1993; Beasley, 1999).

Owners of MSEs acquire a substantial amount of management skills and knowledge while operating their enterprises. Work experiences may contribute to MSE growth either directly by expanding the capabilities of owners of MSEs and employees through acquisition of skills and knowledge; and indirectly by expanding entrepreneurs' social networks. Entrepreneurs with more years of work experience typically have fast growing enterprises. For example, one empirical study found that Kenyan entrepreneurs with at least seven years of work experience expanded their enterprises more rapidly than those without such experience (Parker, 1995).

Prior experience is important and helpful especially if that experience has been gained from the same sector or in MSEs. Prior experience proves to be important in developing economies-for example, a panel survey of one thousand entrepreneurs in the Netherlands found that entrepreneurs' prior experience, when in the same industry as their start-ups,

improves firm growth, survival and profitability (Bosma *et al.*, 2004). In Latin America, a study of high growth entrepreneurs provides insights about the importance of not only skills but also business contacts gained during past employment (Kantis, Angellini & Koenig, 2004). Among Latin-American and East Asia entrepreneurs, contacts were found to be a key benefit of work experience, helpful in identifying business opportunities, obtaining financing and other resources and alleviating management challenges. It is unfortunate that some developing countries are characterized by a systemic lack of opportunities to gain relevant work experience. In particular, Africa has few medium size enterprises for entrepreneurs to gain work experience, a phenomenon known as “the missing middle”. For this and other reasons MSE owners and workers in Ghana have an average of only five years of work experience, compared to ten years for their counterparts in large firms (Barr, 1998).

The research that has looked at the management of female-owned enterprises has often alluded to the important role of networks in the survival and success of individual firms (Olm, Carsrud & Alvey, 1988, Aldrich, Reese & Dubini, 1989; Rosa and Hamilton, 1994). Gender differences in the way networks are created and used have been cited as having an influence on certain aspects of the management process that is enabling improved access to finance and the development of strong relationship with financiers (Carter & Rosa, 1998). Rosa and Halmiton (1994) have argued that networking is both critical to, and should be greater among female entrepreneurs than male entrepreneurs. On the other hand, Aldrich (1989) suggested that female owner networking levels are lower than male owners. Brush (1997) concluded that women are less welcome in social networks and therefore are not able to access much information. This implies that social structures and the way women socialize influence the human and social capital endowments with which they start their business.

Granovetter’s (1973) classic article describes the social perspective as interpersonal networks, including weak-tie network, strong-tie network and mentors. Further literature demonstrates that extended networks have positive associations with opportunity recognition (Hills, Lumpkin & Singh, 1997; Ardichvili, Cardozo & Ray, 2003). It is important to note that social networks are important in enterprise success. Social contacts are a key resource for the entrepreneur since they provide information, resources and moral support (Burt 2000; Adler & Kwon, 2002). Therefore entrepreneurs need to cultivate diverse, wide-ranging friendship.

Having an extensive social network is therefore a valuable asset, which can help an entrepreneur obtain access to information as well as credit. While social networks can enhance MSE growth in any context, they can be critical to firms’ growth prospects in environments with persuasive market failures. Existing literature points to the role social

networks can play in helping entrepreneurs overcome obstacle relate to transaction costs, contact enforcement and regulation. Examples include buyer-seller bargaining with acquaintances in Morocco's bazaar economy (Geertz, 1978); the overwhelming preferences of Ghanaian firms to do business with individuals they already know (Fafchamps, 2000); Jewish diamond merchants in New York lending gems to each other overnight for inspection without contacts to save on lawyer fees (Porter & Landolt, 1996). Quantitative studies confirm the importance of social networks, for example on econometric study of small-scale manufacturing in Ghana found that entrepreneurs with larger and more diverse sets of networks are more productive (Barr, 1998). Networks, however, can be expensive or inaccessible to those entrepreneurs not doing well or can be included to provide equal access to resources for marginalized entrepreneurs such as women. Social networks may be deeply rooted in societal traditions, making them difficult for outsiders to gain entrepreneurial opportunities. Sustainability of social network is also an issue. If networks grow, a great number of participants offer increased resources for MSEs but the networks usefulness may also decline as it becomes more inclusive.

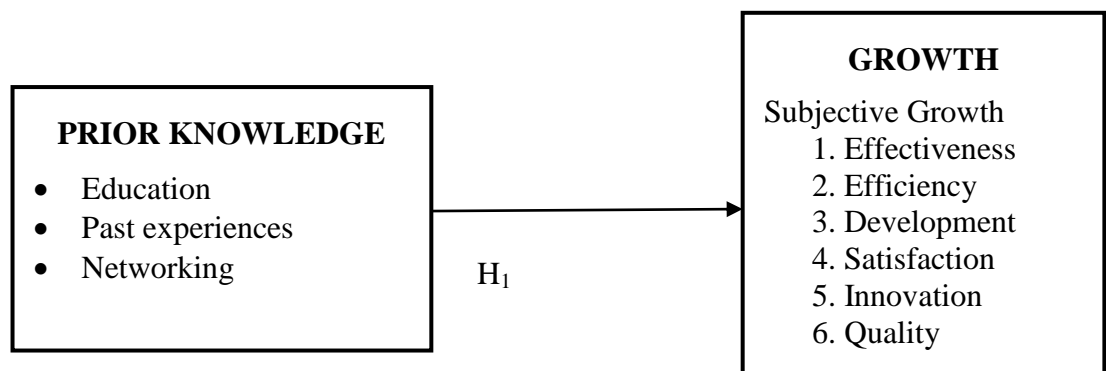
It is important to confirm whether prior knowledge could have effects on the growth of enterprises. This is one of the gaps that this study tried to address. The three indicators of prior knowledge, that is, education, experience and social networks of female entrepreneurs were addressed by this study to confirm whether they influence the growth of women-owned enterprises. An emergent body of female entrepreneurship literature indicates that a woman is a resource that can be evaluated (Moore & Buttner, 1997; Bruni, Gherardi & Poggio, 2004). Recognizing a woman as a resource, allows a clearer understanding of gender differences in MSE growth. Further, this literature indicates that among others, the role of the woman in the growth of MSEs is largely under-represented.

Furthermore, they possess a unique flexibility and ability to co-ordinate family and work responsibilities (Mistick, 2004). Such unique constellation of competencies is largely a function of female entrepreneurs' background and prior knowledge (educational attainment, prior experience and networks) (Fischer, Reuber & Dyke, 1993; Beasley, 1999). Empirical studies have mainly focused on the direct link between individual strands or configurations of either prior knowledge (Fischer, Reuber & Dyke, 1993; Beasley, 1999; Gakure, 2003; Kibas, 2006) or 1997) while little attention has been devoted to understand the interrelationship between prior knowledge. The question on whether prior knowledge affects the growth of women owned enterprises directly or Figure 2.1 below presents this relationship schematically. To date, little is known on the differential role of prior knowledge in the growth of women-owned enterprises.

### 2.3 The Conceptual Framework

#### Independent Variables

#### Dependent Variable



**Figure 1.0: Schematic Diagram on the Growth of Women-Owned Enterprises**

#### 2.4. Study Hypothesis

H<sub>1</sub>: There is a statistical relationship between prior knowledge and the growth of women owned enterprises.

#### 3.0 Research Methodology

The study adopted a cross-sectional survey of women owned enterprises. The rationale for this design was to seek to describe the current situation in regard to effects of prior knowledge on the growth of women-owned MSEs in Kasarani Division of Nairobi County. The target population of this study included all the women-owned MSEs in the study site that had between 2 and 50 employees. The population was heterogeneous since it comprised of MSEs operating in varied disciplines. These included salons and barber shops; green groceries; retail kiosks; food kiosks; hardware stalls; second hand clothes stalls; and cereals stalls. The sample size formula (Black, 2005) was used to compute the sample size. This formula is applied for large sizes of population, especially where the actual size may not be known but estimates can be provided, just were the case in this study. The need to allow for the margin of error of 5 percent allows for the sample results to be generalized with utmost precision.

$$n = \frac{Z^2 pqD}{d^2} \quad \text{Where, n = the sample size}$$

Z = the standard normal deviate (1.96)

$p$  = the proportion of the target population estimated to have prior knowledge. (This proportion is unknown hence it is estimated to be 0.5).

$$q = 1 - p = 1 - 0.5 = 0.5$$

$d$  = margin of error, taken to be 5% in this study

$D$  (the design effect) = 1

$$\text{Thus, } n = \frac{1.96^2 \times 0.5 \times 0.5 \times 1}{0.05^2} = 384$$

The survey data was initially summarized using frequencies, percentages, means and

A regression analysis was conducted to identify the magnitude of the simultaneous relationship of prior knowledge on enterprise growth. Then a multiple linear regression model was used with growth index as the dependent variable prior knowledge as the independent variable. The coefficient of determination ( $R^2$ ) was used to interpret the goodness of fit of the regression model.

#### **The Estimated Regression Model**

$$Y_i = \beta_0 + \beta_i (PK_i) + \varepsilon$$

Where:

$Y$  = Growth of the  $i^{\text{th}}$  MSE

$PK$  = Prior Knowledge of  $i^{\text{th}}$  MSE

$\beta$  are coefficients to be estimated and  $\varepsilon$  is the error term.

This model was estimated using least squares regression technique. The level of significance for this study was considered as  $\rho < 5\%$ . All the quantitative analyses for this study were conducted using the Statistical Package for Social Sciences (SPSS).

## 4.0 Findings and Discussions

### 4.1. Relationship between Prior Knowledge and Growth of Women-Owned MSEs

#### 4.1.1. Indicators of Prior Knowledge

Assessing prior knowledge was achieved by examining the entrepreneurial profile of the respondents on the basis of five attributes namely: number of training sessions attended in the past three years; membership to business associations; number of other businesses ever started; number of other businesses ever started; engagement of parents in business activities; and number of contacts with business advisors in the past one year (Table 1).

**Table 1: Indicators of Prior Knowledge**

Variable	Categories	Number of responses	% of the total responses
Number of training sessions attended in the past three years	None	312	78.0
	More than One	88	22
Membership to business associations	Yes	58	14.0
	No	344	86.0
Number of other businesses ever started	None	251	62.7
	One	113	28.3
	More than Two	36	9.0
Engagement of parents in business activities	Yes	208	52.0
	No	192	48.0
Number of contacts with business advisors in the past one year	None	275	68.8
	Once	110	27.5
	Twice	15	3.7

**Source: Research Data (2012)**

The reported findings indicate that a majority of the respondents (78%) had never attended any training session, seminar, or conference in the past three years. Further, only 14% of the sampled women were members of business associations.

The findings also indicate that a majority of the sample respondents (62.7%) had never engaged in another line of business while the rest had attempted to run other forms of



businesses in the past; some once (28.3%), [others twice (6.7%), thrice (1.5%) or four times (0.8%)]. The findings show that the sample was fairly distributed amongst respondents from family backgrounds where the parents engaged in business (52%) and those whose parents never engaged in business (48%). Finally, the findings of Table 1 indicate that a majority of the sample respondents (68.8%) reported that they had never contacted a business advisor (accountants, lawyers or consultants) for advisory services in the past year. The laxity in seeking advisory services amongst the sampled MSEs would be attributed to fear of incurring huge expenditure especially considering that most informal MSEs perceive such services to be “unnecessary” and “expensive”.

Low scoring in the number of training sessions attended in the past three years is attributable to a number of factors. First, the women could be lacking formal training due to the fact that their businesses are informal in nature and would not warrant prior training to set up. These included salons and barber shops; green groceries; retail kiosks and shops; food kiosks; hardware stalls; second hand clothes stalls; and cereals stalls. All these types of businesses do not warrant technical skills to run on day to day basis. Secondly, the respondents could have avoided such trainings due to the costs involved. Thirdly, there could be no established institutions within Kasarani that target such segment of trainees. The respondents also reported to have little engagement in formal business associations. This is attributable to the fact that a majority of them were in their first time business venture and the fact that most of them reported not to be in need of business advisory services. The few who engage in formal businesses associations do so as a way of savings and credit advancement to members, and offer advisory to each other.

#### **4.1.2 Relationship between Prior Knowledge and Growth of Women-Owned MSEs**

A multiple regression model was used to establish the relationship between the various dimensions of prior knowledge and growth of women-owned MSEs (Table 2). The model had satisfactory properties ( $F = 8.98$ ,  $\rho < 0.05$ ). The selected indicators of prior knowledge explained 8% of the variation in growth. The growth of the sampled women MSEs was positively and significantly associated with the number of trainings attended. A one unit increase in the number of trainings attended was associated with a 0.19% increase in growth. Further, having parents in business was associated with a reduction of 18% in growth. A one year increase in age was associated with a 0.1% reduction in growth. Contact with business consultants was associated with a 14% reduction with growth.

**Table 2: Test of Relationship between Enterprise Growth and Prior Knowledge**

	Unstandardized Coefficients		Standardized Coefficients	t
	$\beta$	SE	Beta	
(Constant)	3.32	0.10		32.53
Parents with business*	-0.18	0.04	-0.20	-4.13
Age in years*	-0.01	0.003	-0.11	-2.12
Number of training*	0.19	0.06	0.17	3.26
Number of contacts with consultants*	-0.14	0.05	-0.14	-2.61
R <sup>2</sup> = 8% , F = 8.98, $\rho < 0.05$				

\* Significant at  $\rho < 0.05$

#### Source: Research Data (2012)

These results should not be construed to mean that prior knowledge attributes are not necessary for the growth of the business. This can possibly be explained by the fact that many of the studied women are not very active in business networks; they had not attended formal business training sessions; had not engaged in formal employment in the past; had no past experience in managerial positions; were engaged in their first ever business venture; had little business experience from the family; and had little or no contacts with business advisors in the past. Prior entrepreneurial experience provides a source of information and skills which are useful also to the pursuit of opportunity (besides the recognition of opportunity). Shane (2000) argues that general business experience, industry experience, functional experience in marketing, product development or management, and previous start-up experience all provide some of the information and skills that increase the likelihood of opportunity exploitation, and eventual enterprise growth.

#### 5.0 Conclusions

The purpose of the study was to examine the effect of prior knowledge on the growth of women-owned MSEs in Kenya. The reported data shows that most of the surveyed enterprises were experiencing moderate growth. The results show that on average, the respondents were able to meet their business objectives, utilize resources effectively, satisfy stakeholders and offer quality products. Innovation and building the capacities of the businesses were two notable problematic areas.

This study cast doubts on the role of prior knowledge on enterprise growth. The study findings indicate that a majority of the respondents had never attended any training

session, seminar, or conference in the past three years, as a way expanding their entrepreneurial and analytical skills base. Participation in business associations was also minimal among the study respondents. The reported results also revealed that the respondents lack adequate exposure to business advisory services (accountants, lawyers or consultants) either due to ignorance or lack of capacity to finance the same. Further, having parents in business and obtaining business advice from consultants were negatively associated with enterprise growth. The profiled business heritage had a negative influence on enterprise growth. This observation is contrary to entrepreneurship literature which highlights the role of prior knowledge in the performance of businesses. The reported weak business heritage needs to be addressed in order to enhance the growth of women owned MSEs.

## **6.0 Recommendations**

Proper coordination in the various government departments to establish quality training programs emphasizing on women leadership and knowledge in business is required. It is also recommended that prior knowledge in the form of business heritage and consulting for women-owned enterprises should be rejuvenated. Training programs can be initiated to enhance business attitudes, skills and knowledge. Such programs can focus on innovation and consultancy for consistent business advice and accountability. Further, business heritage development of capacity. The government of Kenya should appoint and register business needs to be improved through proper documentation of business activities in a business plan by the entrepreneurs.

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