



**FACTORS INFLUENCING THE GROWTH OF SMALL AND MEDIUM
ENTERPRISES IN KENYA. A SURVEY STUDY OF BOBASI SUB COUNTY, KISII
COUNTY**

^{1*} **Kebiro David Ogega**

Jomo Kenyatta University of Agriculture and Technology
ogegakd@gmail.com

^{2**} **Willy Muturi**

Jomo Kenyatta University of Agriculture and Technology
mmuturi2001@yahoo.com

Abstract

The purpose of the study was to therefore investigate the factors influencing SME growth in Bobasi Sub County. This is because past statistics indicate that three out of five businesses fail within the first few months of operation (Kenya National Bureau of Statistics, 2011). The study therefore aimed to establish the effect of technological innovation on SME growth; assess the influence of product and service quality on SME growth; and determine the effect of entrepreneurial training on SME growth. It was based on the theory of planned behavior and on the diffusion of innovations theory. The results show that Entrepreneurial training, technological innovation, service quality and marketing, had a significant influence on growth of small and medium enterprises in Bobasi Sub County, Kisii County. The study therefore recommends that small and medium enterprises should invest in technology to help improve their business growth in terms of sales growth, competitiveness and effective management of cash flows.

Keywords: Economic growth, Small and Medium Enterprises, effective management

Introduction

Small and medium-sized enterprises (SMEs) are crucial economic actors within the economies of nations (Wolff & Pett, 2006). They are a major source of job creation (Clark III & Moutray 2008) and they represent the seeds for future large companies and corporations (Monk 2009). The small and micro enterprises (SMEs) play an important role in the Kenyan Economy. According to the Economic Survey (2012), the sector contributed over 50 percent of new jobs created in the year 2011. Despite their significance, past statistics indicate that three out of five businesses fail within the first few months of operation (Kenya National Bureau of Statistics, 2011). SMEs are defined as firms with less than 250 employees (NUTEK, 2004)

Starting and operating a small business includes a possibility of success as well as failure. Because of their small size, a simple management mistake is likely to lead to sure death of a small enterprise hence no opportunity to learn from its past mistakes (Oketch, 2000). Lack of credit has also been identified as one of the most serious constraints facing SMEs and hindering their development (Oketch, 2000; Tomecko & Dondo, 2009).

According to Amyx (2005), one of the most significant challenges in the performance of SMEs is lack of technological innovations. Potential clients perceive small businesses as lacking the ability to provide quality services and are unable to satisfy more than one critical project simultaneously. Often larger companies are selected and given business for their clout in the industry and name recognition alone (Amyx, 2005).

Timmons (2008) argued that SMEs primarily owe their business success and growth to the development of innovations, which gradually effect their transformation into large enterprises. Innovations can include new products, services and ideas, as well as new enterprise processes (e.g. production process, procurement process, etc.), new organisational structures and administrative processes (Amyx, 2005). SMEs are more innovative than larger firms, due to their flexibility and their ability to quickly and efficiently integrate inventions created by the firms' development activities (Acs and Yeung 2009, Qian and Li 2008). Research supports the notion that SMEs that engage in innovation activities are better performers (Westerberg and Wincent 2008, Qian and Li 2008).

The personal characteristics of the SME owners have also been touted to play a significant role in the growth of SMEs particularly in rural areas. Personal characteristics like level of education, level of training, their adoption of technology among others have influenced SME growth. In fact, one of the key character of an entrepreneur circling around development of economy in many countries is entrepreneurial education. The significance of entrepreneurship and entrepreneurial education and training ranges from commencing a small scale unit to build up big business concerns (Alama, 2008). The factors influencing the growth of SMEs becomes an important study particularly in rural areas like Bobasi in Kisii County. It should be noted that financial and capitation has a factor is important but its study is now saturated and will thus not form part of this study as a variable. .

Statement Of The Problem

Past statistics indicate that three out of five small and medium scale businesses fail within the first few months of operation (Kenya National Bureau of Statistics, 2011). While there are various reasons for such failure, one central reason is lack of proactive and sustainable innovations. Further, as noted by Damanpour *et al.*, (2009); when SMEs don't take advantage of technological, product and service quality, new marketing techniques and innovative organizational structures, such SMEs fail. Therefore, lack of innovativeness has seemingly created poor business performance; however, the state of businesses growth in Bobasi Sub County in relation to factors that influence such business growth has not been investigated. Further, numerous studies have dealt with innovativeness in SMEs (Westerberg and Wincent 2008, Qian and Li 2008; Acs and Yeung 2009, Qian and Li 2008). However, little research as linked certain salient factors to small business growth particularly in developing countries like Kenya and dealing specifically with technological innovation, entrepreneurial training and skills, product and service quality and marketing innovation as variables. This study therefore investigated the factors influencing small and medium scale growth in rural areas in Bobasi Sub County.

Hypotheses

H₀₁: Technological innovation has no significant effect on SME growth in Bobasi Sub County.

H₀₂: Service quality have no significant effect on SME growth in Bobasi Sub County.

H₀₃: Entrepreneurial training has no significant effect on SME growth in Bobasi Sub County.

H₀₄: Marketing techniques has no significant effect on SME growth in Bobasi Sub County.

Literature Reviewed in This Study

Theory of Planned Behavior

This study will be based on the theory of planned behavior as argued by Ajzen (1991). Ajzen (1991) defined the Theory of Planned Behavior (TPB), as that attitude toward behavior, subjective norms, and perceived control, that together shape an individual's behavioral intentions and behaviors, TPB extends the theory of reasoned action (TRA) by adding perceived behavioral controls to the model, including attitude, subjective norms, behavioral intention, and actual behavior (Madden, Ellen, & Ajzen, 1992; Yi *et al.*, 2005). TRA is a model for the prediction of behavioral intention, spanning predictions of attitude and predictions of behavior.

TPB and TRA are relevant to this study because they will assist in prediction of individual behavioral intentions to the acceptance and usage of e-policing technologies in the Kenyan police force.

Based on this study, personal characteristics largely depend on a form of planned behavior that creates an intention to seek training, experience, use of technology and improve the general level of formal education. This theory therefore applies to this study.

Diffusion Theory

This study will be based on the diffusion of innovation theory proposed by Rogers (1962). The diffusion theory, also known as the diffusion of innovations theory, is a theory concerning the spread of innovation, ideas, and technology through a culture or cultures. Diffusion theory states that there are many qualities in different people that cause them to accept or not to accept an innovation. There are also many qualities of innovations that can cause people to readily accept them or to resist them.

According to diffusion theory, there are five stages to the process of adopting an innovation. The first stage is knowledge, in which an individual becomes aware of an innovation but has no information about it. Next is persuasion, in which the individual becomes actively interested in seeking knowledge about the innovation. In the third stage, decision, the individual weighs the advantages and disadvantages of the innovation and decides whether or not to adopt it. After the decision comes implementation, in which the individual actually does adopt and use the innovation. Confirmation is the final stage. After making adopting the innovation, the individual makes a final decision about whether or not to continue using it based on his own personal experience with it. These same stages apply, to varying degrees, to groups of people in addition to individuals (Rogers, 1962). For SMEs, there need to innovate ever exist, particularly when considering their technological, marketing, organizational structure and product and service quality needs.

The Concept of SME Growth

Investor words (2011) defines growth as the results of activities of an organization or investment over a given period. Lumpkin and Dess (2006) point out that it is essential to recognize the multidimensional nature of the growth construct. Thus, research that only considers a single dimension or a narrow range of the performance construct (for example, multiple indicators of profitability) may result in misleading descriptive and normative theory building. Research should include multiple growth measures. Such measures could include traditional accounting measures such as sales growth, market share, and profitability. In addition, factors such as overall satisfaction and non-financial goals of the owners are also very important in evaluating performance, especially among privately held firms. This is consistent with the view of Zahra (2009) that both financial and non-financial measures should be used to assess organizational growth.

Chong (2008) declares that there are four main approaches to measure the performance of organizations. These are the goal approach, system resource approach, stakeholder approach and competitive value approach. The goal approach measures the extent an organization attains its goals while the system resource approach assesses the ability of an organization obtaining its

resources. For the stakeholder approach and the competitive value approach, these evaluate performance of an organization based on its ability to meet the needs and expectations of the external stakeholders including the customers, suppliers, competitors. Among these, goal approach is most commonly used method due to its simplicity, understandability and internally focused. Information is easily accessible by the owner's managers for the evaluation process. The goal approach is a better fit for the SMEs where targets are being set internally based on the owners-managers' interests and capability to achieve.

Technological Innovation and Growth of SMEs

Technological innovation is a key factor in a firm's competitiveness. Technological innovation is unavoidable for firms which want to develop and maintain a competitive advantage and/or gain entry in to new markets (Becheikh et al. 2006). Among firms of different sizes, SMEs are generally more flexible, adapt themselves better, and are better placed to develop and implement new ideas. The flexibility of SMEs, their simple organizational structure, their low risk and receptivity are the essential features facilitating them to be innovative (Harrison and Watson 2008). Therefore, SMEs across industries have the unrealized innovation potential (Chaminade and Vang 2006).

There is substantial evidence to show that a number of SMEs in a wide variety of sectors do engage in technological innovations, and that these innovations are likely to be an important determinant of their success (Hoffman et al. 2008). However, the ability and innovative capacity of SMEs varies significantly, depending on their sector, size, focus, resources, and the business environment in which they operate (Burrone and Jaiya 2005). Particularly innovation in the manufacturing sector is a very complex process which is propelled by numerous factors (Becheikh et al. 2006).

Marketing Innovation and Growth of SMEs

Market opportunity is defined as a capacity to reach groups of old customers and to search for new ones, including responding to niche market demand in an effective way. Kotler (2003) indicated that market opportunity is of customer interest in a particular item and the business could respond to that need. Meanwhile Gaddefors (2005) found that market opportunity is based on corporate image and the development of innovation. Besides, effects of the creation of service innovation creates market opportunity and covers creative thinking in business operation on how to promote the understanding of values that the business creates to customers along with responding to customer behavior. This corresponds to a research by Omar and Williams (2009) indicating that in the future, the business market is moving forward to an international level, creating a new market. Therefore, current business strategy has to be improved to supply growing consumer demand.

Market orientation or marketing as a business culture leads to business performance improvement, as proved by numerous studies (Hooley et al., 2000). It is precisely product innovation that is considered as a moderator of the link between market orientation and

successful business operation (Langerak, Hultink and Robben, 2004). Innovations have a positive impact on business performance by leading to a market share increase and/or cost reduction and, in turn, a profit rise. Market oriented enterprises deliver superior quality products to their customers while complying with ecological, health and safety standards as well as with legal norms. Accordingly, market orientation is expected to produce a significant positive impact on all analysed effects of innovative activities (Langerak, Hultink and Robben, 2004).

While researchers have found congruence between market orientation and business performance (Blankson & Stokes, 2002), there seems to be ambiguity as far as the appreciation as well as the adoption of the market orientation construct by SMEs is concerned and as earlier said this also relates to Kenya (Harris, 2008). The position that market orientation has not been adopted by SMEs may have been supported by Stokes and Blackburn (2009) who contended that whereas traditional marketing concept is conceived of as a deliberate planned process which proceeds from a careful identification of market needs by formal research and through purposeful development of new offerings to the market place, the small business deliberation involves informal, unplanned activity that relies on the intuition and energy of the owner/ manager to make things happen.

Entrepreneurial Training and Growth of SMEs

Entrepreneurship has been referred to as the starting a company process and transacting business processes and acquiring risks to make the required profits Omolayo (2006). On entrepreneurship education. Another explanation of entrepreneurship education is the ability to produce innovative principles and convert them to profitable activities.

Further entrepreneurship can be seen as a coalescing of the innovative and creative together with organizational skills and management to get persons, resources and cash or funds to create wealth and meet the needed tasks. Nwangwu (2007) in supporting this stand, is of opinion that entrepreneurship is a process of bringing together the factors of production, which include; land, labour and capital so as to provide a product or service for public consumption.

According to Fahel et al., (2006), an elaborate entrepreneurial training program for small and medium enterprises is necessary for effective business performance process. The training program according to the writers encompasses people impacts, enterprises needs assessment and workforce development.

Quality Service and Growth of SMEs

Service innovation strategy refers to the creation of better or effective potentials of business in innovative ideas in service, leading to the reformation of new services for business (Kupper, 2001). Service innovation strategy has been aimed at emphasizing any processes and strategies reforming and enhancing business in terms of new services or patterns of service (Kupper, 2001) to respond to the need of customers and to develop business performance toward the goal (Burke and Denise, 2004). Service Innovation Strategy is compared to the ability of business in driving the operation into new form of performance to reach success (Hu and Yu, 2008).

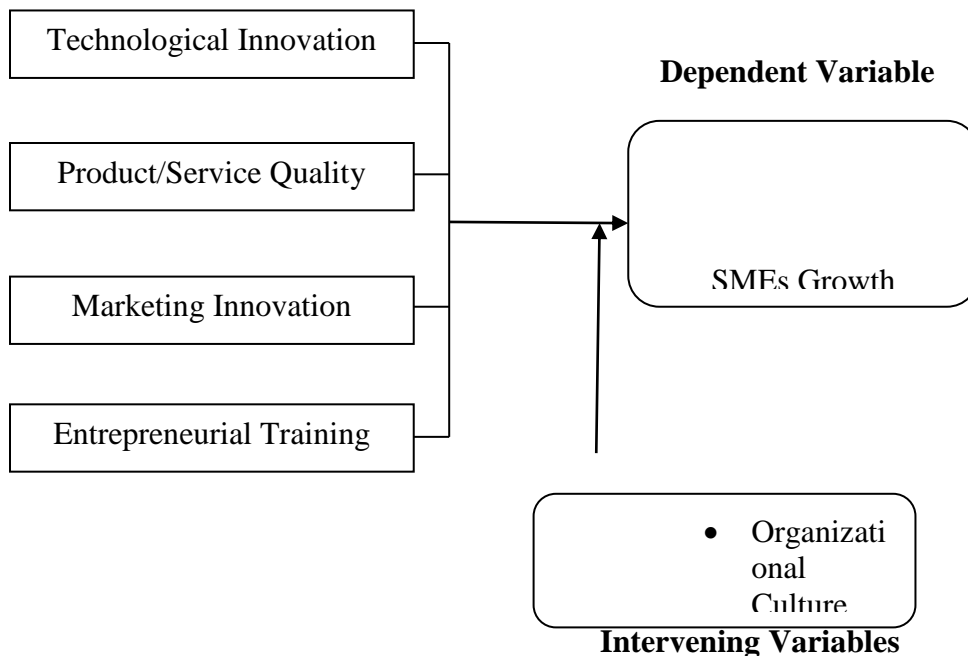
Services were defined as: “Those economic activities that typically produce an intangible product such as education, entertainment, food and lodging, transportation, insurance, trade, government, financial, real estate, medical repair and maintenance like occupations” (Heizer and Render, 2009).

SERVQUAL scale is a principal instrument in the services marketing literature for assessing quality (Parasuraman., 1988). This instrument has been widely utilized by both managers (Parasuraman vd., 1991) and academics (Carman, 2000) to assess customer perceptions of service quality for a variety of services (e.g. Banks, credit card companies, repair and maintenance companies). The results of the initial published application of the SERVQUAL instrument indicated five dimensions of service quality emerged across a variety of services. These dimensions include tangibles, reliability, responsiveness, assurance and empathy (Zeithaml et al., 1990). Tangibles are the physical evidence of service, reliability involves consistency of performance and dependability, responsiveness concerns the willingness or readiness of employees to provide services, assurance corresponds to the knowledge and courtesy of employees and their ability to inspire trust and confidence, and finally, empathy pertains to caring, individualized attention that a firm provides its customers (Lassar et al., 2000).

Conceptual Framework

The conceptual framework links the independent variables that are tied with SME growth; specifically, technological, product/service quality, training and marketing. The variables are viewed as having either a significant or insignificant effect on SMEs growth as the dependent variable.

Independent Variables



Research Methodology

Descriptive Survey research design was used in this study. In answering the 'why' questions, the study was involved in developing causal explanations. Causal explanations argue that phenomenon Y (e.g. SME growth) is affected by factor X (e.g. factors influencing). This design was chosen because it applied closely to the research objectives of this study. For this study, the 163 small and medium scale enterprises in Bobasi Sub County were targeted. Simple random sampling was used to select 116 SME. Simple random sampling is useful as it is representative and free from bias.

RESULTS AND DISCUSSION

Growth of Small and medium enterprises

The study sought to establish the growth of the small and medium enterprises in Bobasi Sub County, Kisii County. The questions were created in the form to ask if they grew in some core entrepreneurial activities. The result is as seen in table 1

Table 1 Growth of Small and medium enterprises

	Yes		No		Mean	SD
	F	%	F	%		
Buying and selling Stock	60	86.2%	18	13.8%	3.89	.714
Improved Profit and Loss	21	19.0%	57	81.0%	3.96	.815
Good statement of Accounts	37	46.6%	41	53.4%	2.89	.735
Good Investments	16	10.8%	62	89.2%	2.19	1.22
Effective Management of Cash flow	37	46.6%	41	53.4%	2.67	1.31

From table 1, it is clear that majority at 86.2% said that their businesses were performing well in the buying and selling of their stock while only 13.8% said no. This implies that the small and medium enterprises participated in one of the core entrepreneurial activities of getting what to sell and later disposing of them and that the growth was good. This state is agreed to in literature (Gumas, & Atsu, 2006; Halkias et al, 2011; Hampton et al, 2011) all who noted that small and medium enterprises running small businesses were often by dint of their involvement in the day to day running of their businesses performed well and often because they had limited staff if any and they had a more hands on approach that often made them more experienced, business savvy and resilient.

When asked if they performed well in improving profit and loss of their businesses, 81.0% said no and only 19.0% said yes. This implies that the small and medium enterprises while engaged in profits and losses has problems improving on the same and while they had profits in some cases they had made losses too. Again, Halkia et al (2011) had mentioned that entrepreneurs' performance in entrepreneurship could be well measured by whether they consequently improved on their profits and loss accounts. The result here supports their assertions and confirms that to this level the entrepreneurs performed by their own admission, dismally. On whether the small and medium enterprises performed by creating good statement of accounts, more than half at 53.4% said no and 46.6% said yes. This implies that a significant number of small and medium enterprises did not have a well thought out and well presented comprehensive statements of accounts. This further implies that even with record keeping done to ascertain their profits and losses; they were unable to get clear statements based on the fact that they didn't have a good way of presenting the. When noting about this phenomenon Bird, and Jelinek, (2008) argued that many small and medium enterprises in rural areas with limited education and based on the fact that they had had problems accessing finance from banks and microfinance institutions were wont from actively using banks and these institutions for proactive business revenue savings to then get statement of accounts. However, *Busemi et al.*, (2003) in their study found out that more and more small and medium enterprises were involved in banking services that helped them make better businesses and create good statement of accounts.

When asked if the small and medium enterprises were having good investments, 89.2% said no and 10.8% said no. This implies that the small and medium enterprises were not doing good and sound investments which could then hamper their overall performance. Both the initiation and implementation of investments are important activities geared to help spur business growth and despite the small and medium enterprises' relatively low formal education, their ability to engage in investment is necessary but which has not been done. As Davies (2005) noted, small and medium enterprises often are willing to do their best to ensure that their businesses grow. The fact that majority of the businesses had stayed away from investing well leaves an undesirable gap. Finally, when asked if they were performing well and had effective management of cash flow 53.4% said no and 46.6% said yes. This implies that a cash flow management was an activity that small and medium enterprises were not significantly performing well in. However, it should be noted that a significant number were actively involved in. This is agreed to by Hilgriss et al (2011) who said that cash flow management was always difficult considering that it played a major role in the day to day running of the business but which often created a mess for many small businesses that depended on cash flow, unfortunately for major expenses. Improving profit and loss was the most significant activity by small and medium enterprises ($M=3.96$; $SD= .515$).

Correlation Analysis

As part of the analysis, Pearson's Correlation Analysis was done on the Independent Variables and the dependent variables. The results are as seen on table 2

Table 2 Correlation Analysis

		Growth	Training	Technology	Marketing	Service Quality
Growth	Pearson Correlation	1				
	Sig. (2-tailed)					
	N	78				
Training	Pearson Correlation	.655**	1			
	Sig. (2-tailed)	.000				
	N	78	78			
technology	Pearson Correlation	.525**	.523**	1		
	Sig. (2-tailed)	.000	.000			
	N	78	78	78		
Marketing	Pearson Correlation	.688	.423**	.417**	1	
	Sig. (2-tailed)	.000	.000	.002		
	N	78	78	78	78	
Service Quality	Pearson Correlation	.711**	.235**	.178	.557**	1
	Sig. (2-tailed)	.000	.005	.000	.000	
	N	78	78	78	78	78

** . Correlation is significant at the 0.01 level (2-tailed).

Pearson correlation analysis was conducted to examine the relationship between the variables. The measures were constructed using summated scales from both the independent and dependent variables. As cited in Wong and Hiew (2005) the correlation coefficient value (r) range from 0.10 to 0.29 is considered weak, from 0.30 to 0.49 is considered medium and from 0.50 to 1.0 is considered strong. However, according to Field (2005), correlation coefficient should not go beyond 0.8, to avoid multicollinearity. Since the highest correlation coefficient is 0.712 which is less than 0.8, there is no multicollinearity problem in this research (Table 2).

All the independent variables had a positive correlation with the dependent variable with service quality having the highest correlation of ($r=0.711$, $p < 0.01$) followed by marketing with a correlation of ($r=0.688$ $p < 0.01$) and then training with a correlation of ($r=0.655$ $p < 0.01$), technology had the least correlation of ($r= 0.525$ $p < 0.01$). This indicates that all the variables are statistically significant at the 99% confidence interval level 2-tailed. This shows that all the variables under consideration have a positive relationship with the dependent variable.

Regression Analysis

As part of the analysis, Regression Analysis was done. The results are as seen on Tables 3, 4 and 5

Table 3 Model Summary^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.862 ^a	.737	.631	.106

a. Predictors: (Constant), Training, Technology, Marketing, Service Quality

b. Dependent Variable: Small and medium enterprises growth

From table 3 it is clear that the R value was .862 showing a positive direction of R is the correlation between the observed and predicted values of the dependent variable. The values of R range from -1 to 1 (Wong and Hiew, 2005). The sign of R indicates the direction of the relationship (positive or negative). The absolute value of R indicates the strength, with larger absolute values indicating stronger relationships. Thus the R value at .862 shows a stronger relationship between observed and predicted values in a positive direction. The coefficient of determination R² value was 0.631. This shows that 63.1 per cent of the variance in dependent variable (Small and medium enterprises growth) was explained and predicted by independent variables (Training, Technology, Marketing, Service Quality)

Table 4 ANOVA^b

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	202.700	4	47.046	98.391	.000 ^a
	Residual	12.788	228	.663		
	Total	215.488	232			

a. Predictors: (Constant), Training, Technology, Marketing, Service Quality

b. Dependent Variable: Small and medium enterprises growth

The F-statistics produced (F = 98.391.) was significant at 5 per cent level (Sig. F < 0.05), thus confirming the fitness of the model and therefore, there is statistically significant relationship between Training, Technology, Marketing, Service Quality, and Small and medium enterprises growth.

Table 5 Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.667	.361	.287	5.668	.000
	Training	.375	.078	.383	4.968	.000
	Technology	.198	.065	.293	3.593	.004
	Marketing	.274	.065	.334	5.383	.000
	Service Quality	.309	.064	.362	4.129	.000

a. Dependent Variable: Small and medium enterprises growth.

The t-value of constant produced ($t = 5.668$) was significant at .000 per cent level (Sig. $F < 0.05$), thus confirming the fitness of the model. Therefore, there is statistically significant relationship between Training, Technology, Marketing, Service Quality, and Small and medium enterprises growth.

Entrepreneurial training was significant ($p < 0.05$) in Small and medium enterprises growth. Most empirical research and discussion examine lack of training as a prime characteristic that discourages entrepreneurs. Evidence from a study carried out in Nigeria declared this constraint to be high priority because it triggers further problems - lack of training seems to be the root cause due to which females have a greater fear of failure (Halkias, et al., 2011). Technology was significant ($p < 0.05$) in Small and medium enterprises growth. Researchers consistently point to a lack of technology as the major barrier that entrepreneurs face (Rao, 2008).

Marketing techniques was significant ($p < 0.05$) in Small and medium enterprises growth. Marketing techniques play a role in influencing growth in entrepreneurial activities. According to Wit and Van (1989), individuals with a high marketing are more likely to grow in entrepreneurship. Service quality was significant ($p < 0.05$) in Small and medium enterprises growth. Most writers describe the motivating factors for entrepreneurs using the ‘pull-&-push theory’ The array of factors that may contribute in varying degrees to ‘pushing’ or ‘pulling’ a person into business ownership” (Stevenson, 1986 in Itiminani et al., 2011: 3) and this includes the pull of experience.

From: Regression Model

$$Y_0 = \beta_0 + \beta_1 (X_1) + \beta_2 (X_2) + \beta_3 (X_3) + \beta_4 (X_4) + e$$

Thus;

$$y_{od} = .287 + 0.383 (X_1) + 0.293 (X_2) + .334 (X_3) + 0.362 (X_4)$$

Thus, the four hypotheses:

Table 6 Hypotheses Testing

Hypothesis	Test	Results	Remarks
H ₀₁ : Technological innovation has no significant effect on SME growth in Bobasi Sub County.	Regression .004	Significant	Rejected
H ₀₂ : Service quality has no significant effect on SME growth in Bobasi Sub County.	Regression .000	Significant	Rejected
H ₀₃ : Entrepreneurial training has no significant effect on SME growth in Bobasi Sub County.	Regression .000	Significant	Rejected
H ₀₄ : Marketing techniques have no significant effect on SME growth in Bobasi Sub County.	Regression .000	Significant	Rejected

CONCLUSIONS AND RECOMMENDATIONS

Majority of enterprises in Bobasi Sub County did not use a computer in their businesses and did not use mobile phone to improve business through Mpesa and Lipa Na Mpesa. The enterprises did not also use the internet to get information and talk to clients, and they thought that the use of these technology had not improved their business. Finally, they needed to invest in the technology to improve their businesses. It can therefore be concluded that lack of technology use had a significantly negative influence on growth of small and medium enterprises in Bobasi Sub-county in Kisii County.

SERVQUAL bore negative signs meaning that expectations were greater than growth, then perceived quality was less than satisfactory and a service quality gap materialized. Thus, it can therefore be concluded that a gap in service quality had a significantly negative influence on growth of small and medium enterprises in Bobasi Sub-county in Kisii County. Further, majority of small and medium enterprises in Bobasi Sub County had no training before beginning their businesses. They also did not get training in the process of doing business. Moreover, lack of entrepreneurship training had made it difficult to maintain a business, but if they had entrepreneurship training they would immediately start another business. They finally had no training and skills in accounting. It can therefore be concluded that lack of entrepreneurial training had a significantly negative influence on growth of small and medium enterprises in Bobasi Sub-county in Kisii County.

For most of the entrepreneurs, their businesses did not engage in robust marketing to spur growth. Because of lack of marketing experience, the business was always in trouble and the entrepreneurs used word-of-mouth mostly to market the business. Moreover, lack of effective marketing techniques, generally, negatively influenced the growth in the business. It can therefore be concluded that lack of effective marketing techniques had a significantly negative influence on growth of small and medium enterprises in Bobasi Sub-county in Kisii County

Based on the objectives and conclusions this study recommends; small and medium enterprises should invest in technology to help improve their business growth in terms of sales growth,

competitiveness and effective management of cash flows. They should invest in internet, mobile platforms and ICTs. They should employ the use of tangibles, assurance, empathy, assurance and responsiveness not forgetting reliability to spur the growth of their businesses. Again, the small and medium enterprises should engage in informal entrepreneurial education to help them get the prerequisite training to effectively perform better in entrepreneurial activities. The County Government of Kisii and other organs through the Department of Commerce should initiate the training programs and facilitate its implementation. Finally, small and medium enterprises should employ marketing techniques like advertisements via social media and other ICT enabled media to market their products and services.

REFERENCES

- Acs, Z. J. (2009). *The new American evolution*. In Z. J. Acs (ed.) *Are Small Firms Important?* Boston, Massachusetts: Kluwer Academic, 1–30.
- Acs, Z. J. & Yeung, B. (2009). *Conclusion in small and medium-sized enterprises*. In Z. J. Acs and B. Yeung (eds.) *The Global Economy*. Ann Arbor, Michigan: University of Michigan Press, 164–173.
- Altman, E. I., Haldeman, R. G. & Narayanan, P. (1977). *Zeta* analysis: A new model to identify bankruptcy risk of corporations*. *Journal of Banking and Finance* 1(1), 29–54
- Amyx, C. (2005) *Small Business Challenges – The Perception Problem: Size Doesn't Matter*. Washington Business Journal.
- Atieno, R. (2009). *Linkages, access to finance and the performance of small-scale enterprises in Kenya*. *Journal of Accounting and Business Research*, 3(1): 33-48.
- Becheikh, N., Landry R., & Amara N. (2006). *Lessons from Innovation Empirical Studies in the Manufacturing Sector: A Systematic Review of the Literature from 1993–2003*. *Technovation*, 26 (5/6): 644–64
- Becherer, R. C., Halstead, D. & Haynes, P. (2003). *“Marketing orientation in SMEs: effects of the internal environment”*, *New England Journal of Entrepreneurship*, 6, 1, 13-22.
- Bhide, A. (2000). *The origin of evolution of new businesses*. Oxford University Press, Oxford, UK.
- Blankson, C. & Stokes, D. (2002). *“Marketing practices in the UK small business sector”*, *Marketing Intelligence & Planning*, 20, 49-61
- Burrone, E., & Jaiya G. S., (2005). *Intellectual Property (IP) Rights and Innovation in Small and Medium-Sized Enterprises*. Geneva: World Intellectual Property Organization.
- Caves, R. E. (2008). *Industrial organization and new findings on the turnover and mobility of firm*. *Journal of Economic Literature* 36(4), 1947–1982.
- Chaminade, C., & J. Vang (2006). *‘Innovation Policies for Asian SMEs: An Innovation System Perspective’*. In H. Yeung (ed.), *Handbook of Research on Asian Studies*. Cheltenham: Edward Elgar.
- Chong, H. (2008). *Measuring performance of small-and-medium sized enterprises: The grounded theory approach*. *Journal of Business and Public Affairs*, 2(1): 1-10.

- Churchill, N. C. & Lewis, V. L. (1983). *The five stages of small business growth*. *Harvard Business Review* 61 (May–June), 30–50. 108
- Clark III, M. & Moutray, C. (2004). *The future of small businesses in the U.S. federal government marketplace*. Working paper, Office of Advocacy, U.S. Small Business Administration.
- Cosh, A., & Hughes A. (eds) (2006). *The Changing State of British Enterprise: Growth, Innovation and Competitive Advantage in Small and Medium Sized Firms*. Executive Summary. Cambridge: University of Cambridge, ESRC Centre for Business Research.
- Cronin, J.J. Jr & Taylor, S.A. (2002), “Measuring Service Quality. A Re-examination and Extension”, *Journal of Marketing*, Vol. 56, July, pp. 55-68.
- Damanpour, F., Szabat, K. A. & Evans, W. M. (1989). *The relationship between types of innovation and organizational performance*. *Journal of Management Studies* 26(6), 587– 601.
- Danneels, E., & Kleinschmidt E. J. (2001). ‘Product Innovativeness from the Firm’s Perspective: Its Dimensions and their Relation with Project Selection and Performance’. *The Journal of Product Innovation Management*, 18: 357–73.
- EC (2005), “Green paper on innovation”, European Commission, Directorate-General XIII/D
- Engel, D., Rothgang M., & Trettin L., (2004). ‘Innovation and their Impact on Growth of SME – Empirical Evidence from Craft Dominated Industries in Germany’. Paper presented at the EARIE 2004 Conference, 2–5 September, Berlin, Germany.
- Freeman, C., (2008). *The Economics of Industrial Innovation, Third Edition*. London: Pinter.
- Harrison, N. J., and Watson T. (2008). ‘The Focus for Innovation in Small and Medium Service Enterprises’. Conference Proceedings of the 7th Annual Meeting of the Western Decision Sciences Institute, 7–11 April, Reno, NV, USA.
- Hoffman, K., M. Parejo, Bessant J., and Perren L. (2008). ‘Small Firms, R&D, Technology and Innovation in the UK: A Literature Review’. *Technovation*, 18 (1): 39–55.
- Investorwords, (2011). *Performance*. From <<http://www.investorwords.com/3665/performance.html>> (Retrieved September 10, 2013).
- Jovanovic, B. (1982). *Selection and the revolution of industry*. *Econometrica* 50(3), 649–670.
- Keasey, K. and Watson, R. (2009). *Small firm management: Ownership, finance and performance*. Oxford, UK: Blackwell Publishers.
- Keizer, J. Dijkstra A., L. & Halman J. I. M., (2002), “Explaining Innovative Effort of SMEs. An exploratory survey among SME in the mechanical and electrical engineering sector in the Netherlands”, *Technovation*, 22, pp.1-13.
- Keskin, H. (2006). “Market orientation, learning orientation, and innovation capabilities in SMEs: An extended model”, *European Journal of Innovation Management*, 9, 4, 396- 417.
- Klofsten, M. (2010). *The business platform: Entrepreneurship & management in the early stages of a firm’s development, 3rd Edition*. Luxemburg: TII asbl.

- Langerak, F., Hultink E. J & Robben H. S. J., (2004), "The Impact of Market Orientation, Product Advantage, and Launch Proficiency on New Product Performance and Organizational Performance", *Journal of Product Innovation Management*, 21, pp. 79- 94.
- Lee, K.-R. (2008). *The Sources of Capital Goods Innovation: The Role of User Firms in Japan and Korea*. Amsterdam: Harwood Academic Publishers.
- Lehtimäki, A. (2001). 'Management of the Innovation Process in Small Companies in Finland'. *IEEE Transactions on Engineering Management*, 38 (2): 120–6.
- Longenecker, J. G., Petty, C. W., Moore, J. W. & Palich, L. E. (2006). *Small Business Management, An entrepreneurial emphasis*. London: Thomson South Western.
- Lumiste, R., R. Lumiste, & K. Kilvits (2004). 'Estonian Manufacturing SMEs Innovation Strategies and Development of Innovation Networks'. Paper presented at the 13th Nordic Conference on Small Business Research, 10–12 June, Tromsø, Norway
- Lumpkin G, & Dess G (2006). Clarifying the entrepreneurial orientation construct and linking it to performance. *Academy of Management Review*, 21: 135-172.
- Mazzarol, T. & Reboud, S. (2008). The role of complementary actors in the development of innovation in small firms. *International Journal of Innovation Management* 12(2), 223– 253.
- McPherson, M. A. (2005). The hazards of small firms in southern Africa. *The Journal of Development Studies* 32(1), 31–55.
- Mead, D. C. (2008). *Micro and Small Businesses tackle poverty and growth (but in different proportions)*. Paper presented at the conference on Enterprises in Africa: between poverty and growth. Centre for African Studies, University of Edinburgh, 26-27 May
- Meilan A (2010). *Performance Evaluation of SMEs in Bahawalpur. From*<<http://www.atlanticlots.com/tag/advantages-and-disadvantages-of-system-approach-to-the-management>> (Retrieved Oct 1, 2013).
- Meziou, F. (2009). "Areas of strength and weakness in the adoption of the marketing concept by small manufacturing firms", *International Small Business Journal*, 29, 72-8.
- Monk, R. (2009). Why small businesses fail? *CMA Management* 74(6), 12–13.
- Morgan, K. (2003). *The learning region: Institutions, innovation and regional renewal*. *Regional Studies* 31(5), 491–503.
- National Baseline Survey. (1999). *National Micro and Small Enterprise Baseline Survey*. Nairobi: ICEG and K-REP.
- Norrman, C. (2008) *Entrepreneurship policy: Public support for technology-based ventures*. PhD Dissertation. Linköping University, No. 1175 (ISBN 987-7393-923-2), Linköping, Sweden.
- NUTEK. (2004). *SMEs in Sweden, structural change and policy development*.
- OECD, (2006). *Promoting entrepreneurship and innovation in a global economy: Towards a more responsible and inclusive globalization*. 2nd OECD Conference of Ministers Responsible for Small and Medium Sized Enterprises (SME), 3–5 June, Istanbul.

- Oketch, H. O. (2000). *Gender Equity*. In A. Mullei & A. Bokea (Eds). *Micro and small Enterprises in Kenya: Agenda for improving the Policy Environment*. Nairobi: ICEG.
- Olson, E M., Slater S F. & Hult G. Tomas M., (2005)"The Performance Implications of Fit among Business Strategy, Marketing Organization Structure, and Strategic Behavior", *Journal of Marketing*, Vol. 69, 2005, 49-65.
- Pitt, L., Caruana, A. & Berthon, P. (2006). "Market Orientation and Business Performance: Some European Evidence, *International Marketing Review*, 13, 5-18.
- Porter, M. E. (1980). *Competitive strategy*. New York, New York: Free Press.
- Porter, M. E. (1990). *The competitive advantage of nations*. New York, New York: The New Press.
- Porter, M. E. (1991). *Towards a dynamic theory of strategy*. *Strategic Management Journal* 12(special issue), 95–117.
- Qian, G. & Li, L. (2003). *Profitability of small and medium-sized enterprises in high-tech industries: The case for biotechnology industry*. *Strategic Management Journal* 24(9), 881–887.
- Reid, G. C. (2003). 'The State of British Enterprise: Growth, Innovation and Competitive Advantage in Small and Medium-Sized Firms'. *International Journal of Industrial Organization*, 11 (1): 147–50.
- Richard P, Devinney T, Yip G, & Johnson G (2008). *Measuring Organizational Performance as a Dependent Variable: Towards Methodological Best Practice*. From<<http://ssrn.com/abstract=814285>> (Retrieved Oct 10, 2013)
- Roper, S. (2007). 'Product Innovation and Small Business Growth: A Comparison of the Strategies of German, UK and Irish Companies'. *Small Business Economics*, 9: 523–37.
- Rothwell, R. (1991), "External networking and innovation in small and medium-sized manufacturing firms in Europe", *Technovation*.
- Rothwell, R. & Zegveld, W. (1985), "Reindustrialisation and technology", Harlow: Longman.
- Rothwell, R., (1985), "Innovation and the Small Firm", *First International Technical Innovation Entrepreneurship Symposium, Utah Innovation Foundation, Salt Lake City, 11-13 September*.
- Ruekert R.W, Walker O.C, & Roering K.J., (2009) "The organization of marketing activities: a contingency theory of structure and performance", *Journal of Marketing*, Vol. 49, 1985, 13-25.
- Schumpeter, J. A. (2004). *The theory of economic development*. Cambridge, Massachusetts: Harvard University Press.
- Siqueira, A. C. O., & Cosh, A. D. (2008). *Effects of product innovation and organizational capabilities on competitive advantage: Evidence from UK small and medium manufacturing enterprises*. *International Journal of Innovation Management* 12(2), 113–137
- Stevens, C. (2007), "Mapping innovation", *The OECD Observer*, No.207, Aug/Sept, p.16-19.
- Stokes, D. & Blackburn, R. (2009). "Entrepreneurship: building for the future", *Working Paper Series, Small Business Research Centre, Kingston University, UK*.

- Sundbo, J. (2008). *The theory of innovation, entrepreneurs, technology and strategy*. Cheltenham, UK: Edward Elgar.
- Tan, J., (2009) "Innovation and Risk-taking in a Transitional Economy: A Comparative Study of Chinese Managers and Entrepreneurs", *Journal of Business Venturing*, Vol. 16, 2001, 359-376.
- Teece, D. J., (2006), "Profiting from technological innovation", *Research Policy*, 15(6), pp. 285– 306.
- Timmons, J. (2008). *America's entrepreneurial revolution: The demise of brontosaurus capitalism*. F. W. Olin Graduate School of Business, Babson College, Babson Park, Massachusetts, USA.
- Tomecko, J. & Dondo, A. (2009). *Improving the potential of small scale and informal sector*. Nairobi: K-REP and GTZ.
- Trott, P. (2008). *Innovation management and new product development*. 4th edition. London, UK: Financial times Prentice Hall.
- Ullrich R, & Wieland G., (1980)*Organization Theory and Design*, Homewood. IL. Richard D. Irwin,
- Ussman, Almeida A. M., A., Ferreira, A., J. Franco, M. and Mendes L. (2001). 'SMEs and Innovation: Perceived Barriers and Behavioural Patterns'. *The International Journal of Entrepreneurship and Innovation*, 2 (2): 111–18.
- Von Hippel, E. (2008), "The sources of innovation", Oxford University Press.
- Vonortas, N. S., & Xue L. (2007). 'Process Innovation in Small Firms: Case Studies on CNC Machine Tools'. *Technovation*, 17 (8): 427–38.
- Voss, G. B. and Zannie G. V., (2000) "Strategic Orientation and the Firm Performance in an Artistic Environment", *Journal of Marketing*, Vol. 64(January), 2000, 67-83.
- Walker O.C, Ruekert R.W., (2007)"Marketing's Role in the Implementation of Business Strategies: a Critical Review and Conceptual Framework", *Journal of Marketing*, Vol. 51, 15-33.
- Westerberg, M. & Wincent, J. (2008). CEO succession, honing, and enterprising: A promising way to achieve small business performance? *Journal of International Entrepreneurship* 13(2), 117–112.
- Wolff, J. A. and Pett, T. L. (2006). Small-firm performance: Modeling the role of the product and process improvements. *Journal of Small Business Management* 44(2), 268 – 284.
- Zahra, S. A. (2009). A canonical analysis of corporate entrepreneurship antecedents and impact on performance. *Proceedings of the National Academy of Management* 46, 71–75.