

Prior Experience/Knowledge as a Determinant of Performance of Women-Owned Enterprises: An Experience from Nairobi County, Kenya

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Abstract

Women entrepreneurs have been considered to use prior experience/knowledge as a determinant to enterprise performance. One of the questions that one is left asking is, does prior experience/knowledge determine the performance of women-owned small and medium enterprises (SMEs) in Nairobi County, Kenya? A survey was carried out among the women entrepreneurs across the County. The sample comprised 158 small and medium sized women entrepreneurs. Data was subjected to computer aided statistical analysis that included descriptive statistics, ANOVA and regression techniques. The results revealed that prior experience/knowledge is indeed a determinant of performance of women-owned enterprises in Nairobi County. The P- value of 0.000 (Less than 0.05) implies that the model of prior experience/knowledge on performance of the enterprises is significant at 95% confidence level. It is recommended that there is need for women entrepreneurs to start enterprises in their areas of experience/expertise so as to enhance enterprise performance.

Keywords: Prior Experience, Women Enterprises, Small, Medium, Performance

1. Introduction

Female entrepreneurship has attracted increasing attention in recent years in light of concrete evidence of the importance of new business creation for economic growth and development [9]. Not only does female entrepreneurship contribute to economic growth and employment creation, but it is increasingly recognized to also enhance the diversity of entrepreneurship in any economic system [2] and to provide avenues for female expression and potential fulfillment [2].

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These benefits are rarely leveraged in a systematic way, however, given that female entrepreneurship talent and potential remain largely untapped in many contexts [1].

There is indeed accumulating evidence suggesting that although the rate at which women are forming businesses has increased significantly, the rates of female entrepreneurial activity are significantly and systematically lower than those for males [8]. [8] document in this respect substantial variations in entrepreneurship rates across countries participating in the Global Entrepreneurship Monitor (GEM) in 2004, with men more active in entrepreneurship in all countries.

2. Literature Review

Experience is the process of acquiring knowledge and skills over a period of time through seeing and doing things. The knowledge gained from education and experience represents a resource that is heterogeneously distributed across individuals and in effect central to understanding differences in opportunity identification and exploitation [1]. Experience leads to acquisition of entrepreneurial, managerial and technical skills which improves the way entrepreneurs perceive their markets, serve their customers and manage enterprises giving those relevant competencies and capabilities [11]. According to [2], years of experience in the entrepreneurs line of work is a determinant of success.

Empirical studies show that education and experience are positively related to becoming a nascent entrepreneur [3], increase opportunity recognition and even entrepreneurial success [7]. It is plausible to argue that previous entrepreneurial experience is a resource that women bring to the firm

Experience could be acquired through formal education and business knowledge [8]. Several studies have investigated whether firms whose founders have prior self-employment or managerial experiences perform better than other firms, but have provided mixed results [3]. [6] show that while prior managerial and entrepreneurial experiences positively influence new firms economic performances, they have no significant impact on survival. [15] found that previous experience is necessary to start a venture. Thus the years of experience within a technological sector imply more technological business opportunities identified. [15] also identified that entrepreneurs who have been trained in business areas are more likely to start a new venture. In general, founding teams whose members come from a wide array of past companies bring diverse knowledge and contacts to their firms, and a variety of perspectives stimulates innovation and the discovery of new alternatives [1].

3. Research Methodology

3.1. Research Design

This was a mixed method research. Both quantitative and qualitative data was collected. The survey study comprised a target population of 1580 women entrepreneurs of small and medium enterprises, out of which a sample of 158 respondents was selected. Their enterprises were distributed across 4 sectors – manufacturing, retail, services and trade. To arrive at the 158 respondents, their enterprises had to meet the following criteria: first, having between 6-50 employees, second, being the owners and financiers of the enterprises, thirdly, they had to be from Nairobi County only. The study used 3 basic instruments to collect data – questionnaire, interview and observation. To collect data for this study, the survey instruments were administered by the researcher and her assistants to the 158 women entrepreneurs. This ensured 100% response rate and this demonstrated the importance of the subject under study.

3.2. Study Area

The study was carried out in Nairobi County. Nairobi County borders Kiambu County to the North West, North and North East, Machakos County to the East and South East, Kajiado County to the South, South West and West. It has an area of 695.1 km². The temperatures in Nairobi range from a minimum of 10°C to a maximum 24°C. The rainfall

amounts range between 500 mm and 1,500 mm per annum. According to Central Bureau of Statistics (2009), it has a population of 3,138,369 (Male-51.1%, Female-48.9%).

3.3. Target population, sampling technique and sample size

The population for this study consisted of only those women who were the owners and financiers of their businesses and were also registered. According to the statistics available from the Nairobi City Council and the Department of micro and small enterprises, there are 1580 registered women entrepreneurs operating within Nairobi County whose enterprises were started in the year 2003/2004. The study randomly selected 158 firms owned by these entrepreneurs and used for analysis.

Stratified sampling was used to divide the sectors into categories. This ensured that the small and the medium enterprises were proportionately represented in all the sectors. From the separate lists (that were verified with lists obtained from the Ministry of Labour), systematic sampling was applied to select the respondent businesses. Random sampling of the respondents was carried out.

3.4. Data type, collection method and analysis

The following data collection instruments were used for this study; questionnaires (both structured and unstructured); interviews (personal interviews) which consisted of structured and open-ended questions, a focus group, secondary data from files, pamphlets, office manuals, circulars, policy papers and observations to provide additional information where appropriate. Both primary and secondary data was collected in this survey. Primary data was collected from the field and secondary data through desk top research. Surveys allow for collection of large amounts of data from a sizeable population for comparison. [13] suggest that triangulation can be adopted where three methods are used in data collection to minimize the influence of any one method in the research findings. For this study, these methods included; questionnaires, interviews and observation. Data collected was cleaned, coded and analyzed qualitatively and quantitatively. Qualitatively the data was sorted into themes, categories and patterns. This enabled the researcher to make general statements in terms of the observed attributes hence conceptualization according to [14]. Quantitative analysis employed both descriptive and inferential statistics. The use of correlation analysis, t-test and regression analysis was employed. Descriptive Analysis was done to determine and report quantitatively the way things were in the survey. General trends were established and used. Correlation analysis was done to establish the relationship between the variables. Multiple regression analysis (R^2) was done to test the relationship between the predictor (enterprise performance) and the criterion variables (prior experience/knowledge). Multiple regression attempts to determine whether a group of variables together predict a given dependent variable [10].

4. RESEARCH FINDINGS AND DISCUSSION

The respondents were given various statements on prior experience/knowledge and performance of the enterprise. The respondents were to indicate the extent to which they agreed with the given statements and their responses were put on a likert scale of 1 to 5 with 1 being 'strongly disagreed', 2 being 'disagreed', 3 being 'neither agree nor disagree', 4 being 'agree' and 5 being 'strongly agree'. Mean and standard deviation were calculated and are shown in Table 1.

Approximately 85% of respondents agreed (mean of 4) to all the statements given on prior experience/knowledge that is: Possession of relevant skills and experience help ensure survival of a business at start-up, its future performance and growth. Skills and experience in similar business help build growth oriented business, Prior experience in an industry improves small firms' prospects for survival, profitability and growth. Further effective communication skills experience is vital in customer relations thus increasing sales volume.

Table 1: Statements on prior experience/knowledge

Statements on prior experience	Response	Frequency	Percent	Mean	Std. Deviation
Possession of relevant skills and experience help ensure survival of a business at start-up, its future performance and growth.	Strongly Disagree	0	0	4.7468	.43621
	Disagree	0	0		
	Neutral	21	13.3		
	Agree	74	46.8		
	Strongly Agree	63	39.9		
Skills and experience in similar business help build growth oriented business	Strongly Disagree	0	0	4.4241	.61088
	Disagree	0	0		
	Neutral	0	0		
	Agree	40	25.3		
	Strongly Agree	118	74.7		
Younger businesses grow faster than older businesses because of owners less understanding of their costs functions and willingness to take risks.	Strongly Disagree	0	0	3.7215	.67601
	Disagree	0	0		
	Neutral	10	6.3		
	Agree	71	44.9		
	Strongly Agree	77	48.7		
Entrepreneur husbands are a source of knowledge and experience and can thus act as role models	Strongly Disagree	1	.6	3.1456	.59537

Statements on prior experience	Response	Frequency	Percent	Mean	Std. Deviation
Prior experience in an industry improves small firms prospects for survival profitability and growth	Disagree	15	9.5	4.0506	.50219
	Neutral	102	64.6		
	Agree	40	25.3		
	Strongly Agree	0	0		
	Strongly Disagree	0	0		
	Disagree	0	0		
	Neutral	16	10.1		
Effective communication skills experience is vital in customer relations thus increasing sales volume	Agree	118	74.7	4.5570	.55859
	Strongly Agree	24	15.2		
	Strongly Disagree	0	0		
	Disagree	0	0		
	Neutral	5	3.2		
	Agree	60	38.0		
	Strongly Agree	93	58.9		

4.1: Hypothesis: Prior Experience on the Performance of Small and Medium Women-Owned Enterprises.

HO: Prior experience has no significant influence on the performance of small and medium women-owned enterprises in Nairobi County.

HI: There is significant influence of prior experience on the performance of small and medium women-owned enterprises in Nairobi County.

The coefficient of determination, R², provides information about the goodness of fit of the regression model: it is a statistical measure of how the regression line approximates the real data points. In this case it is assessing the strength of the relationship between the prior experience of the entrepreneur and the enterprise performance.

Adjusted R² is the coefficient of determination and indicates how the enterprise performance varies with prior experience. From Table 2, the value of R² is .728. This means that, there was a variation of 72.8% of Enterprise Performance which is explained by the prior experience and only leaves 27.2% which is unexplained.

Analysis in Table 2 shows that the coefficient of determination (the percentage variation in the dependent variable being explained by the changes in the independent variables) R² equals 0.728 that is, explained prior experience 72.8 percent of Enterprise performance.

Table 2: Model Summary for Hypothesis on Prior Experience on Performance of Enterprises

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.853	.728	.635	.60296

a. Predictors: (Constant), Prior Experience

b. Dependent Variable: Enterprise Performance

The ANOVA results indicate that the independent variables significantly (F=217.010, p=0.000) explain the variance in enterprise performance. In this context, as have been presented in Table 3, the dependent variable is the level of enterprise performance while the independent or the predictor is prior experience/knowledge.

Table 3: ANOVA Summary on Performance of Small and Medium Women-Owned Enterprises.

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	78.897	1	78.897	217.010	.000 ^a
	Residual	67.986	187	.364		
	Total	146.884	188			

a. Predictors: (Constant), Prior Experience

b. Dependent Variable: Enterprise Performance

The coefficient of determination (the percentage variation in the dependent variable being explained by the changes in the independent variables) R2 equals 0. 728, that is, only 27.2 percent of relevance of prior experience is unexplained. The P- value of 0.000 (Less than 0.05) implies that the model of prior experience on performance of the enterprises is significant at the 95% confidence level as shown in Table 4. The Coefficients explains the change in enterprise performance with effect to change in prior experience/knowledge. One unit change in prior experience/knowledge will lead to .421 changes in Enterprise Performance.

Table 4: Coefficients of Performance of Small and Medium Women-Owned Enterprises.

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95.0% Confidence Interval for B	
		B	Std. Error	Beta			Lower Bound	Upper Bound
1	(Constant)	1.304	.209		6.230	.000	.891	1.717
	Prior experience	.013	.062	.733	14.731	.000	.630	.825

- a. Predictors: (Constant), Prior experience
- b. Dependent Variable: Enterprise Performance

4.2: Discussion of Findings on Prior Experience/Knowledge and Enterprise Performance

From the findings of the study, prior experience had a significant influence on the performance of small and medium women-owned enterprises (p=0.000).

Experience leads to acquisition of entrepreneurial, managerial and technical skills which improves the way entrepreneurs perceive their markets, serve their customers and manage enterprises giving those relevant competencies and capabilities[11].According to[5], years of experience in the entrepreneurs line of work is a determinant of success.

Empirical studies show that education and experience are positively related to becoming a nascent entrepreneur [12], increase opportunity recognition and even entrepreneurial success [7]. It is plausible to argue that previous entrepreneurial experience is a resource that women bring to the firm.

Experience could be acquired through formal education and business knowledge (Salman, 2009). Several studies have investigated whether firms whose founders have prior self-employment or managerial experiences perform better than other firms, but have provided mixed results [6]. [4] show that while prior managerial and entrepreneurial experiences positively influence new firms economic performances, they have no significant impact on survival. [3] found that previous experience is necessary to start a venture. Thus the years of experience within a technological sector imply more technological business opportunities identified.

5. SUMMARY AND RECOMMENDATIONS

5.1. Summary

From the findings of the study, prior experience had a significant influence on the performance of small and medium women-owned enterprises (p=0.000). 97% of the respondents said prior experience was vital to performance of the business and they gave the following reasons as to why they thought so, these includes: helps improve quality of services; enables one to predict the risks involved in running the business venture: understands the sector well and

therefore able to know when the business is performing well or not. For those respondents who felt that prior experience was not vital to business performance cited that there are people who start their business and prosper yet they did not have any prior experience and therefore not relevant.

It was strongly agreed that possession of relevant skills and experience help ensure survival of a business at start-up, its future performance and growth and that effective communication skills experience is vital in customer relations thus increasing sales volume. However, most respondents with a mean of 4 agreed that: skills and experience in similar business help build growth oriented business; younger businesses grow faster than older businesses because of owners less understanding of their costs functions and willingness to take risks and that prior experience in an industry improves small firms' prospects for survival profitability and growth. As for the statement regarding entrepreneur husbands being a source of knowledge and experience and can thus acting as role models, most respondents were neutral and could thus not agree nor disagree with it (mean=3.1456).

When asked to state the factors that they could attribute to the performance of their business, majority of the interviewees indicated it is due to the access to business training, access to cheap loans, networking, access to finance, support from customers and employees, prior experience/knowledge and location of the business.

5.2. Recommendations

The following are the recommendations that were suggested in order to enhance performance of women-owned enterprises.

- a. The study recommends that Mentorship programmes should be put in place where women entrepreneurs work under experienced entrepreneurs in their trade areas.
- b. A center for entrepreneurship programmes need to be established as well as having the Government establishing an entrepreneurship policy that will empower entrepreneurs.
- c. Women entrepreneurs should be encouraged to start enterprises related to their areas of experience.
- d. Further study should be carried out to cover aspects of risk-taking, innovation and Business development services.

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