

BUSINESS DEVELOPMENT SERVICES AND THEIR EFFECTS ON COMPETITIVE ADVANTAGE ON YOUTH ENTERPRISES IN KENYA: A SURVEY OF MURANG'A COUNTY

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Abstract: This article discusses the back ground information regarding youth enterprises, global trends on SMES competitiveness as well as regional trends on SMES competitiveness with a key focus on collaborative networks. The research objectives are the effects of collaborative networks, innovation, product diversification and business development services on competitive advantage of youth enterprises; This article narrows to collaborative networks. Conceptual framework focuses on both independent and dependent variables, independent variables namely; collaborative networks, innovation, product diversification and business development services; dependent variable namely competitive advantage. The purpose of this article is: to unite and to expand the existing cognitions about the concept of collaborative networks; propose the universal model for the process of transformation of implementing this concept. The instruments for data collection were the questionnaire directly administered by the researcher. A sample of 220 respondents was drawn from five different Sub- counties which makes Murang'a County. The cluster and purposive sampling methods were employed. Data was analyzed using inferential statistics using Statistical package for Social Science. The Cronbach Alpha statistical tool was used to establish reliability with a coefficient of 0.653. The findings indicated that collaborative networks had a positive significant effect on competitive advantage of youth enterprises in Kenya. The study recommends that collaborative networks is a key player in establishing competitive advantage; the government through youth funds must strengthen and structure clear collaborative networks among youth enterprises with similar business activity to raise their competitive advantage.

Keywords: Business development services.

1. INTRODUCTION

Background of the Study

Youth enterprises present an important factor regarding economic development. They play a critical role in economic growth, reducing unemployment, and promoting flexibility and innovation in an economy due to their ability to quickly adapt to ever changing market conditions because of their lean structure and the active involvement of their human resources. Nevertheless, even though they are very dynamic they are also highly exposed to threats caused by insufficient investment capability and resources. Due to limited resources, both financial and non-financial nature, youth enterprises lack appropriate organizational characteristics, such as the lack of functional expertise, concentration of risks, shortage of information for identifying market opportunities, and diseconomies of scale (Wincent, 2005).

Therefore, in order to overcome these obstacles youth enterprises are forced to rely on cooperation with others, in the sense of building strategic networks. Strategic network refers to the group of firms that combine efforts to achieve competitive advantages that would be very difficult to achieve individually. Through such a process they can partly resolve previously mentioned problems by gaining competence, building resources, sharing risks, undertaking quick market movements, and making joint investments (Dickson and Hadjimanolis, 1998). Therefore, youth enterprises can profit a lot by participating in this form of collaborations.

The fundamental question for policymakers is how to restore the competitiveness of youth enterprises. (Teece, 2007; Teece et al 1997), argues that the answer resides in the dynamic capability-generating capacity of youth enterprises-level of innovativeness on superior enterprise performance and sustainable competitive advantages. Furthermore, several researchers (Buhalis & Cooper, 1998; Getz & Carlsen, 2000; Getz & Petersen, 2005; Hjalager, 2002; Jacob & Groizard, 2003; Morrison et al, 1999; Shaw & Williams, 1998) argue that many youth enterprises lack the necessary capabilities and resources to pursue growth opportunities through innovation even when they wish to do so. It appears that the critical role of innovativeness, as a dynamic capability, in achieving economic recovery is not completely understood since resource limitation is not a problem that only youth enterprises face, but all companies have limited (or even scarce) resources (Barney, 1996; Peteraf, 1993). Consequently, conflict exists between theory and reality; resulting in a failure to forge a tangible link between innovativeness, dynamic capabilities, firm performance, and competitiveness. In Africa and developing countries, significant proportion of youth enterprises may be inoperable or abandoned completely. Several factors have undermined long term competitiveness of income generating youth enterprises such as, the lack of follow-up support, lack of technical skills to carry out preventive maintenance or the absence of refresher training courses. (Rigby, Howlett & Woodhouse, 2000).

According to Youth Challenge International Kenya, an international NGO concerned with youth, majority of the Kenya's population is the youth aged 15 to 35 years and currently number about 60% of the population (YCIK, 2005). This means that the youth is a significant group which cannot be ignored in community development agenda. Empowering youth through initiating and supporting income generating youth enterprises to successful completion and sustainability globally is still a neglected concern in general, or an unfulfilled aspiration at best (World Bank, 2005).

According to Kenya's blue print and strategy for development known as Vision 2030 that aims towards making Kenya a newly-industrializing middle-income country capable of providing a high quality of life for all its citizens by the year 2030; Kenya's competitive advantage lies in agro-industrial exports. For superior performance of the manufacturing sector, one strategy includes strengthening SMEs to become the key industries of tomorrow. This, according to Kenya's Vision 2030, can be accomplished by improving their (SME) productivity and innovation. Vision 2030 therefore recommends a need to boost science, technology and innovation in the sector by increasing investment in research and development. Vision 2030 sees one key strategy to the development of SMEs as being the development of SME Parks in Kenya. The vision 2030 aims at globally competitive and prosperous youth. The goal for 2012 is to increase all-round youth groups. Specific strategies will involve: increasing the participation of youth in all economic, social and political decision-making processes (vision, 2030); improving access of all youth groups; and, minimizing vulnerabilities through prohibition of retrogressive practices and by up scaling training needs. The Flagship projects for 2012 are to: establish a consolidated social protection fund; to rehabilitate or build at least one youth empowerment centre in each constituency; and Sustain and increase the youth enterprise fund from Kshs. 1 to Kshs. 2 billion.

Consequently the Jubilee Government has focused on youth empowerment. Currently, 70% of unemployed people in Kenya are the youth. Youth aged between 18 and 35 are 30.3% of the total population. The education system in Kenya is not geared towards market demand. Consequently, 92% of unemployed youth have some form of formal education but do not possess any relevant skills. The Jubilee manifesto promised to allocate 2.5% of national revenue annually towards establishing a Youth Enterprise Capital to enable youth access interest free business financing either individually or in groups without the requirement of traditional collateral (Jubilee Manifesto 2013). Enhance youth specific affirmative action on Government procurement to 25% so as to mainstream the participation of youth-run enterprises in economic development. Develop and promote a policy on internship (on the job training) for all college students requiring practical training-with built in incentives for industry actors. Establish innovation centers to support the emerging generation of highly creative Kenyans. In addition the government has launched Uwezo fund to finance SMES for the youth and have made it a policy to provide 30% of government procurements to youth. The question is, are the youth enterprises having the strategic capabilities to utilize the honey moon offer by the government?

Global Trends on SMES Competitiveness.

SMEs, by number, dominate the world business stage. Although precise, up-to-date data are difficult to obtain, estimates suggest that more than 95% of enterprises across the world are SMEs, accounting for approximately 60% of private sector employment (Ayyagari et al. 2011). Japan has the highest proportion of SMEs among the industrialized countries, accounting for more than 99% of total enterprises (EIU 2010). India, according to its Ministry of Micro, Small and Medium Enterprises, had 13 million SMEs in 2008, equivalent to 80% of all the country's businesses (Ghatak 2010). In South Africa, it is estimated that 91% of the formal business entities are SMEs (Abor and Quartey 2010).

Estimated data for the 27 countries in the European Union (the EU-27) for 2012 also illustrate the importance of SMEs. They account for 99.8% of all enterprises, employ 67% of all workers and contribute 58% of gross value added (GVA) – defined as the value of their outputs less the value of intermediate consumption and an important factor in GDP. The contribution made by SMEs does vary widely between countries and regions. Nevertheless, although they play particularly key roles in high-income countries, SMEs are also important to low-income countries, making significant contributions to both GDP and employment (Dalberg 2011). They are also major contributors to innovation in economies, partly through collaboration with the larger corporate sector. SMEs that become embedded in the supply chains of larger businesses can be spurred on to improve their own human and technological capital (ACCA 2010).

Regional Trends on SMES Competitiveness in Africa

According to UNCTAD (2003), SMEs represents more than 90 percent of formal sector enterprises and 16 percent to 33 percent of the working population in Africa. According to African Development Bank experts, 70 percent to 80 percent of SMEs in Africa are micro or very small enterprises, while only 5 to 15 percent are medium-sized enterprises percent. The contribution of SMEs to the Gross Domestic Product (GDP) is estimated to be less the 10 percent in most African counties, i.e. less than the average for low-income countries (16 percent). On the other hand, the informal sector represents the lion's share in terms of GDP and employment.

In Algeria, the private SME fabric has constantly grown since the 1990s. The number of SMEs grew from about 104,000 in 1992 to almost 293 946 private SMEs in 2007. These SMEs employ 1.06 million people (593,000 in 2004), i.e. an average of 3.64 jobs per SME (compared to 2.6 in 2004). In addition, the cottage industry had 116,347 plants in 2007 (including 115,508 individual artisans). The per sector breakdown of private SMEs demonstrates the predominance of the services sector (46 percent) and building and public works (34 percent), followed by industry (18.5 percent), while agriculture and fishing represent only a small portion (1.2 percent)

Most enterprises in Egypt are very small. According to a census conducted in 1996 on different establishments (CAPMAS Establishment Census of 1996), there were 1,641,791 micro, small and medium enterprises (MSME), , i.e. 99.7 percent of the total number of non-agricultural establishments. Micro enterprises (one to four employees) represent the overwhelming majority with a share of 93.7 percent followed by small enterprises (five to nine employees) with 5.7 percent. The great majority of micro, small and medium enterprises (MSME) operate in trade and services (81.6 percent), while industry accounts for only 16.9 percent of total activities.

The International Finance Corporation conducted projections on the number of enterprises in Egypt. Based on the census of businesses conducted in 1999 by the Central Agency for Public Mobilization and Statistics (CAPMAS), the number of enterprises in 2003 was 2,576,937. 93.5 percent of these are micro enterprises (one to four employees), 4.97 percent very small enterprises (five to nine employees), and 1.56 percent small and medium enterprises (10 to 200 employees). The study conducted in 2003-2004 by the Economic Research Forum (ERF), on the basis of are presentative sampling of Egyptian micro and small-sized enterprises, shows that more than 90 percent of them employ fewer than four employees (42.6 percent have only one), and that the great majority work in commerce (61.8 percent) and the service industry (19.5 percent), with the remainder in industry (17.7 percent). However, this study shows at the same time that recently established micro and small enterprises tend to hire more people than those already established. According to some estimates, micro, small and medium enterprises contribute by 80 percent to value added in the private sector and employ two-thirds of the non agricultural workforce. With regard to the contribution of MSMEs to external trade, the 2001 economic census shows that they account for only 7.5 percent of the country's exports. Egypt's agricultural sector is mostly made up of small holdings.

Statement of the problem

Individual SMEs experience difficulties in achieving economies of scale in the purchase of such inputs as equipment, raw materials, finance and consulting services and are often unable to take advantage of market opportunities that require large production quantities, homogenous standards and regular supply. Small size is also a constraint on internalization of functions such as training, market intelligence, logistics and technology innovation, while preventing the achievement of a specialized and effective internal division of labour (UNIDO 2001). On a closer observation, however, it is clear that many of these obstacles are the result of SME's isolation rather than their size. Therefore, closer cooperation among SMEs as well as between SMEs and the institutions in their surrounding environment holds the key to overcoming them. Networking offers an important route for individual SMEs to address their problems as well as to improve their competitive position.

A number of barriers may constrain entrepreneurship and the creation and rapid growth of innovative SMEs, and hence impede the ability of economies to achieve full employment and economic growth. They include inappropriate framework conditions for entrepreneurship, barriers to SME access to international markets and knowledge flows, weak intellectual asset management by SMEs and lack of entrepreneurial human capital (OECD, 2009, 2010d). Innovative SMEs and entrepreneurs also commonly suffer from lack of access to financial services, particularly to seed and development capital, which has been exacerbated by the financial and economic crisis.

According to the Kenya National Bureau of Statistics (GOK, 2007), three out of five businesses fail within their first three years of operation. One of the most significant causes of failure is the negative perception towards SMEs (Bowen, Morara, & Muriithi, 2009) Amyx, 2005). Potential clients perceive the small business as lacking the ability to provide quality services and hence not trustworthy. Many of the problems faced by small businesses are inevitably centered on the owner/manager. There are two key factors that impact on the way most of these SMEs are managed. First, decision making is concentrated on one or two owner managers (Greenbank, 2000). Second, owner/managers often work at both the management and operational levels and therefore acquire information about the market and the performance of their business through personal experience rather than relying on feedback mechanisms from other sources (Mbogo, 2011).

The overall research problem addressed in this study was that, although there has been a lot of funding from the Kenya government through the Youth Enterprise Development Fund and other sources, there is a substantive dispersion between the implemented youth enterprises and the sustainable or active ones. This study would set out to examine the possible strategic options with competitive advantage youth enterprises can employ for growth and sustainability.

2. LITERATURE REVIEW

Literature review focuses on the relevant theoretical and empirical literatures. It comprises of the conceptual framework, theories and models of competitive advantage and research gap.

CONCEPTUAL FRAMEWORK

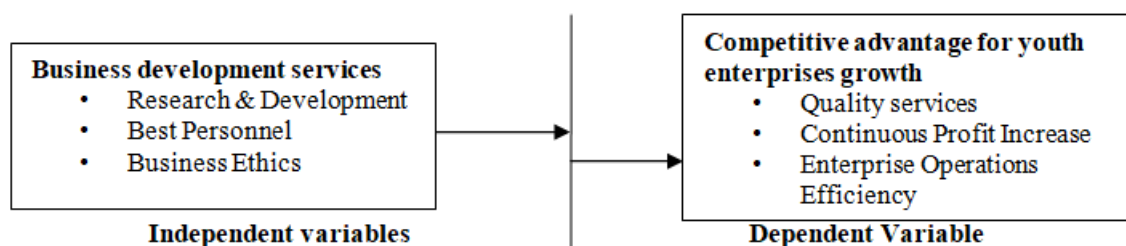


Figure 1

3. RESEARCH METHODOLOGY

The research design constitutes the blue print for the collection, measurement and analysis of data, Kothari, (2003). Explanatory research design was used in this study. Research design can be used when collecting information about people's attitudes, opinions habits or any other social issues Orodho and Kombo, (2002). The choice of this design is appropriate for this study since it utilizes a questionnaire as a tool of data collection. This is supported by (Gall et al 2003) who assert that this type of design enables one to obtain information with sufficient precision so that hypothesis can be tested properly. Creswell (2003) observes that explanatory research design is used when data is collected to describe

persons, organizational settings or phenomenon. The design also has enough provision for protection of bias and maximized reliability (Kothari, 2008). Explanatory design uses a pre-planned design for analysis (Mugenda and Mugenda, 2003). Target population for this study consisted of 350 Youth groups dealing with income generating enterprises in Murang'a County. The enterprises are placed into six categories namely; Motor Bike Operators, Car Wash Shops, Bee keeping, Youth Commercial Public Toilets, Milk vending and Green Grocery. The study targeted active youth enterprises. According to Kombo & Tromp (2006), an effective population should have ideas on the topic investigated. The target populations have adequate information to address the study objectives of the research. According to Creswell (2002) data collection is the means by which information is obtained from the selected subject of an investigation. The tool of data collection for this study was questionnaires addressed to enterprise chairpersons. The questionnaire was used for data collection because it offers considerable advantages in its administration.

Quantitative data was analyzed by employing descriptive statistics and inferential analysis using statistical package for social science (SPSS). This technique gave simple summaries about the sample data and present quantitative descriptions in a manageable form, Gupta (2004). Together with simple graphics analysis, descriptive statistics forms the basis of virtually every quantitative analysis to data, Kothari (2004). Correlation analysis was used to establish the relationship between the independent and dependent variables. The purpose of doing correlation was to allow the study to make a prediction on how a variable deviates from the normal. The hypothesis testing was done at 5% level of significance and SPSS package was used for this purpose.

4. RESEARCH FINDINGS AND DISCUSSION

Effect of Business Development Services on Competitive Advantage

The study sought to find out how business development services create competitive advantage to youth enterprises in Kenya. The findings of the study in Table revealed that 60% of the youth enterprise leaders strongly agreed and 40% agreed that regular training of all workers have given their enterprises best human capital which greatly influences competitive advantage of the enterprises. On rewarding and motivating staffs for successfully implemented new ideas, 28.6% of youth enterprise leaders agreed and 70.9% strongly agreed that it influences competitive advantage of youth enterprises.

On the ability of the enterprise to support mobile marketing and mobile promotional activity, 88.2% of youth enterprises agreed and 11.8% strongly agreed. Regarding ability of youth enterprises to make continuous growing customer base, 48.2% agreed and 50.9% strongly agreed that it influences competitive advantage of youth enterprises. Regarding ability of youth enterprises to respond positively to market changes, 59.1% of respondents agreed and 39.1% strongly agreed. Lastly on the item that youth enterprises participate in social corporate responsibilities, 38.5% strongly disagreed and 52.8% disagreed. The highest rated business development services that youth enterprises possess is rewarding staff to motivate them for successfully implementing new ideas with (mean = 4.7, Std.deviation= 0.467) while the least rated item was enterprises participates in social corporate responsibilities with (mean = 1.73, Std.deviation= 0.72).

Table 4.1: Business development services effects on Competitive advantage

Aspects	Mean	Std. Deviation	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Percent
Regularly training staffs to give our enterprise best human capital	4.61	.490	0	0	0	40.0	60.0	100
Rewarding staff to motivate them for successfully implementing new ideas	4.70	.468	0	0	.5	28.6	70.9	100
My group uses mobile marketing and mobile promotional activities	4.11	.314	0	0	0	88.2	11.8	100
My group have made continuous growing customer base	4.50	.537	0	.5	.5	48.2	50.9	100
My group responds positively to market changes	4.34	.625	.9	.9	0	59.1	39.1	100
My group participates in social corporate responsibilities	1.73	.720	38.5	52.8	6.4	1.4	.9	100

n = 218

Business development services and Competitive Advantage Model Summary

The coefficient of determination (R squared) of 0.128 shows that 12.8% of competitive advantage of youth enterprises can be explained by business development services. The adjusted R-square of 12.4% indicates that business development services in exclusion of the constant variable explained the change in competitive advantage by 12.4%, the remaining percentage can be explained by other factors excluded from the model. R of 0.358 shows that there is positive correlation between business development services and competitive advantage. The standard error of estimate (0.29398) shows the average deviation of the independent variables from the line of best fit. These results are shown in Table 4.2a.

Table 4.2a: Business development services and Competitive Advantage Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.358 ^a	.128	.124	.29398

a. Predictors: (Constant), Business development services

a) Business development services and competitive advantage ANOVA

The result of analysis of Variance (ANOVA) for regression coefficient as shown in Table 4.2b revealed (F=32.087, P value<0.001). Since the P value is less than 0.05, it means that there exists a significant relationship between business development services and competitive advantage of youth enterprises in Kenya.

Table 4.2b: Business development services and Competitive Advantage ANOVA

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	2.773	1	2.773	32.087	.000 ^a
	Residual	18.841	218	.086		
	Total	21.614	219			

a. Predictors: (Constant), Business development services

b) Business development services and Competitive Advantage Weights

The study hypothesized that business development services have no significant effect on competitive advantage of youth enterprises in Kenya. The study findings indicated that there was a positive significant relationship between business development services and competitive advantage ($\beta=0.525$ and P value<0.001). Therefore, a unit increase in use of business development services index led to an increase in competitive advantage index by 0.525. Since the P-value was less than 0.05 as shown in Table 4.2c below, the null hypothesis was rejected and the alternative hypothesis accepted. It can therefore be concluded that business development services influences competitive advantage of youth enterprises in Kenya.

Table 4.2c: Business development services and Competitive Advantage Regression Weights

Model	Unstandardized Coefficients		Standardized Coefficients		
	B	Std. Error	Beta	T	Sig.
1 (Constant)	2.453	.372		6.597	.000
Business development services	.525	.093	.358	5.665	.000

a. Dependent Variable: Y

5. DISCUSSION OF FINDINGS BETWEEN BUSINESS DEVELOPMENT SERVICES AND COMPETITIVE ADVANTAGE

The findings in Table 4.2c indicates that business development services positively and significantly influences competitive advantage of youth enterprises in Kenya ($\beta = 0.525$, P value<0.001). For every unit increase in the application of business development services, there was a corresponding increase in competitive advantage by 0.525. The Pearson product moment correlation coefficient revealed a moderate positive and significant correlation between innovation and competitive advantage of youth enterprises ($r = 0.358$, P value <0.001) as shown in Table.

These results are consistent with previous research. Business development services are built on the dynamic capabilities of the firm. This concept has become the subject of increased research attention (Zollo & Winter, 2002), with ensuing studies expanding and refining the original definition. In what is considered to be a major contribution, apart from that of Teece *et al.* (1997), Eisenhardt & Martin (2000) define dynamic capabilities as “the firm’s processes that use resources to match and even create market change”. Helfat & Peteraf (2003) conceptualize strategic capabilities in terms of “adaptation and change”, due to their ability to “build, integrate, and reconfigure other resources and capabilities”. Bowman & Ambrosini (2003) regard dynamic capabilities as the firm’s ability to renew its existing resources in response to environmental changes. Zollo & Winter (2002) focus on the notion of organizational learning as a source of dynamic capability, which they defined as “a learned and stable pattern of collective activity through which the organization systematically generates and modifies its operating routines in pursuit of improved effectiveness”.

In addition, the literature notes the importance of managerial sense making capability as a source of dynamic capability. Helfat *et al.* (2007) conceptualize strategic capabilities as the capacity of an organization to purposefully create, extend, or modify its resource base”. For Teece (2007), dynamic capabilities can be disaggregated into “the capacity first to sense and shape opportunities and threats, second to seize opportunities, and thirdly to maintain competitiveness through enhancing, combining, protecting, and when necessary, reconfiguring the business enterprise’s intangible and tangible assets”.

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