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EFFECT OF BUSINESS PLANNING COMPETENCE PRACTICES ON SUSTAINABILITY OF SMALL AND MEDIUM ENTERPRISES IN KENYA

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Abstract

Enhancing SMEs sustainability is of increasing interest worldwide as many enterprises perform dismally and are of high mortality rates. It is therefore necessary to conduct research to enhance SMEs survival rates so as to enable the sector to optimally realize the numerous benefits associated with entrepreneurship practice. The purpose of this study was to determine the effect of entrepreneurial competence practices and their impact on sustainability of SMEs in Kenya. The study employed descriptive survey design to realize the intended objectives. The target population under study was the 1015 registered SMEs in Embu County and its environs. The researcher applied stratified random sampling technique since the population was heterogeneous. The study employed questionnaires and document analysis guides to collect required data from a sample of 102 SMEs. The collected data was coded, quantified and analyzed qualitatively and quantitatively. Quantitative data was analyzed by the use of statistical package for social scientists (SPSS) whilst qualitative data was analyzed by content analysis. A substantial number of respondents had not applied entrepreneurial competence practices in their business operations. The study also established that majority of respondents measured business sustainability in terms by trends in profit, increase number of customers as well as age of business. The study concludes that the key entrepreneurial competence practices were found to have a substantial impact on sustainability of SMEs in Embu town and its environs. However, constantly monitoring was found necessary to make the competencies learnt be translated into more practical work as most of the trained entrepreneurs were not fully utilizing the acquired competencies in their ventures to attain sustainable levels.

Key words: Entrepreneur, Entrepreneurial Competence Practices, Sustainability.

Background of the Study

The researcher attempted to link entrepreneurial competence practices to sustainability of Small and Medium Enterprises (SMEs). According to Shalley (2004), the SME sector plays a vital role in economic development and has attracted the attention of entrepreneurship scholars in recent past. Entrepreneurial ventures are recognized worldwide as they play significant role in economic development. Kauffmann (2006) notes the important role played by the SME sector and particularly its ability to provide reasonably priced goods, services, income and employment to a number of people. It is for these aforementioned reasons that there has been a growing interest and concern by the government and development partners for the improved performance and growth of the SMEs worldwide.

Studies by Chodokufa (2009) have revealed that SMEs cover about 90 percent of African businesses and contribute to over 50 percent of African employment. According to Zacharakis, Neck, Hygrave&Cox (2002), SMEs are increasingly recognized as a leading vehicle for economic development, a prime source of employment, revenue generation, innovation and technological advancement in both developed and developing nations. Historically, the informal sector has played an important role in the process of labour absorption as observed by Lambin (2004). According to Eden (2004), South African government has recognized the important role played by SME sector and has put in place programmes to encourage growth of the sector through interventions such as creation of an enabling legal framework, access to markets, finance, training, capacity building, taxation and financial incentives among others.

The Kenyan is not an exception from the rest of the world as far as the recognition and support of the entrepreneurial ventures are concerned. The important role played by the sector can be traced way back in the year 1972 following the ILO report. The Report placed emphasis on the possibility of the sector creating employment and generating income for the majority of the Kenyan people. As a result of this recognition, the sector was given considerable attention in subsequent government plans. The Sessional paper no.1 of 1986 and no.2 of 1992 for instance highlighted the importance of the sector to strengthen the Kenyan economy through its potential for poverty reduction and employment creation. Sessional paper no. 2 of 2005 and the Ministry of Economic Planning report of 2007, show that three out of five SMEs fail within their first three years of inception. This is supported by Kenya Bureau of Statistics report of 2004 which showed high failure rates and stagnation among many start-up businesses. The survey revealed that only 38% of the businesses were expanding while 58% had not added workers. The survey also showed that more enterprises were most likely to close in their first three years of operation. The recent study conducted by the Institute of Development Studies (RoK, 2008) confirms the findings as it revealed that 57% of small businesses are in stagnation with only 33% of them showing some level of growth. A further confirmation is highlighted by the Sessional paper no.2 of 2005 which shows that SMEs have high mortality rates with most of them not surviving to see beyond their third anniversaries.

Kenya is facing a major challenge of the creation of employment opportunities for its rapidly increasing workforce (Republic of Kenya, 2013). SME sector is an alternative employer to majority of Kenyans who fail to secure jobs in the public, large private and non-profit sectors (Republic of Kenya, 1999, 2008, 2009, 2012, 2013). In the last three decades, there has been a growing awareness of the relevance of entrepreneurship and small business management in Kenya for sustained economic growth, rapid employment generation and poverty eradication (Republic of Kenya, 1992, 1999, 2012, 2013 and World Bank, 2013). In Kenya, a Baseline Survey

(2013), found that SMEs employed about 50 percent of youths and women and they accounted for approximately 79.6 percent of the total labour force (Republic of Kenya, 2013). According to Ngugi and Bwisa (2013), SMEs accounts for a significant proportion of economic activities in Kenya's urban and rural areas as it generates over 70 percent of all new jobs created. They further notes that the role of SMEs in terms of employment creation, income generation, economic diversification and growth, make the sector become critical for future industrial development for the country. Longenecker (2006) cited lack of planning, improper financing and poor management as the main causes of failure of small enterprises. Mbogo (2011) asserts that regardless of the high failure rate by SMEs in Kenya, their enormous contribution to the entire economy cannot be ignored.

The National and Small Enterprise Baseline Survey of 2007 revealed that about 1.3 Million small enterprises were employing about 2.4 Million people in Kenya. This translated to an estimated GDP of 18.8 second to Agriculture and had increased from 13.8 in 1993. The Economic Strategy for Wealth and Employment Creation covering years between 2003 and 2007 (RoK, 2007), shows that nearly 25% of all households engage in some form of small business activity with the majority depending on their business for all households chores. In 2012, the SME sector created (80%) of all jobs in Kenya and contributed an estimate of 20% to the country's GDP (RoK, 2012).

According to Economic Survey (RoK, 2008), a total of 543,300 new jobs were created in Kenya in the year 2009 of which 426,900 were in Micro, Small and Medium enterprises (MSMEs). In the same year, Ksh 806,170 million of GDP which was 59% of total GDP was contributed by the sector (RoK, 2009). The Economic Survey of the Republic of Kenya (2012) shows that the SME sector contributed 79.8% new jobs created in the year 2011 and job creation went up by 5.1% in the sector in question. The Kenya's development plans of 1989-1999, 1994-1996, and 1997-2001 laid emphasis on the vital role the SME sector played in the creation of jobs in the country (RoK, 2012).

Entrepreneurial competencies contribute a major role in the success of SMEs businesses. According to Brophy&Kiely (2002), competency approaches have been considered more than other approaches to identify behaviors related to the superior firm's performances. Ahmad (2007) asserts that entrepreneurial competency approach can be used to describe the phenomenon why some entrepreneurs fail while others succeed in similar situations. A study by Mugion (2013), has identified important entrepreneurial competencies notably efficiency and quality; goal setting; calculated risk-taking; persuasion and networking; systematic planning and monitoring; information seeking; and self-confidence and freedom. Some researchers have cited lack of SME owner's competence, lack of experience in managing businesses, and poor decision-making as causes of business failures especially during crisis (Griffin, 2012; Ropega, 2011). The role of entrepreneurial competency is a critical in achieving excellence in performance to ensure a sustainable growth and success of a venture amidst a competitive business environment. The term competency has been defined by various researchers in a number of ways. Hoffman (1999), attempted to define competencies in three different ways i.e. the standard of one's performance, results or output; observable output or performance; and knowledge, skills and abilities that represent the underlying attributes of a person. Several studies have relied on the third definition of competency that refers to knowledge, skills and abilities to understand the managerial competencies (Ahmad, 2007). Similarly, Baum et al. (2001) supports that entrepreneurial competencies are the individual characteristics such as abilities, skills and knowledge needed to perform a specific job. According to Brownell (2008) entrepreneurial competencies are specific skills, positive attitudes and attributes/abilities. Brophy&Kiely (2002) defined competencies as behaviors, attitude and knowledge and skills needed to effectively perform a role. UNIDO (2002) also defined a competency as a set of skills related knowledge and attributes that allow an individual to successfully perform a task or an activity within a specific function or job.

Researchers have attempted to differentiate innate from acquired aspects of competencies of an individual. According to Bartlett&Ghoshal (1997), innate competencies involve traits, attitudes, self-image, and social roles and are sometimes referred to as “internalized elements”. Muzychenko and Saee (2004), observes that acquired aspects of competencies involve components of competencies acquired at work or through theoretical or practical learning (i.e. skills, knowledge, and experience) and they are often referred to as “externalized elements”. According to them, internalized aspects of competencies are difficult to change whilst the externalized elements can be acquired through proper training and education programs and need to be practiced (Garavan& McGuire, 2001; Mau & Lau, 2005). The focus of this study was to examine empirically acquired entrepreneurial competencies, how they were practiced and how they impacted on growth and sustainability of SMEs.

Statement of the Problem

According to Nieuwenhuizen and Hough (2003), policy-makers worldwide are in agreement that SMEs are becoming increasingly important in terms of wealth creation employment, and the development of innovation. Van Vuuren, Pretorius, and Nieman (2005b) assert that there is no better way to provide basis for rapid economic growth than to increase the number of active entrepreneurs in a society. Henning (2003) observes that the important role played by the SME sector in economic growth has been acknowledged widely. Researchers contend that SMEs are major components of many economics (Besser, Sapp, Miller and Gaskill 2003). Consequently, Medeira, Slater, Robertson and Collins, (2003) affirms that most governments, bilateral and multilateral agencies as well as non-governmental organizations worldwide have formulated policies to assist entrepreneurship development.

Researchers observes that despite the dynamics that led to the rapid growth of the SME sector coupled by numerous efforts by governments to assist the development of SME sector; the sector has proved to be volatile and experiences a high degree of business failure and decline. This is supported by Ahwireng (2003) who observes that most SMEs are unable to create long term sustainable employment and may be responsible for the high number of job and wealth losses. Though the sector faces many challenges and difficulties, Miller et al., (2003) affirms that the sector has great potential for increased employment creation. Thornhill and Amit (2003) while admitting that many SMEs fail, they also affirms that others survive beyond infancy and adolescence and become major success stories, thereby creating wealth for their founders and jobs for the communities around them.

According to Boron (2004a) and GEM, (2005a), very large number of variables is involved to determine success or failure of firms. A study by the Business Times (1997) established that more than six out of ten new businesses fail within the first 18-24 months and identified factors such as lack of planning, improper financing and poor management as the main causes of small business failure. Herrington and Wood (2003) in their study of new firms in South Africa noted that lack of education and training had reduced their management capacity and was thus cited them as the main reasons for the low level of entrepreneurial creation and the high failure rate of new ventures.

Benjamin and Rebecca (2009) presented in their research paper on entrepreneurial competencies amongst SMEs that there was high rate of entrepreneurial failure among their respondents despite the provision supports from governments. They identified entrepreneurial competencies as the missing link to successful entrepreneurship. They contend that the entrepreneurial competencies were critical success factors to entrepreneurship and they deserve serious consideration in entrepreneurial endeavour. A further recent study by Siwan& Jennifer (2010) on entrepreneurial competence demonstrates that the core concept of entrepreneurial competencies, its measurement and its relationship to entrepreneurial performance and sustainability is in need of further research and development in practice.

Based on the above insights, it was clear that researchers had attempted to identify various factors as well as entrepreneurial competencies that affected SMEs sustainability and growth. However, it had not been evidently proven why some SMEs fail whilst others were sustained. Having found an existing gap in the area of application of entrepreneurial competencies in practice since no relevant research studies had been conducted on the area, the researcher was able to come with a research topic entitled “Effect of business planning competence practices on sustainability of SMEs in Kenya".

General objective of the Study

The overall objective of the study was to determine the effect of entrepreneurial competence practices on sustainability of SMEs in Kenya.

Literature Review

A Literature review is an account of what has been published on a topic by accredited scholars and researchers. It is the reading of scholastic or academic materials to establish information about a particular research problem. This chapter reviews relevant literature that relates to the variables in the study.

Theoretical Review

A Theory according to Robson (2002) is an explanation of what is going on in the situation; phenomenon or what is being investigated, while Bull (1991), defines it as a set of interrelated constructs, definitions and propositions that present a systematic view of phenomena by specifying relations among variables with the purpose of explaining or predicting the phenomena. A Theoretical review is the basis or foundation on which the entire research rests or forms the foundation of the study problem. This section describes the theories that explain why the research problem under study existed.

Competence Based Management Theory

According to this theory, organization is viewed as bundles of skills, assets, knowledge and capabilities. From the perspective of this theory, competence is the ability of an organization to sustain coordinated deployment of resources in such a way that the organization is helped to achieve its goals. The theory lays emphases on the relevance of competencies ability to obtain sustainable competitive advantages of a firm. The proponents of this theory have posited that several intensity focused approaches could lead to superior performance of firms (Rumelt, 1999; McGahan and Porter, 1997). The competency based approach has been applied in several studies which have identified competencies of managers (Adam and Chell, 1993; Durken, Harrison and Lindsay, 1993; Lau, et al., 1998; Tweed and McGregor, 2000). According to Sanchez and Heene (2004), the theory of competence management is an integrative strategy that incorporates economic, organizational and behavioural concerns in a framework that is dynamic, systematic, cognitive and holistic.

The competency based approach is an extension of the resource based view which was developed by Penrose (1959). According to resource based view theory, a firm should be considered as a collection of physical and human resources bound together in an organizational structure. Hafeez et al. (2007), classified resources as physical assets and intellectual assets. According to him Physical assets such as plant and equipment are easily distinguishable due to their tangible existence whereas intellectual asset is relevant to the intangible aspect of human resource such as employee skill, knowledge and individual competencies. Resource Based View Theory addresses two key points. According to McMahon and Holms (2009), Resource Based View theory indicates that a resource should provide economic value and must be currently scarce, difficult to imitate or copy, non-substitutable and not readily accessible in factor markets to create competitive advantage. RBVT also according to GottsChalk and Solli-Saether (2005), resources determine firm's performance. UNIDO, (2003) reports that majority of SMEs in emerging economy cannot compete in an effective way due to their internal human resources gap. The study utilized the Competence-Based Management Theory as well as Resource Based View Theory by emphasizing the critical role played by intellectual human capital in reference to entrepreneurial competencies applied by SME entrepreneurs.

Goal Setting Theory

According to Locke (1968), a goal is the level of performance the individual is trying to accomplish; it is the object of behaviours. Goals direct attention and action. Intentions are viewed as the immediate precursors of human actions. Therefore goal-setting may explain how and why behaviour is facilitated or restrained in the pre-training, training, and post-training processes. The entrepreneur attending to training may exert considerable effort in order to make the most of the programme and set high goals upon return to his business. The goal-setting theory holds that once a hard task is accepted, the only logical thing to do is to try until the goal is achieved or abandoned (Locke, ibid).

Seijts, Tasa and Latham (2004) studied the effects of goal-setting on effects of goal orientation as a trait. People with a learning goal orientation tend to choose tasks in which they can acquire knowledge and skill. Seijts et al. (2014) found that a specific high learning goal is effective in increasing a person's performance regardless of their trait orientation. Goal-directed motivations are acknowledged as important elements in the formation of entrepreneurial intentions (Krueger, 1993; Krueger and Brazeal, 1994). Goals are said to lead to intentions, followed by behaviours. The theory maintains that the more specific and challenging the goal, the better the task performance. Further the theory of planned behaviours posits that attitudes are predictive of intentions and that intentions form the basis of planned behaviours (Agzen, 1991). Planning should lead to improved performance as plans provide more specificity as well as clearer intentions.

A well-developed goal-setting theory of motivation was provided by renowned scholars, Locke and Latham (1990). The theory emphasizes the important relationship between goals and performance. Research supports predictions that the most effective performance seems to result when goals are specific and challenging, when they are used to evaluate performance and linked to feedback on results and create commitment and acceptance. Under the right conditions, goal setting can be a powerful technique for motivating organization members. Considerable research has indicated that a learning goal orientation has a positive impact on work-related behaviours and performance (Button, Matheu and Zajac, 1995; VandeWalle, 2001; VandeWalle, Brown, Cron and Slocum, 1999; VandeWalle, Cron and Slocum, 2001; Van Yperson and Janssen, 2002). According to Luthans (2011), the learning goal orientation is relevant in today's work environment which requires employees to be proactive, problem solver, be creative, and open to new ideas and adapt to new and changing situation. Goal setting provides a framework explaining how individual personal goals inspire choice (Hertzberg, Mausner and Snyderman, 1959; Locke and Latham, 1990) arguing that human actions lie in goal-related motivations and subsequent intentions (Locke and Latham, 1990). Intentions lead to behaviours and planning is a strong signal of these intentions. For this reason, the subject of planning is important for those interested in promoting and advancing entrepreneurial activity. Therefore no doubt the researcher had a basis to study business planning competence practices for venture performance and sustainability.

Business Planning Competence Practices

The importance of business planning competence practices cannot be over-emphasized as business plans are prevalent feature of business management and are acknowledged by government agencies, education institutions and consultants. The government of Kenya has been supporting entrepreneurs by training and developing business plans for their use. Business plan competition" ChoraBizna" was started in Kenya by the Ministry of Gender, Sports and Youth Affairs in 2008. Business plan competition "Jitihada" in Kenya was again funded by the ministry of Industrialization in 2009 under the Micro, Small and Medium Enterprises (MSMEs) competitiveness project. The objective was to promote and support entrepreneurship and the development and growth of sustainable and globally competitive MSMEs, thus creating wealth and increasing employment, incomes and economic opportunity for the people of Kenya. The competitions were open to both potential and existing entrepreneurs. The Keya Institute of Management led a consortium of three partner organizations. According to KIM (2011), the competition attracted more than 2000 business plans from all over the country and over 70% of the business ideas were transformed into business opportunities six months after receiving training on business planning.

Recent researches have attempted to provide some conclusions advocating business planning practices for entrepreneurial ventures. Gruber (2007); Shane and Delmar (2003), advocates cite the importance of business planning as maximizing resources, sequential development processes, and facilitating rapid decision-making. Delmar and Shane (2003), contend that business planning helped entrepreneurs facilitate goal attainment, make rapid and more effective decisions and more quickly turn goals into operational activities. Burke, Fraser and Greene (2009), found that new ventures that planned grew faster. Delmar and Shane (2009) also found that business plans reduced the probability of business failure and helped overcome the liabilities of underdeveloped social ties. In addition, there is substantial evidence that planning leads to persistence (Liao and Gartner, 2006; Delmar and Shane, 2003; Honing and Karrison, 2004; Pery, 2001; Brinckmann et.al. 2010). Studies by Perry (2001), Delmar and Shane (2003) found a positive relationship between business plans and survival whilst Gruber (2007) finds that plans help achieve marketing goals.

Proponents of business plans such as CastrogioVanni (1996), argue that entrepreneurial context make business plans valuable undertaking. Delmar and Shane (2003), are in support for this as they belief that business plans are likely to promote more efficient managerial decision making such as managing supply and demand and thus reduces bottlenecks. On the same vein, Gruber (2007) indicates that the need to formulate a business plan is often seen as a discipline which encourages entrepreneurs to more rigorously think through their business strategy and subject it to market research i.e. a reality test. Guffey (2008) points critical role played by a business plan for securing financial support especially when you need financial backing such as bank loan or venture capital supplied by investors.

Prominent researchers contend that SMEs that engage in business planning are more likely to reach higher sales growth, higher returns on assets, higher margins on profits and higher employee growth than those that do not (Berman et al., 1997; Carland and Carland, 2003; Gibson and Casser, 2005). Consequently SMEs that engage in planning experience increased firm's performance and are less likely to fail (Gaskill, Van, Auken and Manning, 1993; Perry, 2001). Rue and Ibrahim (1998) found that greater planning sophistication is positively related to sales growth. The significant role played by business planning practices is also noted through comprehensive reviews of small business literature that suggest that planning and competitive advantage is generally more common in better performing enterprises (Hormozi, Sutton, McMinn and Lucio, 2002; Lurie, 1987; Miller and Cardinal, 1994; Schwenk and Shrader, 1993). Several scholars also underscore the vital role played by business planning. (Berman, Gordon and Sussman, 1997; Bracker, Kents and Pearson, 1998; Carland and Carland, 2003; Gibson and Cassar, 2005), argue that small businesses that strategically plan are highly placed to be innovative, achieve higher sale growth and higher returns on assets, higher profit margins and higher employee growth and above all gain competitive advantage.

A study by Honig and Karlsson (2004) found that survival seems to be unrelated to business planning and also that there was no relationship between profitability and writing a business plan during the first two years after a business was founded. Business planning competence practices are rooted in goal-setting theory (Locke and Latham, 1990). Goal-directed motivations are acknowledged and are critical elements in the formation of entrepreneurial intentions (Krueger, 1993; Krueger and Brazeal, 1994). Goals are said to lead to intentions followed by behaviours. The theory maintains that the more specific and challenging the goal, the better task performance. Thus, business planning should lead to improved performance as plans provide more specific and clearer intentions.

Empirical Review

This section reviews literature on the findings of the past studies similar to the study undertaken. Research on SMEs survival has been carried out all over the world with several studies differing significantly. Several factors have been identified to be key determinants of SMEs survival or failure, although with inadequate empirical results. Studies on entrepreneurial competencies have been conducted by Chandler&Jansen (1992), Chandler&Hanks (1994) and Man&Lau (2002) in order to identify which competencies are vital in starting and maintaining a business. Their studies revealed core primary roles of business founder as scanning environment, choosing potential opportunities and taking advantage of those opportunities by formulating the required strategies. The studies also found credible evidence of direct relationship between founders' entrepreneurial and managerial competencies.

Another study by Bird (2002) demonstrated that competency approach seems to be an effective tool in predicting firm performance than entrepreneurial experience alone. Studies by Huck and McEwen (1991) on entrepreneurial competencies for Jamaican entrepreneurs identified three most important competency areas as management, planning and budgeting, and marketing/selling. Study by Sony and Iman (2005) also found a positive relationship between entrepreneurial learning and entrepreneurial competency as they argue that learning process is a process of ability and capability development.

Researchers (Lau, Zhao and Xiao, 2004; Prajogo and Sohal, 2001) identified a positive relationship between best business practices and business performance. Further, a joint study by

Pusupakumasi and Wijewickrama (2008), relating to both large firms and SMEs also noted the relationship between business practices, management activities and firm performance. They further established that most SMEs are driven by the need to imitate large firm activities in order to establish desirable management activities that they believe will enable them become more efficient and effective if implemented through appropriate knowledge. Mandal, Venta and El-Haub (2008) also observed that best business practices produced best performance.

Strategic thinking and long term planning were identified by Analousi and Karami (2003) as major reasons for SMEs failure. Further, Fawsett and Myers (2001) are of the opinion that organizational performance is directly influenced by organizational strategy and the structure of the organisation. Business planning practices have been observed to have a positive impact on firms' performance (Eriksen, 2008; Hussam&Raef, 2007). Wickham (1998) further states that business planning is very beneficial for SMEs performance as it forces the entrepreneur/manager to continuously think about open business questions and seek out solutions which are aim to achieve SMEs vision and objectives which result in a higher performance. However, Robinson and Pearse (1984) had a different opinion and argued that strategic planning is not a popular practice among SMEs, because they do not have the time or staff to invest in strategic planning. They further argued that research on the impact of strategic planning for SMEs has been inconclusive as many SMEs do not plan.

Studies such as those by Delmar and Shane (2003); Perry (2001) and Liao and Gartner (2006) all found a positive relationship between business plans and survival whilst Gruber (2007) finds that business plans help achieve market objectives. On contrary, Honig& Karlsson (2004); Tornikoshi&Newbert (2007) all struggle to find any relationship between business plans and performance. Other studies by Gartner and Liao (2005) and Shane and Delmar (2005) found strong evidence that ventures would be terminated during the gestation period between conception and birth. According to study by Honig and Karlsson (2004), survival of business seems to be unrelated to business planning and there was no relationship between profitability and writing a business plan during the first two years after a business was founded. To conclude, much empirical research ends up inconclusive as to the effect of business planning competence practices on business performance and sustainability.

A study in Turkish by Dincer, Tatoglue and Glaister (2006) observed that SMEs were increasingly turning their attention towards business planning practices. This was probably because of the many benefits associated with business planning for SMEs. Furthermore Wang, Walker and Redmond (2010) have indicated that business planning practices are more common in better performing SMEs. It was suggested that entrepreneur's demographic characteristics, attitudinal, behaviour, managerial and technical competencies are often cited as the most influential factors related to the performance of small and medium sized enterprises (Man, Lau and Chan, 2002; Noor et.al., 2010). Further, the policies, the programmes and strategies of a business basically depend on the personal competencies of its entrepreneur which in turn influence the profitability of the enterprise (Morris, Schindehutte and Allan, 2005).

There is a substantial empirical research which have demonstrated that business planning have nothing to do with success and sustainability of SMEs and end up inconclusive as to the effect of business planning in organizations (Castrogiovanni, 1996; Brinkmann et al., 2010). Neither Brush et al., (2008) nor Tornikoski and Newbert (2007) found a positive effect on performance. Neither Edelman et al., (2008) nor Parker and Belghitar (2006) nor Tornikoski and Newbert (2007) found a positive effect between business planning and becoming operational. In the Netherlands, Van Geldesen et al., (2005) found no effect nor did Honig and Karlsson (2004) with Swedish data.

Benjemin and Rebecca (2009) have presented in their research paper that there was a high rate of entrepreneurial failure among their respondents despite the provision of various supports from the governments. The missing links to successful entrepreneurship were identified to be entrepreneurial competencies, defined as the cluster of related knowledge, attitudes, and skills which an entrepreneur must acquire or possess to enable him produce outstanding performance and maximize profits in the business. These entrepreneurial competencies were the critical success factors to entrepreneurship and they deserve serious consideration in entrepreneurial discourse and not to be neglected. Aderemi (2007), made an attempt to find out the impact of owners/managers of small businesses participating in entrepreneurship programs on operational efficiency and growth of businesses. It was found that owner/managers of small businesses who had undergone training in entrepreneurship programs had exhibited superior managerial practices and venture growth compared to owner-managers who had not undergone such training programs.

Mitchelmore and Rowley (2010) had undertaken a literature review of research on entrepreneurial competence in order to provide an integrated account of contributions relating to entrepreneurial competencies by different authors working in different countries and different industrial sectors and at different points in time; and develop an agenda for future research and practice in relation to entrepreneurial competencies. After a lengthy examination, various literature on the field of entrepreneurial competencies, they suggested that although the concept of entrepreneurial competencies has been used widely by government agencies and others in their drive for economic development and business successes, the core concept of entrepreneurial competencies, its measurement and its relationship to entrepreneurial performance and business success is in need of further rigorous research and development in practice.

Cornwall (2005) and Zimmerer&Scarborough (1998) viewed failure to plan as a reason for small business failure. Zimmerer&Scarborough (1998) underscored the important role played by the production of business plans and marketing plans. Cornwall (2005) also stated that lack of an adequate viable business plan can lead to issues. These issues can be encountered at any stage of business development life-cycle. Equally Small Business Research Centre (2008) also identified internal causes of small business failure as poor marketing, weak financial control, lack of strategic planning, inadequate liquidity and lack of market awareness

Haynes and Richardson (2007) posit that planning is essential for business success and cited research which identified a link between planning and small business failure, stating that those businesses which had prepared business plans were less likely to fail. Hanushek and Woessmann (2008) observed that entrepreneurs are often good at starting businesses but poor at running them though many entrepreneurs believe that they have an obligation to run their businesses and become great managers as well. Hanushek and Woessmann (2008) concluded that while many entrepreneurs are successful at starting up a business, they are not skilled at running or managing a business to sustainable levels.

Critique of Existing Literature

Past studies provided substantive but differing information on determinants of survival or success and failure or decline of SMEs. Willemse and Fatoki (2010) identified reasons for the high failure rate of SMEs as shortage of management skills and lack of access to finance. Hanushek and Woessmann also cited lack of skills as hindrance to firms' sustainable levels. VanTowe (2010) isolated lack of proper business management practices, lack of skilled labour, brain drain, unavailability of financial skills, lack of performance analysis of business operations and incompetent senior managers as factors hindering success rates of SMEs. Julien (1998) cited lack of management skills and formal financial planning systems as the main reasons for the failure of small businesses. Poor financial control was noted by Hisrich et al., (1997) as one of the main issues encountered by entrepreneurs.

Analousi and Karami (2003) identified strategic thinking and long term planning as major causes for SMEs failure. Organizational strategy and the structure of organization were opinioned by Fawsett and Myers (2001) as having direct influence on organizational performance. European Federation of Accountants, EFA (2004) established external and internal causes of business failure. External causes include external price environment and inflation rates, interest rates, wage costs, declining markets, tax rates, bad debts and late payments and market competition. Internal causes on the other hand include poor management i.e. poor cash flow management, and lack of adequate and appropriate market research. Small business Research Centre (2008) identified the most common causes of internal business failure as bad management, poor marketing, weak financial control, lack of strategic planning, inadequate liquidity and lack of market awareness. However it seems that studies differ on the causes of business failures or success as no consensus has been reached.

An entrepreneurial competency has been defined differently in different studies. Despite the relative differences in the definitions, Onstenk (2003) observe that the term competence is a broad concept that is associated with knowledge, skills, attitudes and motivations as dimensions that competent entrepreneurs must be able to use in order to deal with the tasks and problems related to their entrepreneurial actions. Onstenk (2003) sustains that a competent entrepreneur must be able to use knowledge, attitudes and skills in such a way as to be able to deal effectively with tasks, problems, dilemmas and contradictions. This observation has also been supported by Man et al., (2002) and Bird (1995). In another study by Bird (2002), entrepreneurial competencies are mentioned as being major components regarding initiating and succeeding in new businesses. Noor et.al. (2010) and Man, Lau & Chan (2002) cited entrepreneur's demographic characteristics, attitudinal, behaviour, managerial and technical competencies as the most influential factors related to the performance of SMEs. Tapan (2002) established a positive association between success levels of an enterprise and factors such as technical education of an entrepreneur, occupational background of parents, previous background of the entrepreneur and the capability to arrange working capital. The issue of competence was also cited as having an influence on profitability by Morris, Schindehutte and Allan (2005). Benjamin and Rebecca (2009) identified Competencies as critical factors to entrepreneurship. Aderemi (2007) supported entrepreneurial programs training as they help entrepreneurs exhibit superior managerial practices and venture growth. The issue of entrepreneurial competencies has been confusing to scholars as no single definition has been offered and still specific entrepreneurial competencies necessary for venture success and sustainability need to be unearthed.

Business planning practices were identified by Eriksen (2008), Hussam and Raef (2007) as having a positive impact on firms performance. Wickham (1998) supports the use of business planning to boost firm's performance. Business planning practices on venture performance were also supported by Dincer, Tataglue and Glaister (2006). Wang, Walker and Redmond (2010) while supporting the use of business plans on SMEs success, asserts that the use of business planning practices were more common in better performing SMEs. Haynes and Richardson (2007) supported the use of business plans and asserted that those businesses which had prepared business plans were less likely to fail. However, Robinson and Pearse (1984) differed on the use of business Plans and argued that strategic planning is not popular among SMEs as many entrepreneurs do not plan. Though business planning practices have been supported by numerous studies, there are also significant number of studies which hold that business plans have no effect on business success and sustainability. This therefore calls for further research to provide more insights as pertains to the issue of business planning.

However, though there was empirical evidence to proof that despite the numerous findings on the various causes of business failure or success and past efforts to finding solutions to the problems faced, SMEs still encountered high failure rates. This study emphasized on in-depth analysis of the previous findings and sought to find out how specific entrepreneurial competencies acquired through entrepreneurial training and development were practiced by SMEs in Kenya to ensure their sustainability.

Research Methodology

Research Design

According to Kothari (2004), research design is the arrangement of conditions for collecting and analyzing data in a manner that aims to combine relevance to the research purpose with economy in procedure. The study adopted a descriptive survey design to find out the relevance of entrepreneurial competence practices on sustainability of SMES in Kenya.

Target Population

The target population of interest was all the SMEs in Embu town and its environs who were located within a distance of 2 Kilometers. According to Embu county trade offices as at 2014 there were 1015 registered SMEs within Embu town and its environs.

Sampling Frame

The sampling frame was a list of all the registered SMEs in Embu town and it's environ which comprised of sub-sectors notably manufacturing, service and trade totaling to 1015.

Sample and Sampling Technique

William (2006) defines sampling as the process of selecting units such as people and organizations from a population of interest so that by studying the sample, results from population which they were chosen may fairly be generalized. The researcher applied stratified random sampling technique since the population was heterogeneous. A sample size of 10% of the target population was used which gave a good representation of 102 SMEs (out of a total of 1015 SMEs).

Data Collection Procedure

The data collection exercise took four weeks as the researcher administered all the instruments for data collection by himself. Drop and pick later method with a certified self-addressed return envelope was used to help increase response rate.

Data Analysis and Presentation

After collecting the data, the researcher checked questionnaires for accuracy and edited them for completeness and consistencies. Qualitative data was analyzed by content analysis by simple word frequency count. It was analyzed by descriptive statistics. Statistical packages for social sciences (SPSS) were used to aid in coding, entry and analysis of quantitative data obtained from the closed-ended questions

Results and Discussion

Response Rate

The research study was designed to sample the Owner Managers of 102 SMEs who were involved in manufacturing, trade and service. However, out of the 102 questionnaires distributed, 77questionnaires were properly filled making a response rate of 75%, which was an adequate response rate for statistical reporting.

Training Providers

The results showed that a significant number of respondents (34%) had received business planning competence training from Learning institutions, 22% of the respondents received training from Micro Finance Institutions (MFIs), 17% of the respondents had received training from Commercial Banks, 14% of the respondents had received training from Development Partners whilst the remaining 13% of the respondents had received training from the Government of Kenya (GoK). The result shows that training institutions stands a better chance to inculcate entrepreneurial competencies as opposed to other training providers.

Business Planning Practices Acquired

The study established that 56% of the respondents had acquired business planning Practices whilst 44% had not acquired any business planning practices. The acquisition of business planning practices by the majority of respondents (56%) should translate to improved business management practices which should finally lead to sustainability of enterprises.

Specific Business Planning Practices Acquired

The study established that all respondents (100%) who were trained in business planning practices indicated that they all acquired specific business planning practices. The result concludes that the core components of business planning practices were adequately covered during entrepreneurial training.

Application of Business Planning Practices

The study showed that 74% of the respondents had not applied business planning Practices whilst 26% had applied business planning practices. Despite the critical role played by application of business planning practices as highlighted by numerous researchers, the result indicate that majority of respondents (74%) do not make use of business planning practices.

Application of Specific Business Planning Practices Acquired

The study established that majority of respondents (44%) utilized financial management practices, 26% utilized marketing practices and 21% utilized human resource practices whilst remaining 14% utilized production management practices.

Extent to Which Business Planning Practices Were Applied

The study sought to find out to what extent respondents agreed on the statements as regards to application of business planning practices. The result in the study confirms that most respondents had acquired business planning practices but rarely do not apply them.

Measure of Business Sustainability

The respondents were asked to state how they measured sustainability of their businesses. Majority of the respondents (78%) indicated that they based their sustainability by trends in profits, 71% indicated increase in number of customers, 65% age in business, 26% indicated increase in assets whilst minority of respondents (19%) indicated increase in no. of employees. The result indicate that most entrepreneurs measure their business sustainability by economic viability as supported by researchers such as Borga et al.,

(2009) and Habbard (2009) who supported the use of sales and profit as a measure of firms' sustainability.

Document Analysis

The study employed document analysis guide to supplement data obtained through questionnaires. The respondents were asked to provide the researcher with the various documents. The study established that few respondents (14%) kept business plans. Quite a good number of respondents had documents which supplemented information obtained through questionnaires but having them does not guarantee implementation of what they contained.

Regression Analysis

In the study, a multiple regression analysis was conducted to test the relationship among variables. The study employed statistical package for social scientists (SPSS) to compute the measurements of the multiple regression. Coefficient of determination explains the extent to which changes in the dependent variable can be explained by the change in the independent variables or the percentage of variation in the dependent variable that is explained by all the four independent variables. The equation for the regression analysis model is expressed as:

$$Y=\beta_0+ \beta_1X_1+\beta_2X_2+\beta_3X_3+\beta_4X_4+e$$

Where, Y=SMEs Sustainability (Dependent Variable),

X_1-X_4 Independent Variables

X_1=Business Planning Competence Practices

X_2=Financial Management Competence Practices

X_3=Marketing Competence Practices

X_4=Human Resources Management Competence Practices

β_0=Coefficient of the Model B_1-β_4=βeta Coefficients of Determination

e= Stochastic Error

The multiple regression equation adopted is as follows:

$$Y=1.131+ 0.712X_1+0.885X_2+0.754X_3+0.790X_4+e$$

From the regression equation above, it is established that taking all factors in to account and constant at zero, the sustainability of SMEs will be 1.131. The findings presented also show that taking all independent variables at zero, a unit increase in business planning practices will lead to 0.712 increases in sustainability. The regression analysis results indicate that there is a positive relationship between the four independent variables with the dependent variable.

Summary, Conclusions and Recommendations

Summary of Major Findings

The study sought to establish effect of business planning competence practices on sustainability of SMEs in Embu town and its environs. A substantial response rate was achieved which enabled desirable statistical reporting Document analysis guides were employed and ascertained the facts and complemented primary data. The instruments obtained data that addressed the objective of the study. The study found out that majority of the respondents had prior business planning competencies which include financial, marketing and human resource competences. The study also established that Business planning practices affected sustainability to a little extent and this was not surprising due to the fact that despite having acquired business planning training, they indicated that rarely do they utilize those competencies. Also the findings were supported as the entrepreneur availed very few business plan documents. This contradicts studies that support the use of business plans as tools for business success and sustainability. For instance, Delmar&Shane (2002, 2003, and 2004) and Gartner&Liao (2005) found strong evidence that business planning lessened the probability that ventures would be terminated. However, this finding is supported by Robinson and Pearse (1984) who differed on the use of business plans and argue that business planning is not popular among SMEs as many entrepreneurs do not plan.

Conclusions

The objective of the study was to establish the effect of business planning competence practices on sustainability of SMEs in Embu town and its environs. It is evident from the study findings that government, institutions as well as development partners have made efforts aimed at empowering entrepreneurs towards growth and sustainability of SMEs. This is due to the fact that majority of the respondents indicated that they acquired through training the core competencies covered during such trainings especially those related to business planning practices. Despite the value which has been placed by proponents of business planning practices on SMEs success and sustainability, it seems that entrepreneurs are yet to realize their optimum benefits as most of them indicated that they rarely made use of learnt skills. The study also clearly shows that substantial number of respondents was able to apply core business planning entrepreneurial competencies such as marketing and financial competencies. Since the study concentrated on businesses aged above 3 years, it can be deduced that such businesses had almost achieved levels of sustainability and therefore business planning competencies acquired must have contributed positively to realize such achievements.

Recommendations

To make business planning competence training more meaningful to the beneficiaries, the following recommendations were made drawn from the study findings.

- Considering the fact that business planning competence practices were not optimally utilized, there is therefore an urgency to design an effective business monitoring programmes for policy especially to assess trainees after the training to ensure that the learnt skills enhance sustainability of the SMEs.
- Despite the fact that business planning documents have significant impact to the sustainability of SMEs, the percentage of entrepreneurs who prepare them is wanting. The entrepreneurs should therefore be encouraged to develop and use relevant business planning documents for their enterprises so as to understand their significance and reap full benefits associated with them.
- Although a considerable number of entrepreneurs have been trained on business planning related competencies, it is not very clear whether the training is relevant and therefore calls for a need analysis research to determine the exact competencies requirements useful in the informal sector.
- SMEs owners should be encouraged to create a positive attitude towards business planning entrepreneurship training through creative policies so as to apply appropriately learnt skills.
- Considering that a significant number of respondents had not been trained in business planning practices, the government should broaden its efforts to ensure that a high level of entrepreneurial competency literacy is universal to all entrepreneurs.

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