



**DETERMINANTS OF GROWTH OF SMALL AND MEDIUM ENTERPRISES IN TOURS AND TRAVEL INDUSTRY IN  
NAIROBI, KENYA**

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**ABSTRACT**

*The main objective of this study was to examine the determinants of growth of small and medium enterprises in tours and travel industry in Kenya. The specific objectives of the study were to establish how managerial skills influence growth of small and medium enterprises in tours and travel industry in Nairobi, Kenya and to examine how entrepreneurial skills influence growth of small and medium enterprises in tours and travel industry in Nairobi, Kenya. Census survey method was used to ensure representation from 195 tours and travel firms registered by the Kenya Association of Tour Operators (KATO) classification. In this study, growth of SMEs in tours and travel industry was dependent on managerial skills and entrepreneurial skills. The primary data was collected through the use of questionnaires. The secondary data was obtained from published documents such as journals, periodicals, magazines and reports to supplement the primary data. Data was analyzed with help of SPSS version 22. The study established that these variables were very significant therefore needed to be considered in any effort to boost growth of SMEs in tours and travel industry in the study area. The study therefore identified the variables as critical determinants of growth of SMEs in tours and travel industry. The finding revealed that increase in independent variables (managerial skills and entrepreneurial skills) led to increase in growth of SMEs. Managerial skills contributed more to growth of SMEs. Additional studies should be carried out to establish how Kenyan SMEs are fearing own and the challenges they are facing which include infrastructure, environment related problems, diversity of taxes and levies, unfair competition and dumping, marketing related issues, non availability of raw materials and business opportunities and diversification. More should also be done on medium scale enterprise.*

**Key Words:** Managerial Skills, Entrepreneurship Skills, SMEs

## INTRODUCTION

The benefits that small and medium enterprises (SMEs) provide for economic growth have long been recognized and are well documented. Consequently, the performance of the SME sector is closely associated with the economic performance of the nation. SMEs are increasingly seen as playing an important role in the economies of many countries. SMEs are considered the engines of economic growth in developing countries. Along the same lines as this assertion, Muritala, Awolaja and Bako (2012) concluded there is the greater likelihood that SMEs will utilize labourintensive technologies, thereby reducing unemployment, particularly in developing countries. In developed countries, SMEs have traditionally championed job creation, stimulating innovations and creating new products and services. This realisation of the enormous contribution of SMEs to economic growth has propelled governments throughout the world to put priority on the development of the SME sector to promote economic growth of their respect countries.

Small and Medium Enterprises (SMEs) play a big role in the creation of jobs and a country's employment rate. The most evident public benefit of small business growth is the contribution made by SMEs to employment. A large number of studies carried out in various countries have concluded that small business plays major role in job creation (Dobbs and Hamilton, 2007). SMEs play considerable responsibility in providing further employment and conversion of economy. It is also implicit that sectors conquered by SMEs are better able to develop dynamic economies of scale. The roles of SMEs in the creation of productive employment are concerned with its position in the center of the range of sizes and resources intensities in a rising economy. Developing economies have started to focus on

the crucial role that SMEs can play in their development (Maad, 2008).

A majority of firms in developing countries consist of small and medium-sized firms (SMEs). Understanding what affects small firms' decisions to expand is important because small firms are important for economic growth, employment generation and poverty alleviation (Berkowitz and DeJong, 2002; McMillan and Woodruff, 2002). In fact, Beck, Naresh and Yen (2006) show that countries with larger share of SMEs in the manufacturing sector grow faster. The only way to reduce poverty in a sustainable way is to promote economic growth, through wealth and employment creation. In developing countries, SMEs are the major source of income, a breeding ground for entrepreneurs and a provider of employment (UNIDO Report, 2003). The factors affecting SMEs in Africa in decreasing order of intensity include: management, access to finance, infrastructure, government policy inconsistencies and bureaucracy, environmental factors, multiple taxes and levies, access to modern technology, unfair competition, marketing problems and non-availability of raw materials locally (Onugu, 2005).

In Africa, Okpara (2011) argued that SMEs play a momentous role in the macro economy. There has been an obvious rise in the widespread emergence of SMEs in Sub-Saharan Africa. The Global Entrepreneurship Monitor (GEM) in 2010 on Angola, Ghana, South Africa, Uganda and Zambia indicates that the number of small established businesses is high. Also, the GEM (2010) revealed that Ghana recorded the highest (40%) established owned businesses in Africa, followed by Uganda (27%), which are both significantly higher than China and Brazil (under 15%). Similarly, the Ghana banking survey (2013) reveals that the bulk of SMEs in Ghana are within the services sector, particularly hotels, restaurants, transport and storage, business and real estate. The services sector contributed 49.3% to GDP in 2012, having grown at an annual rate of

8.8% over its 2011 contribution. Conversely, South Africa and Angola registered below 10%. These results show that the increase in established business ownership in Africa is unevenly spread and this outcome confirms Sacerdoti's (2002) assertion that SMEs in Africa have generally shown asymmetrical development.

According to Mwarari and Ngugi (2013), SMEs in Kenya are responsible for about 80% of employment and contribute about 40% to GDP. They argued that these statistics demonstrate that SMEs are an integral part of the economy, critical in spurring socioeconomic development in Kenya. As Kenya encourages foreign direct investment (FDI), the tourism sector, particularly the SMEs tour operators have received direct investors in the business. Local operators own about 47% of the business and 82% among them are either at the lowest category 'E' which earn less than USD 140,000 per year or at the 'Associate' category which is for new members who are yet to complete one full year in membership, only 3% of the local tour operators are in category 'A' exceeding USD 1.7 million annually as turnover (KATO, 2011)

UNCTAD (2008) reported that foreign operators got an aggregate profit of 78 % in the year 2007 as compared to 22% earned by the local operators. World Bank's report on Tourism development in Kenya concluded that most of Kenya's tourism bookings is handled and organised by foreign tour operators and non-indigenous entrepreneurs tour operators with branches abroad (WB, 2009). Failure of SMEs tour operators in Kenya will mean loss of employment to locals, less foreign exchange for the country (as the foreigners retain the profits abroad and only brings into the country what will be used by the tourists) (Sinclair, 1990). In addition, supply chain members suffer as a result of foreign instead of local purchases for the industry. This ultimately leads to low social equity. It might also lead to degradation and depletion of resources as the

foreigners may not have same interest on the same as the local Kenyans. Sustainability of the industry could also be threatened as well as attainment of Kenya's Vision 2030. The purpose of this study will be therefore to establish the determinants of growth of small and medium enterprises in tours and travel industry in Kenya.

### **Statement of the Problem**

The tours and travel industry growth has slowed down in the last three years. The sector recorded total earning of Ksh.97.7 billion and Ksh.73.7 billion in 2014 and 2015 respectively. In 2015, the receipts accruing to the tours and travel industry decreased by 1.9 percent to stand at Ksh. 66 billion (KNBS, 2015). This can be attributed to exogenous variables such as slow-down in the global economy in the Euro Zone and negative travel advisories resulting from terrorist attacks among others. In 2013, the sector contributed to approximately 11.9 per cent of total employment with a forecast to support 11.0 per cent of total employment by 2022, a decrease 1.4 per cent per annum over the period (WTTC, 2012) of the growth of the businesses, which has been identified as one of the highest failure rates in the world.

According to World Bank Doing Business Report (2014), SMEs in tours and travel industry in Kenya are predominantly affected by the lack of access to and use of new technologies, market information and access to credit from the banking sector is relentlessly restricted (Yeboah, 2015). Also, Mensah (2014) indicated that the management skills of owner/managers are weak, thus stalling the sustainable growth of SMEs This alarming rate of tours and travel industry or, better still, the stagnation of tours and travel SMEs growth gives the Kenyan economy reason for concern; there is therefore urgent need for research on the determinants that may be responsible for influencing SME growth in tours and travel industry in Kenya. Therefore, it is on this premise this study seeks to examine the

determinants of growth of SMEs in tours and travel industry in Nairobi, Kenya. Could lack of managerial skills, entrepreneurial skills, access to financial resources and information communication and technology affect growth of SMEs in tours and travel industry in Kenya? This study sought to explore more.

### **Objectives of the Study**

The purpose of the study was to establish the determinants of growth of small and medium enterprises in tours and travel industry in Nairobi, Kenya. The specific objectives of the study were to:

- Establish how managerial skills influence growth of small and medium enterprises in tours and travel industry in Nairobi, Kenya.
- Examine how entrepreneurial skills influence growth of small and medium enterprises in tours and travel industry in Nairobi, Kenya.

## **LITERATURE REVIEW**

### **Theoretical Framework**

#### **Contingency Theory**

Wren (2005) observes that the contingency theory is a class of behavioural theory that claims that there is no best way to organize a corporation, to lead a company, or to make decisions. Instead, the optimal course of action is contingent (dependent) upon the internal and external situation. Several contingency approaches were developed concurrently in the late 1960s. The authors of these theories argued that Marx Weber's bureaucracy and Fredrick Taylor's scientific management theories had failed as they neglected environmental influences and that there is not one best way to manage an enterprise (Azjen, 2005). These influences shape the individual behaviour in a certain situation while managing SMEs.

Contingency theory is about the need to achieve fit between what the enterprise is and wants to become (its strategy, culture, goals, technology, staff and external environment) and what it does; how it is structured and the processes, procedures and practices it puts into effect (Purcell, Kinnie, Hutchinson, Rayton & Swart, 2007). Rue & Byars (2004) argue that the contingency theory is an extension of humanistic theories where classical theories assumed universal view in managing enterprises; that is, whatever worked for one enterprise could work for another. The contingency theory states that there is no universal principle to be found in the management of enterprises but one learns about management by experiencing a large number of case problem situations and determines what will work for every situation (Wren, 2005). Mentoring and inducting successors of family enterprises help them acquire the necessary skills in this regard. Managers of enterprises can use the contingency theory to effectively plan for future success and growth of their enterprises. They can align their strategies with the environment to achieve strategic fits for the enterprises (Peters, 2012).

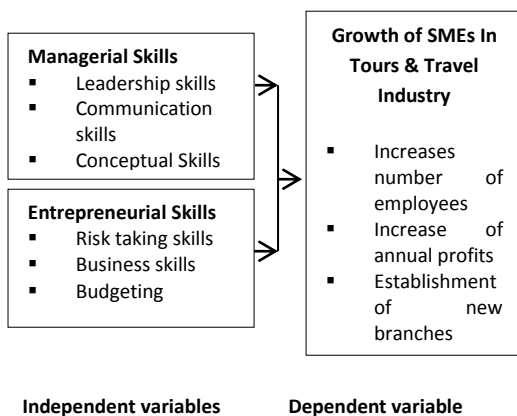
#### **Economic Theory of Entrepreneurship**

Economic Theory of Entrepreneurship Mark Casson's economic theory holds that entrepreneurship is as a result of conducive economic conditions which include tax policy, industrial policy, easy availability of products, easy access to finance on favorable terms, access to information about market conditions, availability of technology and infrastructure (Marshall, 1936). According to Kirzener (1973), entrepreneurship and economic growth will take place in situation where particular economic conditions are most favorable. Entrepreneurship is therefore viewed as the fourth factor of production alongside land, labor, and capital. Economic incentives include taxation policy, industrial policy, sources of finance and raw

material, infrastructure availability, investment and marketing opportunities are viewed as the main motivators for entrepreneurial activities. Further, Entrepreneurship and economic growth take place when the economic conditions are favorable. Mainstream economists view the supply of entrepreneurship as highly elastic.

The concept of entrepreneurial individuals with distinguishing characteristics is central to entrepreneurial theory. Early research found that the need to achieve was the principal determinant of entrepreneurial behavioral orientation. Subsequent research has shown that it is related to independence orientation, risk-taking propensities, perception of control and entrepreneurship education (Cooper 1986; Miller and Friesen 1982). The need to achieve reflects individuals' orientation, willingness, and drive for satisfaction or a sense of accomplishment. This is demonstrated by the exertion of intense, prolonged, and repeated efforts to accomplish something difficult, whether by skill, practice, or perseverance. This is accomplished by a future-oriented dedication to the task, involving prioritization of accomplishing the task and frequently sacrificing other activities and personal time.

**Conceptual Framework**



**Figure 1: Conceptual Framework**

**Managerial Skills**

Boone and Kurtz (1999) define management as the process of achieving enterprises objectives through people and other resources. This means that management has a lot to do with enterprises human and other resources. Smit and Cronje (2002) define management as the attainment of enterprises goals in an effective and efficient manner achieved through planning, organizing, leading and controlling the enterprises resources. Management is a form of work that involves coordinating an organization's resources - land, labour, and capital – toward accomplishing organizational objectives (Rue & Byars, 2004).

Rue and Byars (2004) further discuss five functions of management: Planning is deciding what objectives to pursue during a future period and what to do to achieve those objectives; Organizing is grouping of activities, assigning activities, and providing the authority necessary to carry out the activities; Staffing is determining human resource needs and recruiting, selecting, training, and developing human resources; Leading is directing and channelling human behaviour toward the accomplishment of objectives; Controlling is measuring performance against objectives, determining the cause of deviations, and taking corrective action where necessary. A person would become a wonderful business leader/founder if he/she learns great leadership qualities and core values from God's own masterpiece (Piramal, 1999).

**Entrepreneurial Skills**

Most of the existing definitions of entrepreneurship often related to the functional role of entrepreneurs (Spinnelli, 1999) and include coordination, innovation, uncertainty bearing, capital supply, decision making, ownership and resource allocation (Presby et al., 2010). Indeed, three of the most frequently mentioned functional roles of entrepreneurs are associated with major schools of thought on entrepreneurship and includes; risk seeking,

willing to take the risk associated with uncertainty; innovativeness accelerating the generation, dissemination and application of innovative ideas and opportunity seeking therefore entrepreneur is involved seizing new profit opportunities. Entrepreneurship is increasingly recognized as an important driver of economic growth, productivity, innovation and employment, and it is widely accepted as a key aspect of economic dynamism.

Moore et al. (2008) define an entrepreneur as an individual who discovers market needs and launches new firms to meet these needs. Kuratko and Hodgetts (2008) define entrepreneurs as individuals who recognize opportunities while others see chaos or confusion and are aggressive catalysts for change within the marketplace. Entrepreneurship is more than the mere act of enterprise creation. Enterprise creation is an important facet in entrepreneurship, but the characteristics of seeking opportunity, taking risks beyond security and having the vigour to push an idea through to reality make people with an important mindset (Holt, 2002)

Strategy entails the deployment of resources to achieve optimal organizational aims and objectives. This includes marshalling the firm's internal resources to meet the demands, challenges and the external operating environment in pursuit of its objectives (O'Regan and Ghobadian, 2004). In this study business plans, marketing plans and budgets were taken as part of strategic planning and their influence on growth established. The goals of any firm once they have been defined become the basis for planning and future development. Management planning and monitoring are crucial factors in guaranteeing the correct development course of a business as well as generating profits. Strategy is a key factor for the competitiveness and profitability of a company. Success in strategy implementation depends on the internal factors, such as the way owner/manager makes decisions

in the current environment and the human resource capacity as well as external variables

### **Growth of SMEs**

Enterprise growth is the development process that enterprise keeps the tendencies of balanced and stable growth of total performance level (including output, sales volume, profit and asset gross) or keeps realizing the large enhancement of total performance and the stage spanning of development quality and level (Sun, 2004). The growth of an enterprise on the other hand means the ability of enterprise to grow continually, quickly and healthily. An enterprise is considered to be any organized effort intended to return a profit or economic outcome through the provision of services or products to an outside group (Carland, Hoy, Boulton & Carland, 1983). The operation of an enterprise traditionally requires the investment of capital and time in creating, expanding or improving the operations of a business (Meredith, 2001).

Small to medium enterprises are considered those enterprises which have fewer than 250 employees. In distinguishing between small and medium sized enterprises, the small enterprise is defined as an enterprise which has fewer than 50 employees. These businesses are often referred to as SMEs and are associated with owner proprietors (Meredith 2001; Schaper & Volery 2004) According to Carland et al. (1983), an SME owner is an individual who establishes and manages a business for the principle purpose of furthering personal goals. The business is their primary source of income and will consume a majority of the owner's time and resources. The owners perceive the business as an extension of their identity and are intricately bound with family needs and desires.

## **Empirical Review**

### **Management Skills**

Kedogo and Kidombo (2013) did a study on the Factors Influencing Growth and Development of SMEs in Kenya: A case of Huruma Division, Nairobi County. The objective of this research was to assess the influence of managerial skills as one of the independent variables on growth and development of SMEs in Kenya. In order to realize this purpose, this study adopted descriptive survey employing the use of questionnaires and interviews to collect data from a sample size of 120 entrepreneurs in Huruma who was selected using stratified random sampling. Data was analyzed using descriptive statistics such as percentages, frequencies, figures and tables. Using statistical package for social sciences (SPSS) data was analyzed based on descriptive statistics and Pearson's Product Moment Correlation Coefficient was used to establish relationships between independent and dependent variable. The study revealed that there is a positive relationship between Growth and Development of SMEs and managerial skills. The study found out that managerial skills affected SME growth and development and that majority of the respondents had not attended any form of training on management it therefore recommends that managerial should be introduced to the SMEs owners.

### **Entrepreneurial Skills**

Sadaka and Makori studied on the factors affecting growth of Small scale enterprises in Kenya: A survey of selected enterprises at Ongata Rongai. The main aim of this research was to establish the vibrancy for Kenyan small scale enterprise SSEs so that they can play the expected vital role as an engine of growth and development efforts. One of the the specific objective of the study was to determine the effect of entrepreneurial skills on the growth of small scale enterprises. The researcher employed a descriptive research design in collecting the data

from the respondents. The researcher used stratified sampling technique to select a sample that represented the entire population of 120 enterprises from which a sample of 50 was used. A questionnaire was constructed and piloted in order to detect any ambiguities. The responses to the questionnaire were complimented with personal interviews. The findings indicate that majority of the respondents answered the questionnaire to the researchers expectations with 77%, 15% were not returned, while 8% were received but rejected because they did not meet researcher set standards. The researcher concludes that access to finance is not the greatest problem facing SSEs in Kenya. The key setback is entrepreneurial capacity. In view of the results findings, it is recommended that entrepreneurs should be trained so that they are well equipped to spearhead their enterprises to higher echelons. The government should develop entrepreneurship training centers, the government should, provide subsidies on technological services and the government should also come up with policies that are friendly among others. Finally further studies should be conducted.

## **RESEARCH METHODOLOGY**

This study used descriptive research design. Target population consisted of all members of a real or hypothetical set of people events or objects from which a researcher wished to generalize the results of their research while accessible population consists of all the individuals who realistically could be included in the sample. The accessible population in this study was the 195 local tour operators who were registered by the Kenya Association Tour Operators (KATO, 2016). Data collection instruments involve methods which were used to collect data from the selected sample size Kothari (2004). Data collected was analyzed using both



quantitative and qualitative methods with the help of (SPSS) version 24 and excel.

## **DATA ANALYSIS, PRESENTATION AND DISCUSSIONS**

The study achieved a response rate of 70% with 137 respondents reached, out of the 195 targeted. The study deemed age an important demographic characteristic in the present study with a view to establish any pertinent trends in the variables under study. Majority of respondents, 38.1% were within the 31 - 40 years age category. This was closely followed by those within the 41 - 50 years age category as indicated by 36.7% of the respondents. The 51-60 years age category followed with a 9.7% representation while only 9.2% and 6.3% of respondents fell between 51 - 60 years and above 61 years respectively. As such, it could be deduced that age, across the institutions surveyed was majorly youthful to middle age, distributed, between 31 and 50 years. A rich diversity in experience as per the respondent's years was thus established. In order to show the gender distribution and parity across the institutions included in the survey, the study sought to determine the respondents' gender. Respondents were thus required to indicate by checking either male or female response categories provided. Male respondents 124(63.5%), registered the most as compared to their female counterparts 71(36.5%). From the findings, those male respondents made the dominant gender in the study. Female respondents were however also adequately represented, implying that responses from both genders were represented in the study.

Respondents were asked to indicate their highest levels of education. This would serve to show the academic qualification among respondents in their respective positions, as well as a general overview of education levels among respondents in the study area. From the findings, a majority of respondents, 39.7% of respondents indicated

having attained a Degree education level, followed by 34.3% having attained a Diploma level. A further 15.4% indicated having attained a Masters level, while only 7.2% and 3.4% had attained Post graduate and Certificate levels respectively. Overall, the study area can be said to comprise staff from relatively high levels of education. This was expected as individuals in respondents' positions were ideally expected to possess relatively high levels of education as a qualification. With some level of years of operation of the business in the study objectives, the study found it necessary to establish the length of operation of the respondents, in years, serving at their respective institutions. This would ascertain that responses were already informed by diverse experienced owing to respondents' respective lengths of operation. It was established that a majority of respondents, 35.5% have been operating in the study area for between 7 and 10 years followed by 28.4% having worked for between 3 and 6 years. This was followed by 24.4% with over 10 years experience in their respective enterprises while only 11.7% had operated in their respective businesses for below 3 years. The results present a rather fairly skewed distribution across the years representing the length of business operations with a majority of respondents having worked for at least 7 years, responses can be deemed as being informed by adequate experience in the study area.

### **Managerial Skills**

The study sought to assess the influence of managerial skills on growth of SMEs in Tours and Travel Industry in Nairobi, Kenya. This section presents findings to statements posed in this regard with responses given on a five-point likert scale (where 5 = Very Great Extent; 4 = Great Extent; 3 = Moderate Extent; 2 = Small Extent; 1= Very Small Extent). Table 4.5 presents the findings. The scores of 'Very Great Extent' and 'Great Extent' have been taken to represent a mean score of 3.5 to 5.0. The score of 'Moderate

Extent' has been taken to represent a mean score of 2.6 to 3.4. The score of 'Small Extent' and 'Very Small Extent' have been taken to represent a mean score of 1.0 to 2.5.

A majority of respondents indicated to a small extent that the organization has adequate leadership skills to enhance achieving enterprise objectives through people and resources to establish new branches (M=1.993) The organization had adequate leadership skills in planning, organizing, leading and controlling enterprise resources to increase annual profits (M=1.923); The business employees had adequate communication skills to gain the competitive advantage based on clear understanding of our customer needs to increase annual profits (M=1.857); The organization staff had met customer needs as the main objective to enable

establishment of new branches (M=1.714). The business staff had adequate communication skills which gave close attention to after sales service for increase of the annual profits (M=2.675) ; the employees were encouraged to undertake training for self-development in gain leadership, communication and conceptual skills? ( M=2.543). The organization had adequate leadership skills to enhance achieving enterprise objectives through people and resources to establish new branches(M=2.110) The study findings were in tandem with literature review by Pearce and Robinson (2007) who stated that managerial skills of the entrepreneurs and specifically strategic leadership was widely described as one of the key drivers of growth of enterprises in developing countries.

**Table 1: Managerial Skills**

| Statement   | Mean  | Std. Dev |
|---|-------|----------|
| The organization has adequate leadership skills to enhance achieving enterprise objectives through people and resources to establish new branches                               | 1.993 | .987     |
| The organization has adequate leadership skills in planning, organizing, leading and controlling enterprise resources to increase annual profits                                | 1.923 | .268     |
| The business employees have adequate communication skills to gain the competitive advantage based on clear understanding of our customer needs to increase annual profits       | 1.857 | .034     |
| The organization staff has met customer needs as the main objective to enable establishment of new branches   | 1.714 | .167     |
| The business staff has adequate communication skills which give close attention to after sales service for increase of the annual profits                                       | 1.675 | .525     |
| Managers have adequate conceptual skills to enable them understand the functional area regularly interact with our current and prospective customers to increase annual profits | 2.543 | .654     |
| The employees are encouraged to undertake training for self-development in gain leadership, communication and conceptual skills   | 2.345 | .560     |
| The organization has leadership skills to enhance achieving enterprise objectives through people and resources to establish new branches  | 2.110 | .345     |

**Entrepreneurial Skills**

The study sought to investigate the influence of entrepreneurial skills on growth of SMEs in Tours and Travel Industry in Nairobi, Kenya. This section presents findings to statements posed in this

regard with responses given on a five-point likert scale (where 5 = Very Great Extent; 4 = Great Extent; 3 = Moderate Extent; 2 = Small Extent; 1= Very Small Extent). Table 2 presents the findings. The scores of 'Very Great Extent' and 'Great Extent' have been taken to represent a mean

score of 3.5 to 5.0. The score of 'Moderate Extent' has been taken to represent a mean score of 2.6 to 3.4. The score of 'Small Extent' and 'Very Small Extent' have been taken to represent a mean score of 1.0 to 2.5. As tabulated, a majority of respondents were found to small extent that the entrepreneur has adequate risk taking skills for uncertainty bearing and coordination for establishment of new branches for the business (M=1.093). The entrepreneur has adequate risk taking skills for innovativeness and decision making for the increase of annual profits (M=1.823); the entrepreneur has adequate budgeting skills for innovativeness and decision making for the increase of annual profits (M=1.857); before the entrepreneur entered into business was employed by the outsiders or employed in the family business (M=1.774). The

entrepreneur has adequate business skills on ownership and resource allocation to add more employees in the business (M=1.876). The entrepreneur is willing to take risks associated with uncertainty and innovative ideas involved in seizing new profit opportunities (M=1.075). The business has adequate business plans, marketing plans and budgets as part of strategic planning to establish new branches (M=2.009). The study findings are in tandem with literature review by Willis(2013) who established that entrepreneurial skills is a key factor for the competitiveness and profitability of a company. Success in on growth of a firm implementation depends on the internal factors such as the entrpreneurial skills such as the way owner/manager makes decisions in the current environment and the human resource capacity as well as external variables

**Table 2: Entrepreneurial Skills**

| Statement  | Mean  | Std. Dev |
|--|-------|----------|
| The entrepreneur has adequate risk taking skills for uncertainty bearing and coordination for establishment of new branches for the business | 1.093 | .587     |
| The entrepreneur has adequate risk taking skills for innovativeness and decision making for the increase of annual profits                   | 1.823 | .468     |
| The entrepreneur has adequate budgeting skills for innovativeness and decision making for the increase of annual profits                     | 1.774 | .134     |
| The entrepreneur has adequate business skills on ownership and resource allocation to add more employees in the business                     | 1.874 | .567     |
| The entrepreneur is willing to take risks associated with uncertainty and innovative ideas involved in seizing new profit opportunities      | 1.675 | .225     |
| The business has adequate business plans, marketing plans and budgets as part of strategic planning to establish new branches                | 2.009 | .354     |

**Growth of SMEs**

The study sought to determine growth of SMEs reached attributed to the adoption of the managerial skills, entrepreneurial skills, access to financial resources and ICT. Findings in table 3

below reveal improved growth of SMEs in tours and travel industry across the 5 year period running from the year 2011 to 2015. In the increase of number of employees, a majority of respondents affirmed having grown incrementally

from less than 10% in 2011 (41.9%), to growth by 10% in 2013 (34.8%), then by more than 10% in 2014 (39.0%) and 2015 (36.2%). Increase of amount of profits also recorded positive growth with a majority affirming to less than 10% in 2011 (42.3%) and 2012 (37.7%), to 10% in 2013 (36.1%) then more than 10% in 2014 (41.1%) and 2015 (37.5%). A similar trend was recorded in establishment of new branches, growing from less than 10% (44.1%) in 2011, to more than 10% in 2013 (36.4%), 2014 (40.4%) and 2015 (37.3%). It can be deduced from the findings that key growth of SMEs areas had considerable improved with the adoption of the managerial skills and entrepreneurial skills.

Accordingly Lucey (2013) argues that the main goal or objective of any business organization was to make and maximize profit while other secondary objectives include going concern, growth, corporate social responsibility, benefits to employees and so on. Charles (2008) adds that though other objectives were also considered very important as listed above, but profit maximization is usually the ultimate because it maximizes the shareholders wealth which is the ultimate aim of investing in a business. People will naturally prefer to invest in a highly profitable business. Table 3 below presents the findings.

**Table 3: Growth of SMEs**

| <b>Increased number of employees</b>    | <b>2011</b> | <b>2012</b> | <b>2013</b> | <b>2014</b> | <b>2015</b> |
|---|-------------|-------------|-------------|-------------|-------------|
| Increased by less than 10%              | 41.9        | 37.9        | 33.8        | 29.7        | 29.1        |
| Increased by 10%                        | 33.2        | 29.6        | 34.8        | 31.3        | 34.7        |
| Increased by more than 10%              | 24.9        | 31.5        | 31.4        | 39.0        | 36.2        |
| <b>Increased amount of profits</b>      | <b>2011</b> | <b>2012</b> | <b>2013</b> | <b>2014</b> | <b>2015</b> |
| Increased by less than 10%              | 42.3        | 37.7        | 31.6        | 30.7        | 29.5        |
| Increased by 10%                        | 31.8        | 32.9        | 36.1        | 28.2        | 33          |
| Increased by more than 10%              | 25.9        | 29.4        | 32.3        | 41.1        | 37.5        |
| <b>Establishment of new of branches</b> | <b>2011</b> | <b>2012</b> | <b>2013</b> | <b>2014</b> | <b>2015</b> |
| Increased by less than 10%              | 44.1        | 35.2        | 33.4        | 25.7        | 27.1        |
| Increased by 10%                        | 31.7        | 32.6        | 30.2        | 33.9        | 35.6        |
| Increased by more than 10%              | 23.5        | 32.2        | 36.4        | 40.4        | 37.3        |

### **SUMMARY, CONCLUSIONS AND RECOMMENDATIONS**

The study sought to examine the influence of managerial skills on the growth of the SMEs in the study area. The majority of respondents indicated to a small extent that the organization has adequate leadership skills to enhance achieving enterprise objectives through people and resources to establish new branches. It was established that there is adequate leadership skills in planning, organizing, leading and controlling enterprise resources to increase annual profits. The business employees have adequate

communication skills to gain the competitive advantage based on clear understanding of our customer needs to increase annual profits. The organization staff has met customer needs as the main objective to enable establishment of new branches.

The descriptive statistics on the influence of entrepreneurial skills on the growth of the SMEs in the study area showed that a majority of respondents were found to small extent indicated that entrepreneur had adequate risk taking skills for uncertainty bearing and coordination for establishment of new branches for the business. The entrepreneur has adequate risk taking skills for innovativeness and decision making for the

increase of annual and adequate budgeting skills for innovativeness and decision making for the increase of annual profits. The entrepreneur entered into business was employed by the outsiders or employed in the family business and had adequate business skills on ownership and resource allocation to add more employees in the business to a small extent. The entrepreneurs are willing to take risks associated with uncertainty and innovative ideas involved in seizing new profit opportunities. The business has adequate business plans, marketing plans and budgets as part of strategic planning to establish new branches.

The study sought to determine growth of SMEs reached attributed to the adoption of the managerial skills and entrepreneurial skill. Findings revealed improved growth of SMEs in tours and travel industry across the 5 year period running from the year 2011 to 2015. In the increase of number of employees, a majority of respondents affirmed having grown incrementally. A similar trend was recorded in establishment of new branches, It can be deduced from the findings that key growth of SMEs areas have considerable improved with the adoption of the managerial skills, entrepreneurial skills, access to financial resources and ICT.

### **Conclusions**

Based on the study findings, the study concludes that the growth of SMEs in tours and travel industry was affected by managerial skills and entrepreneurial skills as the major factors that mostly affect growth of SMEs in tours and travel industry in Kenya.

The study concluded that a managerial skill was the first important factor that affected growth of SMEs in tours and travel industry in Kenya. The regression coefficients of the study showed that managerial skills had a significant influence on growth of SMEs in tours and travel industry in Kenya This implied that increasing levels of

managerial skills would increase the levels of growth of SMEs in tours and travel industry in Kenya. This showed that managerial skills had a strong positive influence on growth of SMEs in tours and travel industry in Kenya

Entrepreneurial skills was the second important factor that affected growth of SMEs in tours and travel industry in Kenya The regression coefficients of the study showed entrepreneurial skills had a significant influence on growth of SMEs in tours and travel industry in Kenya. This implied that increasing levels of entrepreneurial skills would increase the levels of growth of SMEs in tours and travel industry in Kenya. This showed that entrepreneurial skills had a positive influence on growth of SMEs in tours and travel industry in Kenya.

### **Recommendations of the Study**

The study recommends that there was need for the entrepreneurs to have adequate managerial skills for uncertainty bearing and coordination of the business. The organization should have adequate leadership skills to enhance achieving enterprise objectives through people and resources to establish new branches. Adequate leadership skills in planning, organizing, leading and controlling enterprise resources can lead to the increase of annual profits. The business employees should have adequate communication skills to gain the competitive advantage based on clear understanding of our customer needs to increase annual profits. The organization staff should also be trained on how to meet the customer needs as the main objective to enable establishment of new branches.

There is need to have adequate entrepreneurial skills to enhance the growth of the SMEs in Kenya. The adequate risk taking skills can enhance uncertainty bearing and coordination for establishment of new branches for the business. The risk taking skills can enhance innovativeness and decision making to the increase of annual

profits. The entrepreneurs who are willing to take risks associated with uncertainty and innovative ideas can command the new profit opportunities. The entrepreneurs of the business should have adequate business plans, marketing plans and budgets as part of strategic planning to enhance the growth of the business.

### **Recommendations for Further Studies**

The present study had assessed the determinants of growth of SMEs in tours and travel industry in Nairobi, Kenya. The same has revealed the need for further studies in other facets not tackled in the study. The study contributes to the body of knowledge in the field of entrepreneurship by elaborating exiting theories, models and empirical studies on factors of growth of SMEs in tours and travel industry Kenya. The study thus has

reviewed theories and models that can be applied to improve SMEs in tours and travel industry in Kenya.

Additional studies should be carried out to establish how Kenyan SSEs are fearing own and the challenges they are facing. More emphasis should be put on the following factors: Infrastructure, environment related problems, diversity of taxes and levies, unfair competition and dumping, marketing related issues, non availability of raw materials and business opportunities and diversification. More should also be done on medium scale enterprise. Future studies may assess the role of entrepreneurial training, technological capacity, government policy and access to business information services should also be considered.

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