

## **The Influence of Entrepreneur's Motivation on Growth of Micro and Small Enterprises in Thika Town, Kenya**

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### **Abstract**

*This study sought to establish the relationship between entrepreneur's motivation and growth of micro and small enterprises in the textile industry, in Thika town. The study adopted a survey research design to collect data. The study covered a sample of 226 drawn from a population of 526 micro and small enterprises of Thika Municipal Council who make thread to cloth. The sample was selected through simple random sampling. A semi-structured questionnaire was used to collect primary data. Quantitative data was analyzed using descriptive (mean, percentages and frequencies) and inferential statistics (correlation and regression). The study achieved a response rate of 61.95%. Majority of the respondents (63%) indicated that the level of entrepreneurs' motivation in the study area was high. The study revealed that the level of growth of enterprises was high as reported by 57% of the respondents. The study established a positive correlation between motivation and growth of small and micro enterprises with a correlation coefficient of 0.350. The p-value was (0.000) less than the alpha of 0.01 hence establishing a high significant relationship between variables. The study concludes that there has been a remarkable growth in small and micro enterprise in Thika town. The enterprises reported an increase in sales, number of employees as well as their capital. In order to sustain the growth, owners of the enterprises should develop a sustainable programme of motivating the employees for their hard work.*

**Key Words:** Entrepreneur's motivation, growth, micro and small enterprises

### **1.1 Background Information**

The impact of entrepreneurs' motivation on their success is a widely known topic in developed countries. A number of studies were conducted to determine this relationship. Kuratko, Hornsby and Naffziger (1997) and Robichaud, McGraw and Roger (2001) surveyed entrepreneurs from North America to determine what motivation categories lead to business success. Findings from their studies show that motivation of entrepreneurs falls into four distinct categories: 1. Extrinsic rewards, 2. independence/autonomy, 3. intrinsic rewards and 4. family security. These four groups of factors determine the motivation level of entrepreneurs which in turn affects on their business success.

One survey focusing on nascent entrepreneurs was conducted in the United States (Edelman, Brush, Manolova & Greene 2010), and resulted in findings that the reasons why nascent entrepreneurs want to launch a business are the same across the race, but there are differences in the motivation to grow a new venture between black and white nascent entrepreneurs. Blanchflower and Oswald (1998) conducted a survey in which they found that people who are self-employed reported higher levels of job and life satisfaction than employees.

Benzing, Chu and Kara (2009) in their study of entrepreneurs in Turkey, among other things, presented comparative results of numerous research on entrepreneurs' motivating factors in different countries. For example, they stated that Swierczek and Ha (2003) in their study of Vietnamese small business owners found that challenge and achievement were more significant motivators than necessity and security. In Romania, income and job security needs were stronger motivators than self-satisfaction and personal needs (Benzing, Chu & Szabo 2005). On the other hand, entrepreneurs in India were most strongly motivated by the desire for autonomy and then to increase their income (Benzing & Chu 2005). In Turkey, entrepreneurs are motivated to start their own business so they could provide security for themselves and their family and to increase income (Ozsoy, Oksoy & Kozan 2001). Benzing, Chu and Kara (2009) also presented research results from African countries. Ugandan entrepreneurs are motivated by "making money"

Micro and Small enterprises promotion in Kenya is a viable and dynamic strategy for achieving national goals such as poverty alleviation. In recent years, the sector has gained widespread recognition. However, the sector has continually faced several constraints to growth and development. Thika is an industrial town endowed with entrepreneurs which has faced challenges of growth. Entrepreneurial motivation is one possible intervention that would help to revitalize the growth of MSEs. However, there is dearth of information regarding the role of entrepreneurs' motivation on the growth of micro and small enterprises in the textile industries, particularly in Thika town and therefore, this led to this study.

## ***1.2 Materials and Methods***

The study adopted a survey research design to collect data in order establish the role of entrepreneurs' motivation in the growth of micro and small enterprises in Thika town. In this study the sampling frame was drawn from Municipal Council Thika data base of 2010 with a total of 526 micro and small enterprises. The markets are clustered into four zones i.e. Thika town centre, Jamhuri market, Jua Kali market and Makongeni. The population was stratified into micro and small enterprises and simple random sampling was performed within the strata. Therefore, the study used multistage method where stratified and simple random sampling was conducted to select those who make the tread into cloth, wholesalers and retailers. The sample sizes of 226 study subjects were selected (Morgan, et al, 1970). The main instrument of data collection was a structured questionnaire. In order to obtain adequate and reliable data the questionnaire was pre-tested using 10 micro and small enterprise entrepreneurs from Ruiru town who had similar characteristics as study subjects. Descriptive and inferential statistical tools were used to analyze the collected data with the aid of Statistical Package for Social Sciences computer programme. The mean, frequencies and percentages were used to describe the variable characteristics, correlation was used to test the hypothesis.

## ***1.3 Results and Discussion***

### ***1.3.1 Respondents Characteristics***

An analysis of the gender of the respondents indicates that 62% were male while 38% were female. This shows that majority of people who engage in micro and small scale enterprises specifically involving clothes and textiles in Thika town are men. This confirms the findings of Weiler and Bernasek (2001) who found that despite this growing interest, and despite the fact that the number of women entrepreneurs has accelerated radically in recent years, women's entrepreneurship potential has only started to materialize. Further, the General Entrepreneurship Monitor (GEM) Report on Women and Entrepreneurship (Allen et al., 2007) that examined the rates of entrepreneurship in 43 countries and showed that in all these countries the rates of women's entrepreneurship were lower than men's

The study also found that 48% of the respondents were aged between 16 and 35 years, 46% were aged 36 and 50 years, and 6% were 51 years old and above. As indicated in Table 2, majority of the respondents (94%) were aged between 16 and 50 years. Age is only one factor among many to predict the success of entrepreneurs, and anybody at any age can break any molds put forward by experts.

However, it's clear that the stories of a few "college-dropout turned millionaire" (or billionaire) startup founders have clouded both the mass media and the tech industry from reality. Parker (2004) argues that an individual's decision to start a business is influenced by his or her age and by the age distribution in the region where the individual lives. A number of empirical studies have suggested that occupational choice varies with age and have reported an inverse U-shaped relationship between an individual's age and his or her decision to start a business.

The results further indicate that 28% of the respondents had primary education, 41% had secondary education, 20% had college education and 11% had university education. This shows that most of the respondents (72%) had secondary education and above and therefore, they had basic education to grow their enterprises.

### **1.3.2 Enterprise Characteristics**

The study also examined enterprise characteristics namely; main business activities, types of enterprise, age of the business and type of business. The results further indicate that 52% of the respondents were from micro enterprises while 48% were from the small scale enterprises. This shows that majority of the clothes and textile enterprises in Thika town and its outskirts are micro in terms of size.

The study also examined the main business activities that the respondents were engaged in. most of the respondents (43%) were involved in the sale of clothes and shoes, 23% operating a boutique, 9% were engaged in the sale of used clothes (mitumba), 1% were selling school uniforms, 6% had exhibition store, 5% had specialized with men's clothes, 4% were dress makers and 9% were involved in garment distribution. It also emerged from the study that majority of the enterprises (64%) had been in operation for less than 20 years old, 27% had been in operation between 21 and 30 years, 8% between 31 and 40 years and 1% have been in operation for over 40 years. An evaluation of the type of business ownership revealed that 45% of the respondents were from sole proprietorship businesses, 34% were from partnership, and 21% were from company businesses. This shows that majority of business in Thika town are sole proprietor kinds.

### **1.3.3 Motivation and Growth of Enterprise**

The main objective of this research was to establish whether motivation of entrepreneurs led to the growth of micro and small enterprises. The respondents were given a set of statements regarding the influence of motivation on growth of enterprise and asked to rate them on a scale of 1 to 4, where 1 is strongly disagree and 4 is strongly agree. A mean score of the responses for each statement was then computed and the results are as presented in Table 1.

The results show that motivation is a needs-satisfying process, meaning; when a person's needs are satisfied he/she exerts superior effort toward attaining organizational goals as stated by 99% of the respondents. Regarding job satisfaction, 100% of the respondents felt achievements produce job satisfaction, 89% felt that recognition produces job satisfaction, 95% pointed out that the responsibilities of workers produces job satisfaction and 81% indicated that advancement of employees produces job satisfaction.

The results further indicate that employee effort led to improved performance and which in turn attracts motivation and rewards which are key to growth of business as stated by 94% of the respondents. It also emerged from 94% of the respondents that when the work is properly designed and workers properly recognized and rewarded for their accomplishments, self-esteem or self-actualization needs are met. Further, the respondents (100%) confirmed an increase in the motivation of entrepreneurs stimulates growth of business enterprises. The items means scores were 3.793, 3.493, 3.371, 3.493, 3.336, 3.500, 3.464 and 3.371. All the mean scores were above the score of 3 signifying that the respondents agreed with statements regarding motivation. This implies that the respondents confirmed that motivation of entrepreneurs is basic for growth of a business enterprise.

**Table 1: Motivation and Growth of Enterprise**

Statement/ item	Strongly Disagree		Disagree		Agree		Strongly Agree		Mean scores
	Fq	%	Fq	%	Fq	%	Fq	%	
Motivation is a needs-satisfying process, meaning; when a person's needs are satisfied he/she exerts superior effort toward attaining organizational goals.	0	0	2	1.4	25	17.9	113	80.7	3.793
Achievements produce job satisfaction which in turn propels growth in business.	0	0	0	0	71	50.7	69	49.3	3.493
Recognition produces job satisfaction	0	0	15	10.7	58	41.4	67	47.9	3.371
Responsibility of workers produces job satisfaction	3	2.1	4	2.9	54	38.6	79	56.4	3.493
Advancement of employees produces job satisfaction.	0	0	15	10.7	63	45.0	62	44.3	3.336
Employee effort will lead to performance and which in turn attracts rewards and motivation which are key to growth of business	0	0	9	6.4	52	37.1	79	56.4	3.500
When the work is properly designed and the workers properly recognized and rewarded for their accomplishments, self-esteem or self-actualization needs are met.	0	0	8	5.7	59	42.1	73	52.1	3.464
An increase in the motivation of entrepreneurs stimulates growth of business enterprises.	0	0	0	0	88	62.9	52	37.1	3.371

According to the results in Table 2, 63% of the respondents indicated that level of entrepreneurs' motivation in micro and small enterprises was high while 37% stated that the level was very high.

**Table 2: Level of Entrepreneurs' Motivation**

	Frequency	Percent
High	88	62.9
Very High	52	37.1
Total	140	100.0

### 1.3.4 Growth of Small and Micro Enterprises

The study also examined the growth of small and micro enterprises in Thika town, done through a comparative assessment of enterprises' growth at the start of business and at present. The growth indicators evaluated were sales, number of employees and capital.

When asked to indicate the enterprise sales growth at the start of business, forty percent of the respondents indicated that their sales grew at less than 1%, twenty percent of the enterprise sales grew between at 2 and 3% sales, ten percent had their sales growing at between 4 and 5%, twenty two percent enterprise reported 6 to 7% sales growth and six percent reported more than 12% sales growth as shown in Table 3.

**Table 3: Firm's Sales Growth at the Start Of Business**

Percentage sales	Frequency	Percent
Less than 1%	56	40.0
2 to 3%	31	22.1
4 to 5%	14	10.0
6 to 7%	31	22.1
More than 12%	8	5.7
Total	140	100.0

When asked to indicate the number of employees at the start of the business, 32% indicated that the business was being run by 1 employee, 44% stated that the enterprise was being operated by 2 to 3 employees, 2% were being operated by between 4 and 5 employees and 21% were operated by more than 5 employees as presented in Table 5.

**Table 4: Number of Employees at the Start of Business**

Number of employees	Frequency	Percent
1	45	32.1
2 to 3	62	44.3
4 to 5	3	2.1
More than 5	30	21.4
Total	140	100.0

The results further indicate that at present 26% of the respondents are being operated by less than 3 employees, 43% are operated by between 4 and 5 employees and 31% are being operated by more than 8 employees. This means that majority (74%) of the enterprises had more than 4 employees as compared to 24% enterprise which had the same number of employees at the start of the business. This shows a tremendous growth over years owing to the fact that most of the enterprises have been in operation for less than 20 years (Table 5).

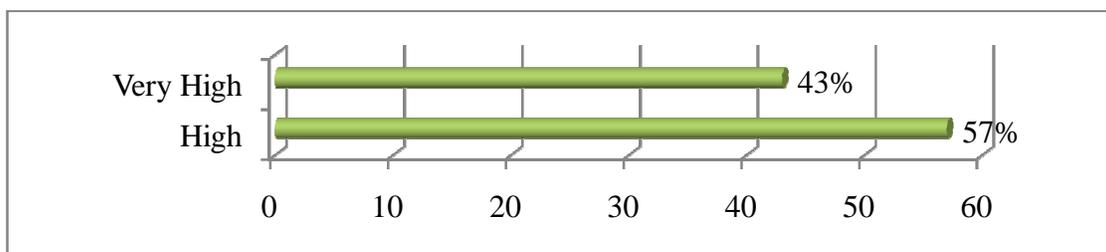
**Table 5: Number of Employees at Present**

Number of employees	Frequency	Percent
Less than 3	36	25.7
4 to 5	60	42.9
More than 8	44	31.4
Total	140	100.0

According to the results, 31% of the enterprises were initiated with a capital of less than Kshs20, 000, 45% with between Kshs30,000 and Kshs40,000 and 24% started with more than Kshs50,000. Presently, 15% of the enterprises have a capital of less than Kshs30, 000, 54% have a capital of between Kshs40, 000 and Kshs50,000 and 31% have a capital of more than Kshs60,000. This indicates that most of the enterprises (85%) have a capital of over Kshs40, 000 as compared to 24% of enterprises at the start of business as shown in Table 18. This shows a significant increase in capital over years.

**Level of overall Enterprise Growth**

An evaluation of the growth of enterprises revealed that 43% of the enterprises reported very high level of growth while 57% reported a high growth. Overall, all the enterprises reported high growth as illustrated in Figure 1. These results confirm the findings of USAID (2005) which indicate that at an aggregate level, MSEs demonstrate impressive growth, especially when compared with larger firms. However, many individual MSEs grow slowly or not at all; in some cases, due to a conscious decision on the part of the business owner. Overall growth rates are often fueled by the rapid expansion of a narrow group of highly performing MSEs. Nichter, (2004) contends that Some MSEs may face potentially lucrative business opportunities, but be unable to take full advantage of them due to inadequate capabilities. Although these “ponies” may expand quickly for short durations while trying to harness these opportunities, they often lack endurance as they do not have requisite capabilities for sustained growth.



**Figure 1: Level of overall Enterprise Growth**

**1.3.5 Hypothesis Testing**

The study had hypothesized that; motivation of entrepreneurs does not significantly affect the growth of micro and small scale enterprises in Thika Town, Kenya.

### Correlation Analysis

A Pearson Product Moment Correlation test was run to establish whether motivation had a significant effect on the growth of the enterprises. As shown in Table 6, there is a positive correlation between motivation of entrepreneurs and growth of small and micro enterprises with a correlation coefficient of 0.350. The hypothesis was tested at a 0.01 significance level. The p-value is 0.000 and thus, less than the alpha of 0.01 hence establishing a high significant relationship between variables. This implies an increase in motivation of entrepreneurs leads to positive increase in growth of the enterprise.

**Table 6: Correlation Analysis between Entrepreneurs and Growth of Enterprises**

Variable		Growth of enterprise	Motivation
Growth of enterprise	Pearson Correlation	1	.350(**)
	Significance(2-tailed)	.	.000
	N	140	140
Motivation	Pearson Correlation	.350(**)	1
	Significance(2-tailed)	.000	.
	N	140	140

\*\* Correlation at 0.01(2-tailed)

### 1.4 Conclusion and Recommendations

Small and micro enterprises constitute the vast majority of firms, generating a substantial share of both overall employment and output. Given their significant economic role, one might expect small and micro enterprises growth to drive overall increases in output and income levels. Based on the results, entrepreneurs' motivation has a significant influence on the growth of SMEs. The level of growth of SMEs was high and this was contributed by high level of motivation of entrepreneurs. It is also evident that majority of entrepreneurs in the town hold secondary school education and below. Therefore, the county government needs to organize for regular training programmes to improve the skills and knowledge of the entrepreneurs. On the other hand, the government must more actively support entrepreneurs. The development of entrepreneurship and SMEs ought to be one of the most important objectives of every country in the world (especially in developing countries) and ought to have high priority in allocating the budget expenditures. This can be achieved by creating environment that will facilitate development of entrepreneurship through numerous stimulating activities, such as: incentives that would facilitate cooperation of SMEs and large enterprises and creation of clusters, establishing organizations for providing assistance to entrepreneurs (e.g. associations of entrepreneurs, government agencies for SMEs development, business incubators, industrial parks, etc.) and providing easy accessible capital. In order to succeed, SMEs should cooperate by supporting each other in times of need. This could be accomplished by forming variety of alliances and networks.

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