

**EFFECT OF STRATEGIC MANAGEMENT OPTIONS
ON COMPETITIVE ADVANTAGE OF YOUTH
ENTERPRISES IN KENYA**

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**Effect of Strategic Management Options on Competitive Advantage
of Youth Enterprises in Kenya**

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Philosophy in Business Administration in the Jomo Kenyatta
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DECLARATION

This thesis is my original work and has not been presented for a degree in any other University.

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This thesis has been submitted for examination with our approval as University supervisors.

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DEDICATION

To my mother Wanjiku Njuguna, to whom I shall remain indebted for setting the best all round foundation for me, her prayers and support. To my siblings Wanjiku Mwangi, Njuguna Maina, Kamau Mwangi, Maingi Maina, Macharia Mwangi, Mumbi Mwangi and Wanjiku Maina with a dedication message that education is power. To my wife Njambi Njuguna, my brother Maina Njuguna and my sister Muthoni Njuguna for their moral support, sacrifice and prayers throughout my study period.

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ACRONYMS

ACCA	Association of Chartered Certified Accountants
ANOVA	Analysis of Variance
APEC	Asian Pacific Economic Cooperation
CAPMAS	Central Agency for Public Mobilization & Statistics
CEO	Chief Executive Officer
EIU	Economist Intelligence Unit
FDI	Foreign Direct Investment
ERF	Economic Research Forum
GDP	Gross Domestic Product
GOK	Government of Kenya
GVA	Gross Value Added
IDR	Industrial Development Report
IFAD	International Fund for Agricultural Development
ILO	International Labor Organization
IISD	International Institute for Sustainable Development
JMP	Joint Monitoring Programme
MSME	Micro, Small and Medium Enterprises
NGO	Non Governmental Organization
PRSP	Poverty Reduction Research Forum
RBV	Resource Based View
SPSS	Statistical Package for Social Science
TANGO	Technical Assistance to NGO's
UNIDO	United Nations Industrial Development Organization
UNECA	United Nations Economic Commission for Africa
UNDP	United Nations Development Programme
UNCTAD	United Nations Conference on Trade and Development
WEC	World Economic Forum
WIR	World Investment Report
YCIK	Youth Challenge International Kenya
YEDF	Youth Enterprise Development Fund

DEFINITION OF TERMS

Collaborative Networks: arrangement between distinct but related organizations that through their mutual cooperation gain or sustain competitive advantage with regard to their competitors outside the network (Treziovski, 2003).

Innovation: Ability of enterprise to exceed routine thinking process, which involves going beyond the obvious to discover newness (Ahmed 2004).

Product Diversification: Ability of enterprise to launch into new markets with existing products and services, or grow established markets by offering new products and services (Ansoff's 1965).

Business Development Services: Ability of enterprise to convert and reconfigure organizational strategic resources and competences in response to changing market conditions and environmental turbulence and instability (Adner & Helfat 2003).

Competitive Advantage: Ability of enterprise to sustain a market position by, supplying quality products and services on time and at competitive prices through acquiring the flexibility to respond quickly to changes in demand and through successfully managing product differentiation by building up innovative capacity and an effective marketing system (Altenburg *et al* 1998).

Strategic Management Options: Ability of the enterprise to choose major approaches, with implication on the content of one appreciable part among the activities of the enterprise, on the strength of what is established and how the objective strategic achievement is possible and rational.

ABSTRACT

The Youth Enterprises have to survive in the global economic environment through defining the areas in which they can achieve superior results and on them base their complete business. These areas included building collaborative networks, engaging in innovation processes through product value addition, focusing on product diversification and employing sustainable business development services in order to achieve sustainable competitive advantages over their competitors. Collaborative networks refer to the group of firms that combine efforts to achieve competitive advantages that would be very difficult to achieve individually. Through such a process youth enterprises can partly resolve problems by gaining competence, building resources, sharing risks, undertaking quick market movements, and making joint investments. The purpose of the study was to unite and to expand the existing cognitions about the concept of collaborative networks, innovation, product diversification, and business development services in promoting competitive advantage of youth enterprises. The study adopted explanatory research design. The study target population consisted of 350 active youth groups dealing with income generating enterprises in Murang'a County. Youth groups were categorized into various strata and then computed to sample size. The computed sample size was 189 active youth groups. A questionnaire was used for collecting data. Questionnaire had both closed and open ended questions. Qualitative data was analyzed using content analysis. Quantitative data was analyzed by employing descriptive statistics such as percentage, mean, standard deviation, and inferential statistics. Correlation analysis and regression analysis were further used as a test of study hypotheses using statistical package for social science (SPSS). This technique gave summaries about the sample data and presented quantitative descriptions in a manageable form. The results indicated that youth enterprises in Kenya have largely adopted strategic options in order to raise their competitive advantage. The findings of the study revealed that collaborative networks, innovation, product diversification and business development services have positive significant relationship with competitive advantage of youth enterprises in Kenya. However, innovation through product value addition had a higher coefficient of determination meaning that, it had the greatest

effect on competitive advantage of youth enterprises in Kenya. The study revealed that youth enterprises combine these strategic options to raise their competitive advantage. In the joint model, the study revealed that in the presence of other variables, business development services had a negative significant relationship with competitive advantage of youth enterprises in Kenya. The study recommend that youth enterprises must adopt collaborative networks, innovation through product value addition, product diversification and business development services in order to build their competitive advantage. The study further recommends that youth enterprise chair persons must regularly and continuously assess their enterprise strategic options in terms of their appropriateness in the ever changing business environment. Strategic options must match with the business environment in order to realize optimal competitive advantage. Analysis recommends a need for focusing on more ways of solving other challenges facing youth enterprises in order to maximally realize their competitive advantage without limiting themselves to strategic options only.

CHAPTER ONE

INTRODUCTION

1.1 Background

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

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

The fundamental question for policymakers is how to restore the competitiveness of youth enterprises. Teece (2007), Teece *et al* (1997), argues that the answer resides in the dynamic capability-generating capacity of youth enterprises-level of innovativeness on superior enterprise performance and sustainable competitive advantages. Furthermore, several researchers (Buhalis & Cooper, 1998; Getz & Carlsen, 2000; Getz & Petersen, 2005; Hjalager, 2002; Jacob & Groizard,

2003; Morrison et al, 1999; Shaw & Williams, 1998) argue that many youth enterprises lack the necessary capabilities and resources to pursue growth opportunities through innovation even when they wish to do so. It appears that the critical role of innovativeness, as a dynamic capability, in achieving economic recovery is not completely understood since resource limitation is not a problem that only youth enterprises face, but all companies have limited (or even scarce) resources (Barney, 1996; Peteraf, 1993). Consequently, conflict exists between theory and reality; resulting in a failure to forge a tangible link between innovativeness, dynamic capabilities, firm performance, and competitiveness.

According to IFAD Strategic Framework (2007-2010), competitiveness of youth enterprises can be defined as the ability to ensure that the institutions supporting youth enterprises and the benefits realized are maintained and continue after the end of the enterprise external funding. The Brundtland Report, is probably the most widely quoted definition as it marks an important shift away from the idea of competitiveness as primarily an ecological concern to one that emphasizes the economic and social processes of development (IISD, 2003). In recent years there has been an increasing focus on, and understanding of, the design and implementation phases of youth enterprises as part of efforts to make youth enterprises more successful and work more efficiently (IFAD, 2007). Recent studies (TANGO International 2008c, 2008d, 2008e) note that, while the trend with implementation is showing significant improvement, the trend with competitiveness is rather disappointing, as fewer youth enterprises are being sustained. According to the findings of the studies, one of the most common constraints on competitiveness encountered in field operations in Philippines and Vietnam reveals that they did not conduct risk analyses prior to enterprise design, and lack of concrete risk management strategies. Inadequate consideration of contextual issues, such as a lack of infrastructure or financial services has led to the development of market-driven enterprise designs which might not be sustainable.

In Africa and developing countries, significant proportion of youth enterprises may be inoperable or abandoned completely. A study by McKay & Sarakinsky (1995), noted that, lack of education and skills to run the youth enterprises is likely to affect the participants in youth enterprises negatively as they will make mistakes and blunders which may hamper the competitiveness of their enterprises. National governments and international donor agencies have invested a lot of funds in youth enterprises but despite ever increasing attempts to tackle the problem, many still fail to maintain the flow of expected benefits over their intended lifetimes of 15, or even 20 years (Sara & Katz, 1997). Several factors have undermined long term competitiveness of income generating youth enterprises such as, the lack of follow-up support, lack of technical skills to carry out preventive maintenance or the absence of refresher training courses. (Rigby, Howlett & Woodhouse, 2000).

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

1.1.1 Global Trends on SMES Competitiveness

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

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

1.1.1.1 SME Contribution to GDP

SMEs account for 52% of private sector value added, which provides a reasonable estimate for the sector's global economic contribution (ACCA, 2010). The contribution of SMEs to economic fundamentals nonetheless varies substantially across countries: from 16% of GDP in low-income countries (where the sector is typically large but informal) to 51% of GDP in high-income countries.

According to the Australian government (2011), SMEs contributed around 60% of Australia's industrial value added in 2009–10. In OECD economies, over 95% of firms are SMEs and micro-enterprises, accounting for some 55% of GDP. In developing countries, by contrast, over 90% of all firms outside the agricultural sector are SMEs or micro-enterprises. These firms produce a considerable part of GDP. In Morocco, for example, 93% of industrial firms are SMEs, accounting for 38% of the production, 33% of investment and 30% of exports. The contribution of SMEs is considerably higher in South Africa. The estimated 91% of the formal business entities in South Africa that are SMEs contribute 52–57% to GDP. In Ghana, SMEs are even more prominent in the local economy, representing about 92% of Ghanaian businesses and contributing about 70% to Ghana's GDP (Abor & Quartey 2010). Overall, statistics can sometimes mask the particular contribution

made by individual sectors. For example, in 2006/7, the contribution made by micro and small businesses to India's GDP was only around 6%. Even so, manufacturing SMEs accounted for around 40% of industrial output, and 40% of all exports (Ghatak, 2010). Similarly, the United States International Trade Commission (2010) reports that SMEs contributed roughly 50% of US private non-agricultural GDP in 2004, a share that had remained relatively stable from 1998 to 2004. The service sectors are by far the most important contributors, accounting for 79% of SMEs' contribution to GDP. When compared with larger businesses, SMEs' contribution to output tends to be lower per firm because they tend to be more labor intensive than larger firms and concentrated in service sectors. They therefore typically achieve lower levels of productivity, though they do contribute significantly to employment (Wymenga *et al*, 2011).

1.1.1.2 SMES and Employment

A World Bank survey of 47,745 businesses across 99 countries revealed that firms with between 5 and 250 employees accounted for 67% of the total permanent, full-time employment (Ayyagari *et al*. 2011). SMEs were also creating more jobs than large enterprises. Between 2002 and 2010, on average, 85% of total employment growth was attributable to SMEs (de Kok *et al*, 2011). Job creation is particularly important for countries that are plagued by high unemployment rates and in general for developing and emerging economies. SMEs are key providers of employment in such countries. In Morocco, for instance, SMEs account for 46% of employment, whereas SMEs in Bangladesh (here meaning enterprises with fewer than 100 employees) provide 58% of total employment. In Ecuador, private companies with fewer than 50 employees account for 55% of employment. South African SMEs contribute even more to employment, at about 61% of the total, while SMEs in Ghana provide over 80% of total employment (Abor & Quartey, 2010).

1.1.2 Regional Trends on SMES Competitiveness in Africa

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

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

Most enterprises in Egypt are very small. According to a census conducted in 1996 on different establishments (CAPMAS Establishment Census of 1996), there were 1,641,791 micro, small and medium enterprises (MSME), , i.e. 99,7 percent of the total number of non-agricultural establishments. Micro enterprises (one to four employees) represent the overwhelming majority with a share of 93.7 percent followed by small enterprises (five to nine employees) with 5.7 percent. The great majority of micro, small and medium enterprises (MSME) operate in trade and services (81.6 percent), while industry accounts for only 16.9 percent of total activities.

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

Libya, where oil accounted for 74.1 percent of GDP in 2006, has an economy that is not diversified and not very open to the private sector. While it is true that, for some years now, diversification has been a part of government programme and the private sector one of its vectors, the fabric of SMEs is only just budding. The private economic fabric in Libya remains largely dominated by micro enterprises, merchants and artisans. Almost 98.6 percent of Libyan enterprises are individual (fardi), family (usari) or cooperative (tasharuki) type, while the rest are joint ventures (musahama). In addition, a study conducted in 2003 shows that barely one-third of the enterprises registered declared their income statement in that year, suggesting that many of them are not actually in operation. The same study shows that the potential growth of the private sector depends on SMEs, especially considering that several fields of activity and opportunity are under-developed, particularly in the service industry. The General Information Authority shows that the number of SMEs

in 2007 accounted for 124, 738 units, primarily in commerce (72.9 percent), followed by services (13.1 percent) and industry (13.1 percent). These enterprises employ some 1,146,543 people, primarily in commerce and services (95.4 percent). By way of comparison, all the 1,716 major State-owned enterprises, operate primarily in industry (62.6 percent), construction (22.2 percent) and the hotel business (15.2 percent), and employ 76,432 people. This means that small-sized enterprises employ 93.8 percent of the total number of salaried employees.

I.1.3: Youth Enterprises in Kenya

The government of Kenya target which is in line with Vision 2030 aims at making sure that youth unemployment problem is solved. The Kenya's economic recovery strategy for wealth and employment creation recognizes the great role that Micro and Small Enterprise (MSE) sector play in wealth generation, employment creation and poverty reduction (GOK, 2003). Consequently, the government has put in place policies and promotional programs aimed at improving the Kenyan economy through promotion of Youth Enterprises (GOK, 1992; GOK, 1997 and GOK, 1999). Among these, the government has invested a lot in enhancing technical capabilities amongst its youth who are expected to start enterprises for self employment after graduation. These capabilities come in form of information and technical skills, managerial and institutional – that allow productive enterprises to utilize equipment and technology efficiently. The purpose of technology is to improve productivity of enterprises, and enhance the quality of goods produced by enterprises to help them with-stand local and international competition (ILO/UNDP, 2000). However, despite all these efforts, the competitiveness and growth prospects of youth enterprises fall below the levels required to meet challenges of increasing and changing basis for competition.

The Government of Kenya in its effort to support the youth established the Youth Enterprise Development Fund (YEDF) in 2006 which is channeled through financial intermediaries like banks and Sacco's. This fund aimed at providing youth with access to finance for self employment activities and business development services development. This is a strategic move towards arresting unemployment which is

virtually a youth problem. The funds targets all forms of youth enterprises owned individually, as a company, in groups, in cooperatives or any other legal forms of business ownership. The government set aside Kenya shillings One billion (Kshs. 1 billion) in the 2006/07 budget to fast-track this noble and timely initiative.

In response to this, many youth enterprises have been implemented in Murang'a County but some are not able to sustain themselves during and after implementation (YEDF guide, 2009). According to a report from the County Youth office (2013), 350 youth groups were registered and applied for the youth fund to start their income generating enterprises in Murang'a County in 2010 ranging from Kshs 50,000-250,000. The report further indicates that, some youth enterprises failed along the way after operating for one or two years. Some of the reasons advanced for their failure include, lack of growth plan, embezzlement of funds given, failure to diversify in terms of products and services, illiteracy of leaders and members of the youth groups. These ambitions by the government have triggered the need to explore the youth enterprises income generating enterprises and consequently their sustainability by enhancing competitive advantage through incorporating strategic options such as collaborative networks, innovative processes, product diversification and business development services in their operations.

1.2 Statement of the problem

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

A number of barriers constrain entrepreneurship growth of innovative SMEs, and hence impede the ability of economies to achieve full employment and economic growth. They include inappropriate framework conditions for entrepreneurship, barriers to SME access to international markets and knowledge flows, weak intellectual asset management and lack of entrepreneurial human capital (OECD 2010d). According to the Kenya National Bureau of Statistics (GOK, 2007), three out of five businesses fail within their first three years of operation. One of the most significant causes of failure is the negative perception towards SMEs (Bowen, Morara, & Muriithi, 2009) Amyx, 2005). Potential clients perceive the small business as lacking the ability to provide quality services and hence not trustworthy. Many of the problems faced by small businesses are centered on the owner/manager who runs the enterprise through personal experience, rather than relying on feedback mechanisms from other sources (Mbogo, 2011).

The overall research problem addressed in this study is that, although there has been a lot of funding from the Kenya government through the Youth Enterprise Development Fund and other sources, there is a clear gap between the financed youth enterprises and the competitive ones. This study sets out to examine the possible strategic management options youth enterprises can employ to achieve and sustain competitive advantage.

1.3 Objectives

1.3.1 General Objective

The main objective of this study was to assess effects of strategic management options on competitive advantage of youth enterprises in Kenya.

1.3.2 Specific Objectives

1. To identify the effect of collaborative networks in creating competitive advantage of youth enterprises in Kenya.

2. To establish effect of innovation through products and services value addition in creating competitive advantage of youth enterprises in Kenya.
3. To determine the effect of products and services diversification in creating competitive advantage of youth enterprises in Kenya.
4. To find out how business development services creates competitive advantage of youth enterprises in Kenya.

1.4 Research Hypotheses

H₀₁: Collaborative networks do not have a significant effect on competitive advantage of youth enterprises in Kenya.

H₀₂: Innovation through products and services value addition do not have significant effect on competitive advantage of youth enterprises in Kenya.

H₀₃: Products and service diversification do not have significant effect on competitive advantage of youth enterprises in Kenya.

H₀₄: Business development services do not have significant effect on competitive advantage of youth enterprises in Kenya.

1.5 Significance of the study

This study has both academia and practical implications.

Government

The government through her Ministries may be able to learn on how to adjust their policies at development and operational level in order to nurture competitive advantage in youth enterprises and SMES at large.

Donors and NGOS

Donors and Non Governmental Organizations dealing with youth empowerments may learn how to adjust their policies, funding and programmes to promote competitive advantage of youth enterprises. NGOs may learn the need to promote strong networks across youth enterprises handling similar enterprises.

Academia

This study provides an initial insight into the critical importance of firm-level innovativeness in achieving superior competitive advantages for youth enterprises. It gives entrepreneurs, scholars and researchers a solid foundation on which to build further research into this area.

Practitioner

Youth enterprises can adopt and apply the conceptual model presented here to enhance their competitiveness strategy. Innovation has been long recognized as a key factor in ensuring superior competitive advantages. Reverting back to firm that are valuable, rare, imperfectly imitable, and non-substitutable resources (VRIN) (Barney, 1991), provides the likelihood of innovativeness in ensuring superior and sustainable competitive advantages.

Hence, this research thesis contributes towards ongoing research efforts towards developing an implementable set of guidelines for youth enterprises about their choice of competitive strategy.

1.6 Scope of the study

This study focused on the effects of strategic management options on competitive advantage for youth enterprises in Kenya. A survey of youth enterprises in Murang'a County. The county has 350 active youth enterprises. 220 youth enterprises was used for this study which cuts across the seven sub - countys which makes up Murang'a County. These sub- counties are Kangema, Mathioya, Kiharu, Kigumo,Maragwa,

Kandara and Gatanga. The study population was chairpersons of youth enterprises in Murang'a County. Murang'a County was selected because the region have many active and operational youth enterprises as confirmed from county youth enterprise office in Murang,a.

1.7 Limitations of the study

The limitation of study included: inadequate finances; the researcher solved this by avoiding use of research assistants. Secondly is shortage of time; researcher solved this by avoiding break in operations; in addition some respondents thought that the research was going to benefit them financially therefore failed to respond to the questions in an honest manner, which mildly affected the result of study.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter reviewed the relevant theoretical and empirical literatures. It comprises of the conceptual framework, theories and models of competitive advantage and research gap.

2.2. Theoretical Framework

2.2.1 A Dynamic Capability Model of Firm-Level Innovativeness

The model (figure 2.1) is based on the seminal work of Eisenhardt and Martin (2000). It depicts the role of the dynamic capability-generating capacity of firm-level innovativeness on superior competitive advantages and performance. Working concurrently, “resources are the source of firm’s capabilities” and “capabilities are the main source of its competitive advantage” (Grant,1991). This means that relevant resources and capabilities must exist together in order to create a superior competitive advantage for the youth enterprises.

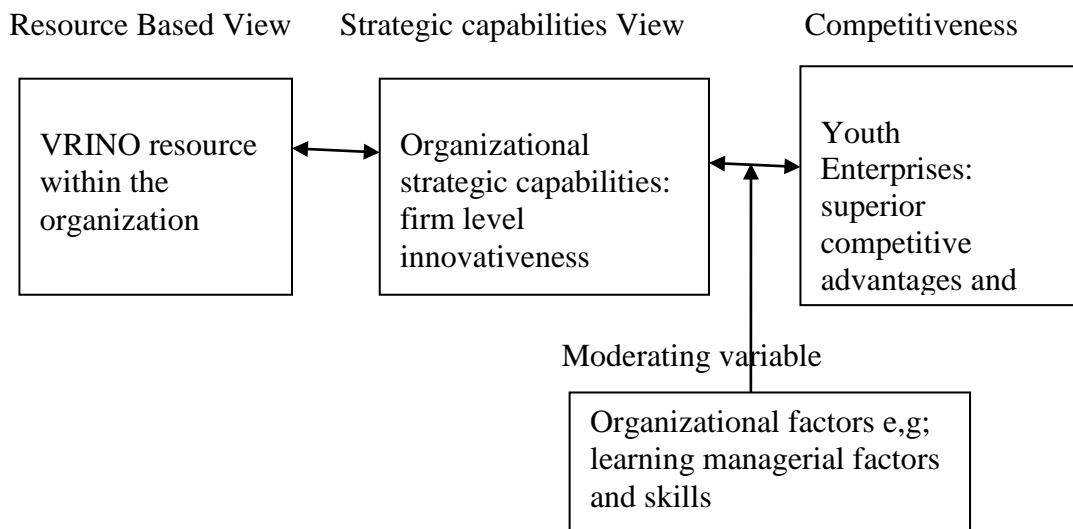


Figure 2.1: A Tentative Model of the Dynamic-Generating Capacity of Innovativeness on Youth enterprises for Competitiveness and Performance as Adopted from Eisenhardt and Martin (2000).

2.2.2 Resource Based View Theory

The resource-based view (RBV) is a model that sees resources as key to superior firm performance. If a resource exhibits VRIO attributes, the resource enables the firm to gain and sustain competitive advantage.” RBV is an approach to achieving competitive advantage that emerged in 1980s and 1990s, after the major works published by Wernerfelt, (“The Resource-Based View of the Firm”), Prahalad and Hamel (“The Core Competence of The Corporation”), Barney, (“Firm resources and sustained competitive advantage”) and others. The supporters of this view argue that organizations should look inside the company to find the sources of competitive advantage instead of looking at competitive environment for it.

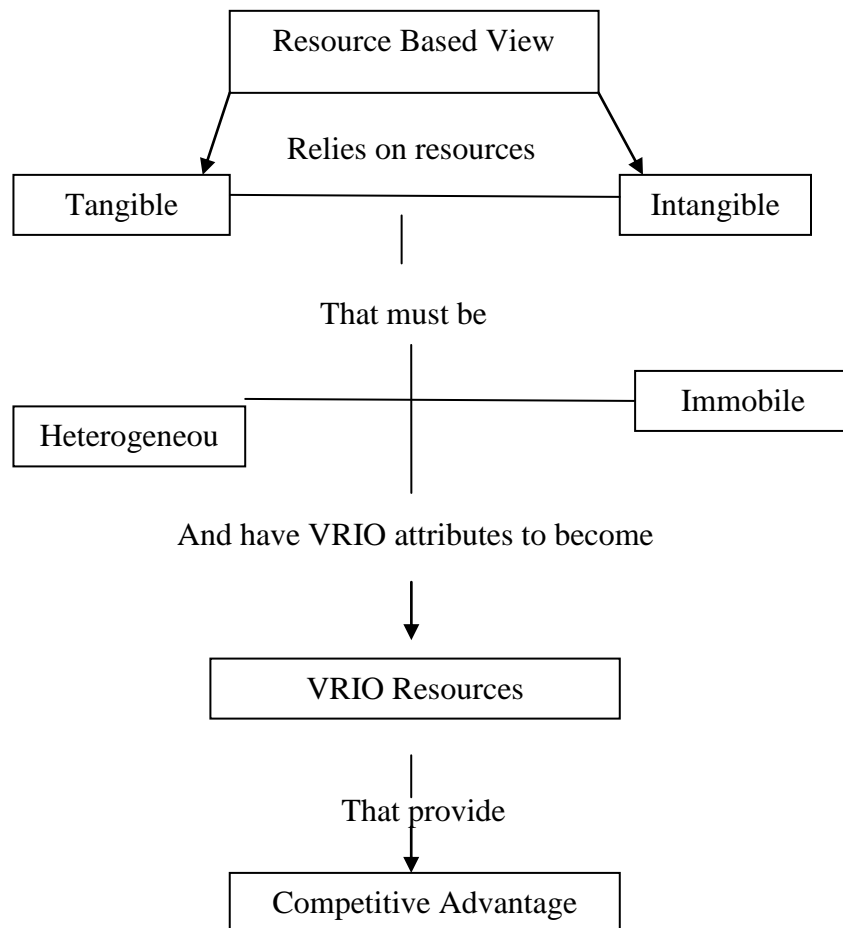


Figure 2.2: RBV model and emphases on the key points of it

According to RBV proponents, it is much more feasible to exploit external opportunities using existing resources in a new way rather than trying to acquire new skills for each different opportunity. In RBV model, resources are given the major role in helping companies to achieve higher organizational performance. There are two types of resources: tangible and intangible.

a) Tangible assets are physical things. Land, buildings, machinery, equipment and capital – all these assets are tangible. Physical resources can easily be bought in the

market so they confer little advantage to the companies in the long run because rivals can soon acquire the identical assets.

b) Intangible assets are everything else that has no physical presence but can still be owned by the company. Brand reputation, trademarks, intellectual property are all intangible assets. Unlike physical resources, brand reputation is built over a long time and is something that other companies cannot buy from the market. Intangible resources usually stay within a company and are the main source of sustainable competitive advantage.

The two critical assumptions of RBV are that resources must also be heterogeneous and immobile.

c) Heterogeneous. The first assumption is that skills, capabilities and other resources that organizations possess differ from one company to another. If organizations would have the same amount and mix of resources, they could not employ different strategies to outcompete each other. What one company would do, the other could simply follow and no competitive advantage could be achieved. This is the scenario of perfect competition, yet real world markets are far from perfectly competitive and some companies, which are exposed to the same external and competitive forces (same external conditions), are able to implement different strategies and outperform each other. Therefore, RBV assumes that companies achieve competitive advantage by using their different bundles of resources.

The competition between Apple Inc. and Samsung Electronics is a good example of how two companies that operate in the same industry and thus, are exposed to the same external forces, can achieve different organizational performance due to the difference in resources. Apple competes with Samsung in tablets and Smartphone's markets, where Apple sells its products and services and services at much higher prices and, as a result, reaps higher profit margins. Why does Samsung not follow the same strategy? Simply because Samsung does not have the same brand reputation or is capable to design user-friendly products and services and services like Apple does. (heterogeneous resources)

d) Immobile. The second assumption of RBV is that resources are not mobile and do not move from company to company, at least in short-run. Due to this immobility, companies cannot replicate rivals' resources and implement the same strategies. Intangible resources, such as brand equity, processes, knowledge or intellectual property are usually immobile.

Although, having heterogeneous and immobile resources is critical in achieving competitive advantage, it is not enough alone if the firm wants to sustain it. Barney (1991) has identified VRIN framework that examines if resources are valuable, rare, costly to imitate and non-substitutable. The resources and capabilities that answer yes to all the questions are the sustained competitive advantages.

The framework was later improved from VRIN to VRIO by adding the following question: "Is a company organized to exploit these resources?"

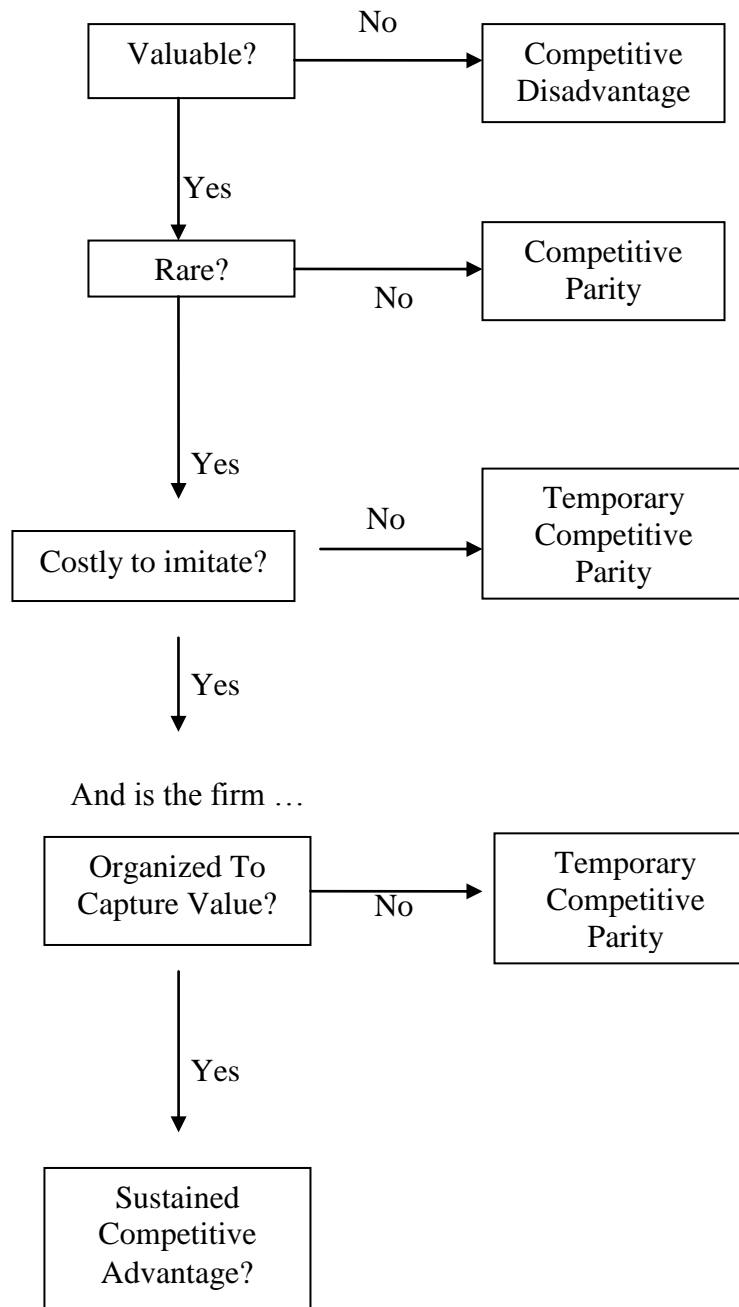


Figure 2.3: VRIO framework adopted from Rothaermel’s (2013) ‘Strategic Management’,

a) Question of Value. Resources are valuable if they help organizations to increase the value offered to the customers. This is done by increasing differentiation or/and

decreasing the costs of the production. The resources that cannot meet this condition, lead to competitive disadvantage.

b) Question of Rarity. Resources that can only be acquired by one or few companies are considered rare. When more than few companies have the same resource or capability, it results in competitive parity.

c) Question of Imitability. A company that has valuable and rare resource can achieve at least temporary competitive advantage. However, the resource must also be costly to imitate or to substitute for a rival, if a company wants to achieve sustained competitive advantage.

d) Question of Organization. The resources itself do not confer any advantage for a company if it's not organized to capture the value from them. Only the firm that is capable to exploit the valuable, rare and imitable resources can achieve sustained competitive advantage.

2.2.3 Porters Five Forces Model

The Porter's Five Forces tool is a simple but powerful tool for understanding where power lies in a business situation. This is useful, because it helps enterprise understand both the strength of the current competitive position, and the strength of a position enterprise is considering moving into. With a clear understanding of where power lies, an enterprise can take fair advantage of a situation of strength, improve a situation of weakness, and avoid taking wrong steps. This makes it an important part of enterprise planning toolkit.

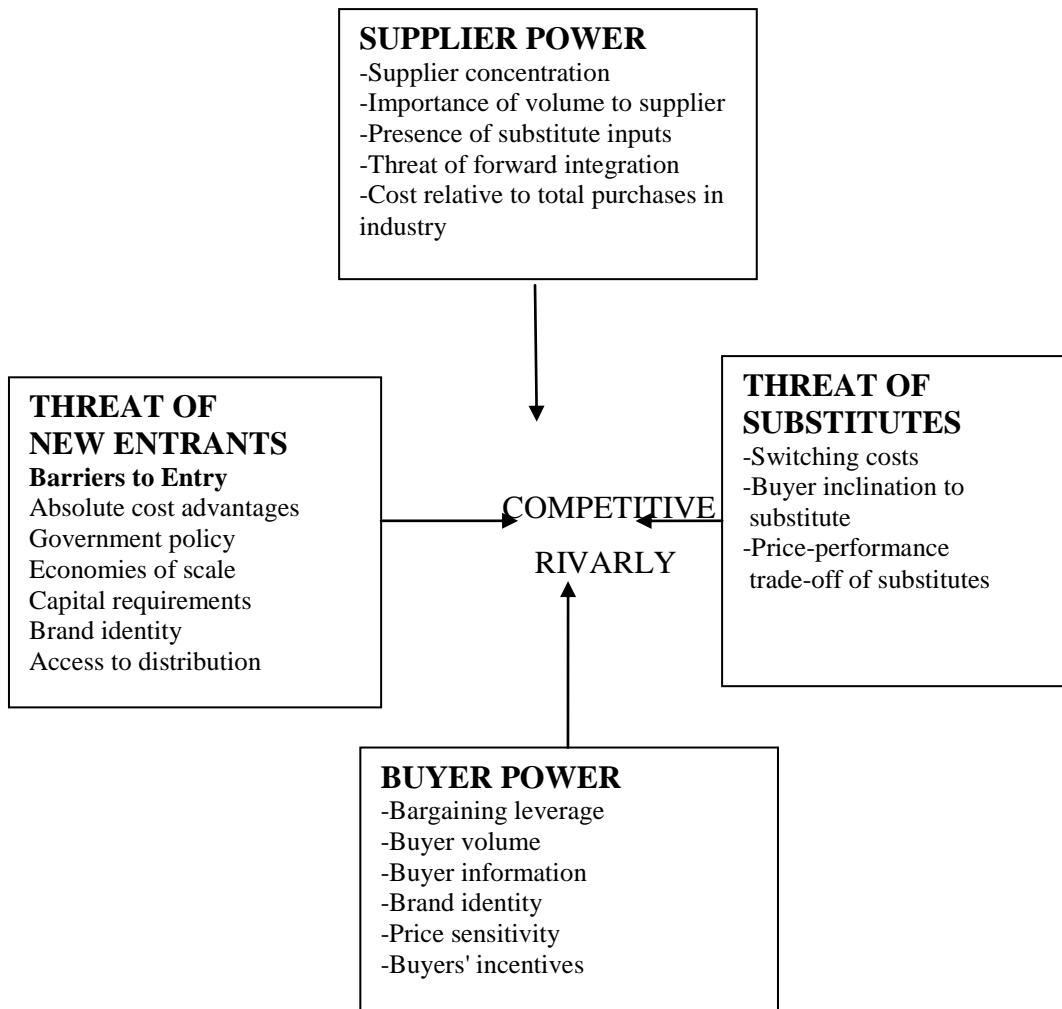


Fig 2.4: Porters Five Forces Model

a) Supplier Power: Here you assess how easy it is for suppliers to drive up prices. This is driven by the number of suppliers of each key input, the uniqueness of their product or service, their strength and control over you, the cost of switching from one to another, and so on. The fewer the supplier choices you have, and the more you need suppliers' help, the more powerful your suppliers are.

b) Buyer Power: Here you ask yourself how easy it is for buyers to drive prices down. Again, this is driven by the number of buyers, the importance of each individual buyer to your business, the cost to them of switching from your products

and services to those of someone else, and so on. If you deal with few, powerful buyers, then they are often able to dictate terms to you.

c) Competitive Rivalry: What is important here is the number and capability of your competitors. If you have many competitors, and they offer equally attractive products and services, then you will most likely have little power in the situation, because suppliers and buyers will go elsewhere if they do not get a good deal from you. On the other hand, if no-one else can do what you do, then you can often have tremendous strength.

d) Threat of Substitution: This is affected by the ability of your customers to find a different way of doing what you do – for example, if you supply a unique software product that automates an important process, people may substitute by doing the process manually or by outsourcing it. If substitution is easy and substitution is viable, then this weakens your power.

C) Threat of New Entry: Power is also affected by the ability of people to enter your market. If it costs little in time or money to enter your market and compete effectively, if there are few economies of scale in place, or if you have little protection for your key technologies, then new competitors can quickly enter your market and weaken your position. If you have strong and durable barriers to entry, then you can preserve a favorable position and take fair advantage of it.

2.2.4: Ansoff's model

One way of analyzing the various strategies that an organization may use to grow the business is with Igor Ansoff's (1965) matrix. This considers the opportunities of offering existing and new products and services within existing and/or new markets and the levels of risk associated with each. By lowering costs, an organization increases its profitability and becomes more competitive. One way of analyzing the various strategies that an organization may use to grow the business is with Igor Ansoff's (1965) matrix. This considers the opportunities of offering existing and new

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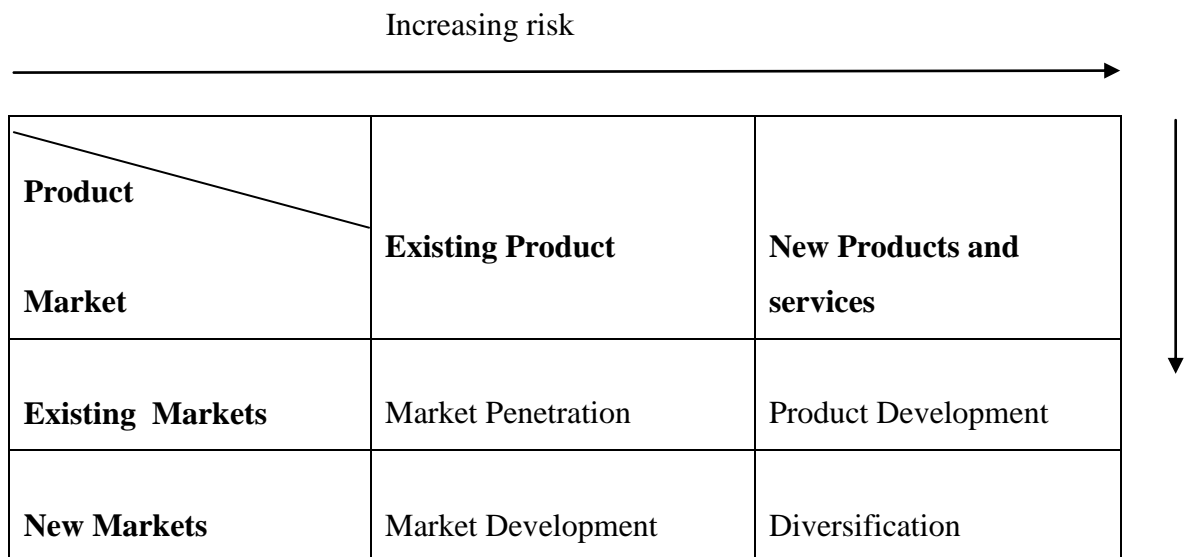


Figure 2.5: Ansoff’s Model

Ansoff’s matrix suggests four alternative marketing strategies: Market penetration - involves selling more established products and services into existing markets, often by increased promotion or price reductions or better routes to market; Product development - involves developing new products and services and placing them into existing markets; Market development - entails taking existing products and services and selling them in new markets. And Diversification - involves developing new products and services and putting them into new markets at the same time. Diversification is considered the most risky strategy. This is because the business is expanding into areas outside its core activities and experience as well as targeting a new audience. It also has to bear the costs of new product development.

According to Easton (2003), theories can be classified according to their scope, function, structure and levels. Several theories and models have been put forward by scholars to explain the field of competitive advantage strategies. The relationship drawn by these theories and models is reflected in this section of the literature concerning strategic option for competitive advantage for youth enterprises. Strategic management is largely associated with the large corporation and most of the

theories associated with the subject have been developed for large firms. Small firms are generally owned and led by owner managers who make strategic decisions based more on pragmatic intuition than academic principles (Ennis 1998). This intuitive pragmatic nature of strategy development in small firms is characterized by the absence of formal planning within this type of company. It has been argued that entrepreneurs do not plan because they lack the knowledge, confidence or skills to do so (Posner 1985). While the lack of formal planning within small firms is recognized, the importance of strategic awareness and personal commitment from the entrepreneur is viewed as having the potential to serve as a counterweight (Gibb & Scott 1985). The possession of a strategic plan has been advocated as important to the success of small firms, particularly to outline the strategic direction of the firm, coordinate action and assist in achieving goals (Sandberg, Robinson & Pearce 2001). Research into the relationship between formal strategic planning and financial performance has been unable to offer conclusive support to the benefits of such activity (Freeman & Robinson 1987), although it has suggested that strategic planning is appropriate for both large and small firms (Schwenk & Shrader 1993).

Formal strategic management practice, such as business planning, has been found to assist start-up firms (Castrogiovanni 1996), and small firms engaged in periods of rapid growth. Longitudinal research has also found that failure rates among small firms that engage in formal strategic planning behavior is lower than those that do not (Sexton & Van Auken 1985). It appears that what is important to the small firm is the sophistication of the strategic management practice it undertakes, rather than whether or not the firm's owner-manager has a plan or engages in planning (Rue & Ibrahim 1998). Higher growth rates have been found among owner-managers who adopt more sophisticated strategic management behavior than those with a more informal or intuitive approach (Lyles, Baird, Orris & Kuratko Centre for Entrepreneurial Management and Innovation 1993). It could be argued that growth within the small firm forces the owner-manager to adopt more formal strategic management behavior due to the increasing complexity of the firm's operations (Bracker & Pearson 1986),

however, evidence suggests that formal strategic management behavior is advantageous to small firms experiencing growth (Robinson 1983).

2.2.5 Strategic Theory to the Small Firm

There are many theories relating to strategic management practice, at least nine distinct ‘schools’ of thought have been identified (Mintzberg, Ahlstrand & Lampel 1998). While most of these theories have been developed from the experience of large firms it is possible to relate them to the small firm to evaluate how useful they are likely to be to owner-managers. Research being undertaken by researchers into the strategic orientation of small business owners has gathered case studies of owner-managers who have experience significant growth in their firms over time.

Among the earliest perspectives of strategic management was its function as a process of determining the firm’s long-term objectives and goals while deciding how to allocate resources and take actions to achieve these goals. This “design school” (Mintzberg, Ahlstrand & Lampel 1998) suggests that organizational structure should be aligned with strategy leading to the equation: ‘strategy = structure.’ The CEO of the firm plays the role of the ‘architect of organizational purpose’ who must become sufficiently detached from daily work roles to develop long-term aims and ensure that the firm remained on track and not subject to ‘strategic drift’ (Andrews 1999). For small firms experiencing rapid growth the ability keep structure in balance with strategic direction is difficult. During their periods of expansion each of the case study firms experienced significant growth in both employee numbers and organization. For example, Manufacture was established as a pre-press business. It grew by acquiring an established printing firm, adding warehousing, graphic design, and web site development and sales divisions. Recent expansion has also been via acquisition and merger. Manufacturer also expanded through acquisition of rival firms until it controlled around 80 per cent of its domestic market. However, a major challenge for small firms engaged in expansion strategies is the ability to forecast

long-term aims due to the highly dynamic nature of their growth path and the entrepreneurial nature of the firm's management.

a) Product-Market growth

The ability of firms to plan strategic growth options has been addressed by a 'planning school' of strategic management theories (Mintzberg & Lampel 1999). An important theoretical framework is the idea that growth is a process of product or market expansion. Firms can launch into new markets with existing products and services (e.g. export), or grow established markets by offering new products and services. Where a firm launches a new product into a new market – diversification strategy – a higher level of potential risk is created because the firm is operating outside its known boundaries. Firm's seeking such growth should understand what assets provide them with competitive advantage, and how best to fit new and existing product-market activities together to achieve 'synergy'. Such firms need a good understanding of the needs of the market, product or service technology and market geography in order to gain competitive advantage (Ansoff 1987). It has been argued that small firms should seek growth via product or market development rather than diversification (Watts, Cope & Hulme 1998). By contrast diversification increases risk levels and may over stretch internal resources. Among the case study firms growth strategies involving the development of either established markets with new products and services or new markets with established products and services took place in conjunction with diversification strategies

b) Competitive Positioning

The 'positioning school' of corporate strategy seeks to find the most appropriate placement for the firm's products and services into targeted markets (Mintzberg 1998). Achieving competitive advantage is a process of knowing which products and services should be retained as cash cows, which should be supported for future growth and which should be withdrawn so as to allocate scarce resources to the rest (Hatten & Schendel 1977; Henderson 1984). Firms seeking to achieve a competitive position in a market must find either a way to reduce

operating costs and become the lowest cost producer, or add value to product or service offerings so as to differentiate against the competition (Porter 1980). Environmental scanning and adaptation to the needs of the market are therefore important aspects of the successful position of firms for competitive advantage (Porter 1991).

c) Competing on Resources

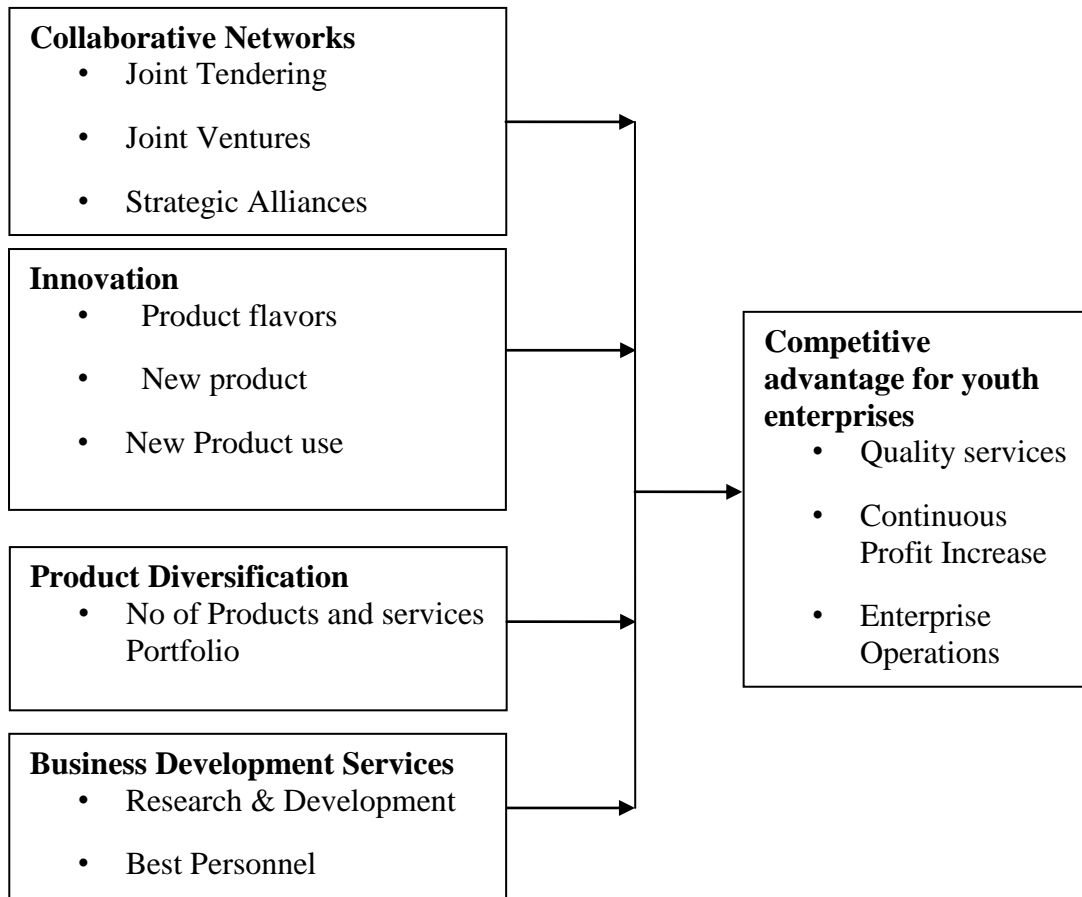
The resource-based theories of strategic management suggest that firms should look inward at their resources and ensure that they match their strategies against their skills, resources and abilities (Grant 1991). Of particular importance is the ability of the firm to identify its 'core competencies' (Prahalad & Hamel 1990), which can be both tangible and intangible but offer superior outcomes over what might be available to competitors (Reed & DeFillippi 1990). For resources to be a source of competitive advantage they should be of commercial value, not available to competitors, not easily substituted by customers and difficult for competitors to easily copy (Barney 1986). A core competence should enable the firm to enter new markets or add significant value to the attractiveness of the firm's products and services (Prahalad & Hamel 1990).

Effective strategic management has been described as a process of developing clear, decisive objectives, maintaining the initiative, concentrating resources for best effect, remaining flexible in the face of change, and applying coordinated and committed leadership (Quinn 1999). Most strategic planning processes involve defining a clear vision and mission to assist in guiding the firm toward its final goals (Proctor 1997). This process of setting a clear sense of focus and direction has been described as determining the 'strategic intent' of the firm (Hamel & Prahalad 1989). This process provides a durable framework to guide strategic action and assist in leading change. Determining the corporate mission usually involves consideration of the strategic direction being taken by the firm's management, the concerns of stakeholders and the critical success factors required fulfilling the goals (Strong 1997). The possession of a formal mission or vision statement has not been found to directly impact on the performance of small firms (O'Gorman & Doran 1999).

d) Learning by Doing

Despite the best market analysis, resource assessments and planning the ability to accurately determine how a particular strategy is likely to unfold is limited. The 'learning school' of strategic management (Mintzberg 1998) sees strategic management as a process in which the firm's management engages in an incremental learning by doing. Flexibility is of significant importance in which the firm seeks to stretch and leverage its limited resources to achieve plans that may change in detail, even if the general strategy remains consistent (Hamel & Prahalad 1993). The dynamic nature of contemporary markets makes it unlikely that firm's will be able to formulate detailed strategic plans and then implement them within modification. The reality is frequently one in which the firm's management is engaged in 'controlled chaos' using judgment and intuition to craft strategy, frequently following emergent opportunities that had not been foreseen at the commencement of the process (Mintzberg 1987). Frequently the success of small entrepreneurial firms is likely to be dependent on their ability to revolutionize their markets or industries (Hamel 1996). Innovation and the ability to learn faster than the competition are viewed as the key to successful strategic competition (Hamel 1998).

2.3 Conceptual Framework



Independent variables

Independent variables

Dependent Variable

Dependent Variables

Figure 2.4: Conceptual framework as adopted from Eisenhardt & Martin (2000), Porter's (1990) and Ansoff (1965) model.

Collaborative networks: Refers to an arrangement between distinct but related organizations that through their mutual cooperation gain or sustain competitive advantage with regard to their competitors outside the network. This leads to small firm growth through promoting products under one brand, expanding market share, gaining industry acceptance for a technical standard, by taking on a variety of forms like joint bidding, R&D consortia, production joint ventures etc (Gomes – Casseres, 2004).

Innovation: Refers to firm's ability to exceed routine thinking process, which involves going beyond the obvious to discover newness (Wang & Ahmed 2004). The logic underpinning this reasoning is that youth enterprises long – term survival may rely on overall enterprise – level innovation that produces strategic capabilities.

Product Diversification: Firms can launch into new markets with existing products, or grow established markets by offering new products and services (Ansoff 1987).

Business development services: This will enable youth enterprises to sense and shape opportunities and threats, to seize opportunities and to maintain competitiveness through enhancing, combining, protecting, and when necessary, reconfiguring the enterprise's intangible and tangible assets (Bowman & Ambrosini 2003).

2.4 Empirical Literature Review

This section looks into the existing literature on the effects of collaborative networks, innovation, product diversification and business development services on sustainable competitive advantage of youth enterprises.

2.4.1 Collaborative networks and Competitive Advantage

Literature defines strategic networks of small and medium sized enterprises in many ways. Jarillo (1988) defines the term strategic networks as an arrangement between distinct but related organizations that through their mutual cooperation gain or sustain competitive advantage with regard to their competitors outside the network. These inter firm network organizations are characterized by a special kind of relationship, a certain degree of reflexivity and logic of exchange that operates differently from that of markets and hierarchies. Human and Provan (1997) suggested that strategic SME networks could be defined as intentionally formed groups of small and medium sized companies in which the firms are geographically proximate, operate within the same industry, potentially sharing inputs and outputs, and undertake direct interactions with each other for specific business outcomes. The fact that the firms are close to each other means that they can combine core

competence and resources to accomplish organizational objectives that would otherwise be difficult or impossible.

Purpose of strategic SME networks is to create a forum for direct and joint business activity among membership firms as well as indirect services such as lobbying. Strategic SME networks enable members to contribute inputs and also benefit outputs from one another. Firms in these networks share competence and resources so that each firm can reach goals through participation. Therefore, cooperation and relations are fundamental for value creation, i.e. competitiveness (Human & Provan, 1997). Strategic SME networks have two important functions. For customers, the strategic SME network represents a large company that provide complex products and services, and for membership firms on the other hand, network represents a place where learning and resource exchange can be used for development, innovation, and strategic renewal (Mezegar, Kovacs & Paganelli, 2000). Therefore, one function of the network can be seen as an interaction between the network and outside environment and the other one as a close interaction between membership firms.

In his work Treziovski (2003) by synthesizing the literature reveals some of the most important networking practices that are significantly associated with an effectiveness of strategic SME networks. They are as follows: Product/service is produced by mutual assets of several firms located at key points of the value chain. Network members share information, cooperate with each other, customize their product or service, and demonstrate goodwill and trustworthiness. Network members provide a unique response to the need of its value chain partners, by which is reflecting the firm's distinctive competences. Voluntary behavior that improves the final product or service is expected from network participation rather than simply fulfilling a contractual obligation. Networks learn to operate without exclusionary behaviors and to compete without seeking unfair advantage.

Better and closer relationships with suppliers and customers can contribute strongly to a company's performance across a range of areas such as costs, quality, reliability and timeliness of input delivery. Structures, cultures and procedures that encourage dynamic change, flexibility and knowledge sharing across functional areas have to be

included in organizational strategies. Organizations are potentially unable to realize the possible strategic benefits of information technology if they do not have internal systems integration, thus limiting the transfer of data across functions. When comparing SME networks to other types of inter-organizational arrangements like joint ventures, federations, and trade associations it could be said that they very much conceptually differ among each other. Creation of SME networks generally occurs in order to provide a place for joint business activities among multiple network members as well as additional indirect services that the membership includes. Firms remain independent while working together for mutual objectives. Therefore, SME networks pursue organizational objectives through coordinated interactions of many individual firms. Joint ventures typically pursue the objectives of two organizations through creation of a separately managed venture (Human & Provan, 1997).

a) Types of SME networks

Strategic SME networks literature provides similar concepts of cooperation between small and medium sized enterprises such as clusters, industrial districts, alliance constellations and virtual organizations. Therefore, the distinction between these concepts needs to be addressed so that the meaning of strategic SME networks could be more comprehensive. A cluster is defined as a sectoral and geographical concentration of competing, complementary, or interdependent enterprises and industries that do business with each other and/or have common needs for talent, technology, and infrastructure. The firms included in the cluster may be both competitive and cooperative. They may compete directly with some members of the cluster, purchase inputs from other cluster members, and rely on the services of other cluster firms in the operation of their business. Cluster members benefit from their collaboration in the sense that it helps them to specialize, to attract a pool of specialized workers, availability of inputs, fast exchange of new and innovative ideas, access distant markets, etc (Van Winden & Woets, 2003).

Industrial district is a region where the business structure is comprised of small locally owned firms that make investment and production decisions locally. Scale economies are relatively low, preventing the rise of large firms. Within the district,

substantial trade is transacted by long-term contracts or commitments between buyers and sellers. An industrial district emerges when a cluster develops more than specialization and divisions of labor between firms; the emergence of collaboration among local economic groups within the districts, enhancing local production and sometimes innovation capability and the emergence of strong sectoral associations (Rabelloti, 1995). Alliance constellation is a set of firms that cooperate with each other in a multilateral relationship and also competes in a particular competitive domain. The firm relationships are looser than if they were merged through some kind of ownership structure, but tighter than if the firm's would have only short-term transactions among each other. Therefore, alliance constellation is a strategic alliance of firms that share common goals, such as promoting products and services under one brand, expanding market share, gaining industry acceptance for a technical standard, by taking on a variety of forms like joint bidding, R&D consortia, production joint-ventures, co-marketing network, etc (Gomes-Casseres, 2004).

A virtual organization is a network of independent companies, suppliers, customers, competitors, linked by information technology to share skills, costs, and access to one another's markets. Such organizations are usually temporary (but not need to be) formed on the basis of a cooperative agreement with little or no hierarchy or vertical integration. Members sustain their legal autonomy but they approach the market as a unique legal entity with the relationships based on trust, mutual understanding and agreements, joint information systems and data bases. This flexible structure minimizes the impact of the agreement on the participants' individual organizations and facilitates adding new participants with new skills and resources. Usage of information technologies allows the communication, synchronization of all business activities and transfer of needed information between the members, therefore business activities in virtual organizations is not dependent on geographical proximity (Kolakovic, 2006). Therefore, the distinction between different presented concepts of SMEs cooperation and strategic SME network can be easily seen in the sense that clusters and industrial districts are geographically determinate while that does not has to be the case with strategic SME networks. Virtual organizations are mostly short-term relationships among firms while SME network partnerships are

long-term oriented. Also, alliance constellations present cooperation between SMEs but could include a large firms also, while strategic networks refer only to interrelations among small and medium sized firms.

b) Networking effects on the SME behavior (pros and cons)

Much of the literature and research consider that entrepreneurs purposefully engage in networking activities in order to gain a competitive advantage which implies that network participation offers an array of advantages. Jarillo (1993) and Castells (1996) state that network participation allows greater flexibility for seizing business opportunities, faster reactions and partnerships with other firms with complementary strengths and capabilities. Brusco and Righi (1989) and Lorenzoni and Ornati (1988) confirm the importance of environmental factors for small firm growth through networks. Also, networks play an important role concerning innovations due to a strong international competition and rapid technological development that pushes firms in producing new products and services, developing new processes and accessing new markets. Therefore, participation in a network enables a firm to concentrate on its core capabilities, and provides access to other firm's resources (such as specific know-how, technology, financial means, products and services, assets, markets etc.) which in turn help them to improve their competitive position.

However, Biemans (1992) states that participation in networks also generates some disadvantages such as increased dependency for weaker partners and the associated dominance of the stronger, higher co-ordination costs, increased management time, and the potential loss of secrecy over innovative developments. Human and Provan (2000) research points out that when participating in an SME network and when operating with partly independent members that can be competitors, membership firms face external challenges such as free riding, opportunism, and uncertainty of outcomes. Also, firms are faced with a variety of limitations in their behavior mostly because micro and small firms work together with larger firm, medium sized in this context, whose size determines the behavior inside as well as outside SME networks, thereby creating implications both on the network-level and on firm-level, i.e. firm's performance.

2.4.2 Innovation and SMES Competitiveness

In recent years, academics have started to view innovation not at a micro/product-level but as a macro/firm-level perspective (Siguaw et al., 2006). The main premise underlying this new trend is that the defining factor of long-term survival through innovation appears to be based not on specific, discrete innovations, but rather on an overarching, organization-wide innovation capability structure, termed “innovativeness” (Trott, 1998). The logic underpinning this reasoning is that a youth enterprise long-term survival may rely more on overall enterprise-level innovativeness that produces strategic capabilities which in turn enhances the development of innovations, and less on the actual innovations themselves (Trott, 1998). For Menguc & Auh (2006), it is this idiosyncratic aspect that encapsulates the difference between innovation and innovativeness. Innovation is typically defined as an outcome-oriented measure, such as “new product success” (Ayers et al., 1997); while innovativeness is recognized as a contextual variable representing the firm-level orientation or inclination towards innovation (Menguc & Auch, 2006; Hurley & Hult, 1998).

At present, the innovativeness literature represents many different definitions and conceptualizations from various researchers and research disciplines. For some, innovativeness refers to a firm's proclivity, receptivity, and inclination to adopt ideas that depart from the status quo (Hurley & Hult, 1998). For others, it is the firm's willingness to forgo old habits and try new, untested ideas (Menguc & Auh, 2006). Wang & Ahmed (2004) define innovativeness as a firm's ability to exceed routine thinking process, which involves going beyond the obvious to discover newness (Avlonitis et al., 2001). Hurley & Hult (1998: 44) view innovativeness as “the ability of the organization to adopt or implement new ideas, processes, or products and services successfully”; treated as a “cultural precursor” that provides the “social capital” to facilitate innovative behavior (Hurley et al., 2005). Likewise, Hult et al. (2004) rationalize innovativeness as a firm's capacity to introduce new processes, products and services, or ideas in the organization. Firm-level innovativeness can also be defined as:—“An organization-

wide strategic mindset and attitude towards innovation possessed to some degree by all firms; composed of an embedded cultural willingness, propensity, receptivity, market responsiveness, commitment, intention, and technological capacity to engage in risky behavior and to rapidly incorporate change in business practices through the [early] creation and/or adoption of new ideas that facilitates innovation and delivers a superior competitive advantage” (Walsh et al., 2009).

The Moderating Role of Firm-Level Innovativeness in Achieving Superior Competitive Advantage Capabilities is distinctive, unique, and intangible dimensions of an organization. For Menguc & Auh (2006), innovativeness is a distinctive firm-level competency since it is rare, valuable, and hard-to-copy; which cannot be easily accomplished overnight. Innovativeness is an embedded aspect of the firm’s social structure (and culture) of the firm (Lado & Wilson, 1994). Eisenhardt & Martin (2000) argue that a firm that possesses the ability to be nimble, change quickly, and to be alert to changes in the environment (attributes of innovativeness), and thus apply its strategic capabilities sooner and more strategically than competitors, will be better able to adapt more quickly and easily to changing market conditions, and thus create a superior competitive advantage. Indeed, a more innovative, or innovation capable, organization is one that has the ability to build and deploy distinctive resources faster than others (Winter, 2003). In essence, an innovative firm is a proactive firm that constantly explores new market opportunities instead of exploiting existing ones (Menguc & Auch, 2006). Innovativeness, characterized by a high degree of organizational flexibility and the active and effective implementation of new organizational strategies and practices, enhances productivity and enables firms to match their asset base to the requirements of a changing business environment.

2.4.3 Product Diversification and Competitive Advantage of SMEs

Many of the current organizations in the world are moving toward expanding and improving their business environment. One of the reasons may be meeting customers’ multiple needs. By meeting costumers’ multiple needs, managers attempt to make them more loyal to their organizations. For this reason and other technical

ones such as raw material procurement and the final product's distribution system inside organizations, many organizations have decided the diversification strategy. Diversification strategies can influence the competitive balance in an industry. In diversity analysis, there are two key elements including risk and output. One way to reduce risks is to diversify investments. Investment companies reduce risks by investing in different assets and forming a portfolio. According to Hall (1995), diversity is a kind of strategy which is often used for expanding the company's market or increasing sales and profits. According to Nayyar (1992), enterprises have diversity if they work simultaneously in more than one business. So, the diversity strategy can be defined as "the extent of participating in different businesses and the main model of relationships among different business of the companies.

According to Rowe et.al, (1997) & Qian (2002), diversity can be classified into two; namely related diversity and unrelated diversity. The related diversity is reached when an enterprise has different business units which are related to each other in some ways (for example: similar businesses). In this kind of diversity, the units are common. Or they are jointly used by related businesses in that enterprise. Overall, there are tangible and intangible relationships among different business units. The related diversity leads to the reciprocal transfer of information between organization managers and department managers. It causes organization managers in organizations with related diversity compared to organizations with unrelated one, to have more information about their department managers (Rowe *et.al.*, 1998). In the unrelated diversity, an enterprise is diversified in the areas that have little similarities to each other. Overall, this kind of diversity causes enterprises to collect cash flows from departments and reallocate them to the departments [Rove et al. 1997]. In other words, the unrelated diversity strategy is the result of diversification among different industries (Qian G 2002). According to Kochart & Hit (1998), the difference between related and unrelated diversity is exactly connected to the sources of assets available to the company. Existence of special assets, especially assets which have tactic natures, will lead more to the related diversity than the unrelated one. Enterprises with a high amount of intangible assets (special and non-flexible assets) attempt to invest these sources in their related activities.

SMEs can diversify through various way namely; new investments in similar products and services, investments which lead to the vertical integration of complementary activities. This integration may forward or backward. Third, investments which lead to the globalization through increasing the participation in foreign markets and similar products or services and lastly investments which lead to the formation of intangible assets like marketing knowledge, patented technology, product differentiation, and management capability. It is believed that diversity is a tool to expand an enterprise borders toward addressing the coordination problems in some markets and strategies which connect enterprises in terms of consumers and suppliers. Another function of diversity, especially the unrelated diversity is to achieve a proper tool to manage risks. This issue emerges in the financial incentive to create diversity (Hall 1995)

2.4.4 Business Development Services and Competitive Advantage

Entrepreneurship involves identifying and exploiting entrepreneurial opportunities. However, to create the most value entrepreneurial firms also need to act strategically. This calls for an integration of entrepreneurial and strategic thinking as opined Helsinki,et al, (2009). Many SMEs, particularly in the developing countries face monumental challenges. Despite the lofty objectives of policies and practitioners, the results from SME programmes and policies are often disappointing and the potential contributions that vigorous small-scale industry could make to development programs are not realised (Lebell, Schultz, & Weston, 1974).

Small firms are deemed to be “organic” to the extent that their strategy, structure, and culture are embodied by their owner-managers. The primary goals and characteristics of entrepreneurs are thus crucial in determining the firm’s level of innovation and orientation toward product novelty and technological sophistication (Miller, 1993). In this regard, studies have shown that the previously acquired knowledge and experience of small business owners condition their managerial behaviour (Thong, 1999). In addition, a key component in the small firm’s learning

experience is the owner-manager's individual learning (Riemenschneider & Mykytyn, 2000). Domain-specific knowledge that comes with experience in a specific business sector as well as the general knowledge obtained from a higher education would thus influence the entrepreneur's awareness of the various organizational development practices to be assimilated and integrated by the organization.

Business development services are very important to a SME. The skills help to bring growth which is also associated with new challenges and development opportunities which affect the employees (Hamel & Prahalad, 2002; Wiklund et al, 2003; Ghoshal et al, 2000). The environment in which the organization operates poses challenges depending on the industry life cycle and industry structure; but market growth does not necessarily lead to growth of small organizations (Morris, 2001). David & Edward, (2011) conducted a research on the impact of entrepreneurs' personal characteristic on their firm's performance using data collected to survey owners and senior managers of small- to medium-sized Canadian manufacturing companies. Mediation relationships were tested with hierarchical regression analyses. It was found that entrepreneurs' personal characteristics, such as need for achievement, need for cognition, and internal locus of control, have positive influences on firm performance. Furthermore, it was demonstrated that their strategic orientations mediated these influences. The data indicate that entrepreneurs with higher levels of internal locus of control are more likely to adopt an entrepreneurial orientation than a market orientation. The study helps to better understand why entrepreneurs make different strategic decisions under seemingly similar competitive environments. The findings suggest that entrepreneurs do not simply react mechanically to external environmental changes. Instead, how they seek and interpret information and formulate organizational strategies is partially influenced by their personal characteristics. Entrepreneurs develop their own ways of utilizing the human capital that they bring to their firms. The contingency perspective explains the decisions and actions under a given opportunity depending on the circumstance. The core characteristic of small scale is the characteristic of the firm and does not only deal with economy of scale in production or operation but also involve marketing.

According to Akande (2012) as the small organization grows the entrepreneur need to delegate more, build additional layers of hierarchy, establish formal systems and procedures for planning, coordination and control, create a structure communication system and make knowledge more explicit and less tacit. Innovation exploits the strength of motivated management and labour to survive in harsh times. Small organizations are relatively strong in inventions aimed at application of basic technologies to serve the small niche or residual markets. This exploits the potential flexibility and closeness to the customers. They possess skills to translate technology to a variety of new technology-product-market combination (Nooteboom, 2002). Entrepreneurship and strategic management are concerned with growth and wealth creation (Amit & Zott, 2001; Hitt, *et al* 2001, 2002; Morris, 2001).

The DCV is the evolutionary and complementary version of the resource-based view (RBV) (Bowman & Ambrosini, 2003), used as an alternative approach for understanding how and why firms can create a sustainable competitive advantage, and what makes some firms more competitive than others. Business development services are built through strategic capabilities. Numerous but similar definitions of “strategic capabilities” exist throughout the strategic management literature, which successfully capture the key components of this theory. The original definition proposed by Teece *et al*, (1997) refers to strategic capabilities as “the firm’s ability to integrate, build, and reconfigure internal and external competencies to address rapidly changing environments”. Teece *et al*. (1997) definition considers strategic capabilities as the driver of a firm’s competitive advantage by means of converting and reconfiguring organizational strategic resources and competences in response to changing market conditions and environmental turbulence and instability. Teece *et al* further argues that conceptualization is noteworthy because it tends to focus mainly on the firm’s ability to learn and evolve (Lei *et al.*, 1996) - key aspects of an innovative firm (Hurley & Hult, 1998).

Since its inception, the dynamic capabilities concept has become the subject of increased research attention (Zollo & Winter, 2002), with ensuing studies expanding and refining the original definition. In what is considered to be a major

contribution, apart from that of Teece *et al.* (1997), Eisenhardt & Martin (2000) define dynamic capabilities as “the firm’s processes that use resources...to match and even create market change”. Helfat & Peteraf (2003) conceptualize strategic capabilities in terms of “adaptation and change”, due to their ability to “build, integrate, and reconfigure other resources and capabilities”. Bowman & Ambrosini (2003) regard dynamic capabilities as the firm’s ability to renew its existing resources in response to environmental changes. Zollo & Winter (2002) focus on the notion of organizational learning as a source of dynamic capability, which they defined as “a learned and stable pattern of collective activity through which the organization systematically generates and modifies its operating routines in pursuit of improved effectiveness”.

In addition, the literature notes the importance of managerial sense making capability as a source of dynamic capability. Adner & Helfat (2003) conceptualize strategic capabilities by using the term “dynamic managerial capabilities” to refer to the general capacity of managers to create, extend, or modify the resource base of an organization. Helfat *et al.* (2007) conceptualize strategic capabilities as the capacity of an organization to purposefully create, extend, or modify its resource base”. For Teece (2007), dynamic capabilities can be disaggregated into “the capacity first to sense and shape opportunities and threats, second to seize opportunities, and thirdly to maintain competitiveness through enhancing, combining, protecting, and when necessary, reconfiguring the business enterprise’s intangible and tangible assets”.

The fundamental proposition of the DCV overlap with the RBV, which are, that a firm’s superior competitive advantage is derived from the set of resources and capabilities controlled by a firm that are valuable, rare, imperfectly imitable, and non-substitutable (VRIN) (Barney, 1991). If a resource possesses all of these four attributes, then it is considered to be highly heterogeneous and immobile, making it a strategic source of superior competitive advantage.

In addition, the organization must be able to absorb and apply these four conditions (Barney, 1991, 1994, 2002). Simply, firms should not expect to be

able to simply purchase or buy a superior competitive advantage on open markets as if it were a tradable entity (Barney, 1986; 1988; Wernerfelt, 1989), but such advantages must be found in the VRINO resources that are already controlled by the firm (Dierickx & Cool, 1989). Since firm-specific resources and capabilities are so embedded in the firm's structures and processes, it would be necessary to buy or sell the entire organization or sub units in order to imitate or replicate its competences and capabilities.

The RBV and DCV have been proposed as two distinct, yet closely intertwined, mechanisms which firms can use to achieve superior competitive advantage and persistent superior business performance (Barney & Arkan, 2001). Eisenhardt & Martin (2000) demonstrate this link, in so far as strategic capabilities are perceived to be the antecedent organizational and strategic routines which managers call upon in order to alter and reconfigure their organizational resource base, that is, acquire and shed resources, integrate them together, and recombine them as necessary— to generate new value-creating strategies (Grant, 1996; Pisano, 1994). Eisenhardt & Martin (2000) consider strategic capabilities to be the key drivers behind the creation, evolution, and recombination of resources in order to create and sustain a competitive advantage. Eisenhardt & Martin (2000) argue that strategic capabilities should be conceptualized as “tools that manipulate resource configurations”; since long-term competitive advantage lies in resource configurations via strategic capabilities, and not in the actual strategic capabilities themselves. Likewise, Teece (2007) consider strategic capabilities to be the enabling factors that help firms create, deploy, and protect intangible assets. Today more than ever, a firm's sustainable competitive advantage significantly depends on its capacity to innovate, or innovativeness (e.g., Hult *et al.*, 2004; Stamboulis & Skyannis, 2003; Hjalager, 1997). That is, its cumulative involvement in learning processes that go far beyond the borders of R&D and in which organizational and managerial aspects play a fundamental role (Marques & Ferreira, 2009). Hence, organizational learning and managerial skills mediate the role of the dynamic-capability of firm-level innovativeness on firm competitiveness (e.g., Zollo & Winter, 2002).

2.4.5 The Concept of Competitive advantage in Youth Enterprises

At the national level Competitiveness is considered by all countries to be a prerequisite for maintaining high levels of income and employment. Greater competitiveness allows developing countries to diversify away from dependence on a few primary-commodity exports and move up the skills and technology ladder, this being essential in order to sustain rising wages and permit greater economies of scale and scope in production (UNCTAD, World Investment Report, 2002,). Competitiveness can be assessed at either the national or the enterprise level. At the national level it has been defined as a nation's ability to produce goods and services that meet the test of international markets while simultaneously maintaining and expanding real incomes of its people over the long term (US Presidential Commission on Industrial Competitiveness). The ability to compete in international markets is usually thought to be dependent on macroeconomic policies and conditions (trade policies and exchange rates etc.) as well as on a nation's comparative advantage that is its factor endowment (land, labour and capital). There are a few exceptions to this. For example, Singapore became the most competitive country in the world by adopting far-sighted policies that invested in institutions and human resources and attracted foreign direct investment (FDI) in order to make up for its lack of natural resources and capital.

a) The concept of systemic competitiveness

Not only is it helpful to separate out and reflect on the relative contributions of both macro and micro policies to competitiveness, but also it is useful to incorporate the notion of "systemic competitiveness" when designing the appropriate improvements in the micro or business environment. The key assumption in systemic competitiveness is that competitive advantages are to a large extent created by deliberate collective action rather than being mere products and services of the invisible hand of the market. The concept of systemic competitiveness is characterized by two distinguishing features. First, it emphasizes the significance of the meso level in addition to the micro and macro levels. The meso level includes local systems, both policies and supporting institutions. Second, the most important

aspect of systemic competitiveness is the interaction or connectivity among the various actors at the various levels and their collaboration in the design and implementation of policies and support institutions and programmes.

b) Concept of systematic competitiveness at the enterprise level

According to Altenburg et al. (1998), enterprise competitiveness is the ability to sustain a market position by, inter alia, supplying quality products and services on time and at competitive prices through acquiring the flexibility to respond quickly to changes in demand and through successfully managing product differentiation by building up innovative capacity and an effective marketing system. The difference between the competitiveness of an enterprise and that of a nation is that the enterprise will cease to exist if it remains uncompetitive for long whereas a nation never goes out of business no matter how badly it is managed or how uncompetitive it is. When a nation loses its competitiveness, this is reflected in its deteriorating welfare conditions rather than elimination from the market. According to Porter, competitiveness is based on the increased productivity of a nation's enterprises (continuous increases in value-added). To achieve these continuous increases in value-added, enterprises must transform their ways of competing: they must shift from comparative advantages (i.e. low-cost labour, etc.) to competitive advantages, namely the ability to compete on cost and quality, delivery and flexibility. The competitiveness of enterprises depends on the business environment and the sophistication of company operations, including inter-firm cooperation. Getting the business environment right can be looked at from the policy and institutional point of view—are all the institutions and laws in place to create an enabling business environment? Or looked at from the enterprise level— what policies and support structures are necessary for enhancing their capacity?

Competitiveness has been the subject of a number of recent annual reports: UNCTAD's World Investment Report (WIR) 2002, UNIDO's Industrial Development Report 2002/2003, and the Global Competitiveness Reports 1979-2002, published by the World Economic Forum. While each has a slightly different focus (transnational corporations, industrial development, government intervention),

they all agree that an important element in improving competitiveness is building domestic capabilities. For example, World Investment Report 2002 states: “If developing countries are to strengthen competitiveness, they will have to strengthen their capabilities, attract and stimulate activities suited to their endowments (or lack of) and upgrade them over time.” None of the preceding reports goes into detail about the policies and support programmes that are necessary for strengthening productive capacity at the enterprise level, particularly that of small- and medium-sized enterprises (SMEs). Therefore, in filling out the picture on competitiveness, this report examines the groundwork that developing countries must lay if their domestic enterprises are to become competitive.

According to (Efendioglu, 2001), strategic competitiveness has two main aspects: the ability to stay close to the frontier of technology and of integrated international production systems (getting ahead), and the capability and flexibility to accommodate change in old and new industries (catching up/keeping up). Among the drivers of competitive industrial performance and capability are the level of skilled labour, technological effort as shown by research and development expenditures by productive enterprises, technology imports and infrastructure. The 16 countries identified by UNIDO have used varying strategies for their industrial performance. Not surprisingly, East Asia has the highest industrial competitiveness capability-outstripping Latin America by a factor of more than two. Domestic technological effort, as measured by R&D financed by productive enterprises, is the most consistent and significant of the drivers, and FDI is gaining in significance.

The analysis of the individual drivers revealed that Latin America lags behind in terms of domestic technological effort. East Asia dominates in almost every variable, while sub-Saharan Africa is consistently the weakest. UNIDO’s analysis of industrial performance and its drivers provides possible elements of a strategy for attaining competitiveness (Richard, 2002). Another finding of importance is that while the performance rankings were fairly stable over time, a few countries managed to take large leaps forward because of their insertion into global production systems for technology-intensive products and services. While this contributed to their industrial

and export growth, for example in the cases of Mexico and the Philippines, this does not mean that they have built the capabilities needed for sustained growth in the future. The developing countries that have built strong local capabilities remain few. Thus, both the UNCTAD and UNIDO studies agree that gains in market shares might be temporary as a result of preferential market access or recent insertion into a supply chain. If gains are to be sustained they must be based on upgrading human skills and technologies. As mentioned, East Asia dominates the developing world by all performance measures. Another fact that stands out is not only how different the mature “tiger” economies are from the rest of the developing world but also how they differ from one to another. While the drivers have been clearly identified, these countries combined them in many different ways. Thus, experience seems to show that there may be no unique road to industrial success (UNIDO, Industrial Development Report 2002/2003).

At the other end of the spectrum is sub-Saharan Africa. It has lost its already small shares of global industrial production and exports. Its industrialization levels remain very low and the technology composition of both manufacturing value-added and exports has deteriorated over time. This is the only region where this has happened. According to (Lall 2000), divergence and marginalization are strong features in the industrial scene. But industrial development is not a zero-sum game: it is possible for all countries to gain from increased production and trade. Successful industrialization requires countries to link to the global economy and leverage the resources that it offers in order to improve endogenous capabilities and competitiveness. This linking needs strong initiatives, not just passive opening up, and it is essentially up to the countries to build the capabilities needed.

2.5. Critique of Existing Literature

Although product diversification is among the most researched topics in strategic management, its relationship to innovation remains unsettled. Numerous studies support the notion that firms achieve economic synergies through related product diversification while unrelated diversification generally results in the inefficient deployment of resources (Palich et al, 2000). R&D intensity has further been used

as a proxy measure for absorptive capacity, implying that increasing product diversification should decrease at least some dimensions of absorptive capacity. Knowledge stocks and flows are regarded as idiosyncratic to the firm and therefore a source of sustainable competitive advantage. Successful innovation is highly dependent on the development and integration of new knowledge while knowledge creation and transfer are regarded as a basis for competitive advantage. Similarly, knowledge stocks and flows are essential to absorptive capacity. While the model has undergone re-conceptualizations, it seems widely accepted that organizational knowledge stocks shape knowledge inflows from beyond firms' organizational boundaries that becomes available for assimilation, transformation and exploitation (Hitt *et al*, 1997).

Among the earliest reasons cited for firms engaging in product diversification are attenuation of business risk, increasing the capacity utilization of resources, adapting to changing customer needs, exploitation of tax advantages, sourcing management talent, exploitation of economics of scale and scope in managerial talent and functional resources, and enhancement of internal capital markets (Alavi, 2001). Included is the notion that diversification can exploit “discoveries, accidental or purposeful” from R&D effort that arise from the need to address product obsolescence and create new markets. Chamberlin and Penrose view product diversification as the result of innovation, when firms incorporate new technologies, market needs, and consumer insights into the creation of products and services in response to opportunities and competitive threats. These suggests that the motivations for product diversification can be divided into value creation and value appropriation, which are distinct, but not mutually exclusive since the way value is created, via strategic alliances or internal R&D for example, may determine the way it can be appropriated, and vice-versa. Value creation is concerned with how firms exploit available resources to find and develop new revenue streams or increase the profit yield on existing revenue streams.

Innovation competencies are critical to long-term competitiveness and firm performance. Innovation consists of invention, the creation of novel knowledge,

and commercialization, the exploitation of knowledge to create products and services, (Argote, & Ingram, 2000). The process begins with the allocation of resources toward innovative activities, often reflected as R&D expense, that lead to the accumulation of knowledge stocks. These technological knowledge stocks and flows, together with market knowledge of potential commercial application, comprise absorptive capacity. Unlike other types of assets, when knowledge is exploited it increases in value because of spillovers and the possibility of recombinant new knowledge creation, providing an incentive for firms to initially diversify into products and services adjacent to their core businesses. Granstrand, 1998 argues that diversifying the uses of a technology beyond the initial product is a natural outcome of applied R&D , implying that technological diversification precedes product diversification.

2.6 Research Gaps

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

The management of intellectual and intangible growth, particularly use of intellectual property rights (IPR) including patents, copyrights and trademarks can be an important tool for protecting and managing intellectual assets, assisting SMEs to open up new markets, increase enterprise value and raise finance. However, studies show that SMEs rarely have explicit intellectual assets strategies, lack knowledge of the possibilities offered by IPR regimes and use intellectual property protection to a much smaller extent than large firms (OECD, 2010,).

Individual SMEs experience difficulties in achieving economies of scale in the purchase of such inputs as equipment, raw materials, finance and consulting services and are often unable to take advantage of market opportunities that require large production quantities, homogenous standards and regular supply. Small size is also a constraint on internalization of functions such as training, market intelligence, logistics and technology innovation, while preventing the achievement of a specialized and effective internal division of labour (UNIDO 2001). To preserve their narrow profit margins, small-scale entrepreneurs in developing countries are often unable to introduce innovative improvements to products and services and processes and this limits the scope of firms to take advantage of new market opportunities.

On a closer observation, however, it is clear that many of these obstacles are the result of SME's isolation rather than their size. Therefore, closer cooperation among SMEs as well as between SMEs and the institutions in their surrounding environment holds the key to overcoming them (OECD 2009). Networking offers an important route for individual SMEs to address their problems as well as to improve their competitive position (UNIDO 2001). By coordinating their activities, enterprises can collectively achieve economies of scale beyond the reach of individual small-scale firms and obtain bulk purchase inputs and pool production capacities to meet large-scale orders. Inter-enterprise cooperation enables SMEs to specialize in their core businesses and give way for exchange of ideas and experience to improve product quality and take over more profitable market segments.

According to the Kenya National Bureau of Statistics (GOK, 2007), three out of five businesses fail within their first three years of operation. One of the most significant causes of failure is the negative perception towards SMEs (Bowen, Morara, & Muriithi, 2009) Amyx, 2005). Potential clients perceive the small business as lacking the ability to provide quality services and hence not trustworthy. Among the challenges in the Kenyan Environment that limit SMEs growth includes the lack of access to credit, management skills, and infrastructure. Lack of managerial accounting skills for decision making and lack of technical skills are as

much obstacles to developing a small business as is the inability to access credit. According to Kibera (2000, the SMEs are found in the agriculture, manufacturing, construction, transport, hospitality, educational and professional services sectors. Despite the high rate of SMEs failures, their contribution to the economy growth cannot be ignored. In Kenya, the SMEs play an important role in employment and wealth creation, income distribution, accumulation of technological capabilities and spreading the available resources among a large number of efficient and dynamic small and medium size enterprises (IDRC, 1993).

2.7 Summary

Literature review has presented a discussion of the most salient aspects of the competitive advantage and DCV literatures in youth enterprise competitiveness context. Drawing on the strategic capabilities perspective, literature review adopts the view that innovativeness is a rare, valuable, inimitable, and non-substitutable firm resource; and furthermore is a set of strategic capabilities. Using this discussion as a foundation, a conceptual model is developed demonstrating the proposed mediating role of firm-level innovativeness in achieving superior competitive advantages and performance for youth enterprises. The conceptual model shows the integrative relationship between RBV and DCV, how innovativeness can be transformed into strategic capabilities, and demonstrates its competitive value for youth enterprises. The model also depicts the moderating effect of managerial skills and organizational learning on the relationship between innovativeness and competitiveness.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter describes the methodology that was used in undertaking the study. It starts by explaining the research design that is adopted. This chapter covers the research design and research methodology used to test the variables. In particular, issues related to research design, the population, the type of data collected, sampling frame, sample and sampling techniques, data collection instrument, data collection procedure, pilot test, data analysis and presentation are discussed. Finally, the analytic techniques used to test the hypotheses are also presented.

3.2 Research Design

The research design constitutes the blue print for the collection, measurement and analysis of data, Kothari, (2003). Explanatory research design was used in this study. Explanatory design can be used when collecting information about people's attitudes, opinions habits or any other social issues Orodho & Kombo, (2002). The choice of this design is appropriate for this study since it utilizes a questionnaire as a tool of data collection. This is supported by (Gall et al 2003) who assert that this type of design enables one to obtain information with sufficient precision so that hypothesis can be tested properly. Creswell (2003) observes that explanatory research design is used when data is collected to describe persons, organizational settings or phenomenon. The design also has enough provision for protection of bias and maximized reliability (Kothari, 2008). Explanatory design uses a pre-planned design for analysis (Mugenda & Mugenda, 2003).

3.3 Target Population

Population refers to an entire group of persons or elements that have at least one thing in common. Population also refers to the larger group from which a sample is taken Orodho and Kombo, (2002). A population can also be defined as including all people or items with the characteristic one wish to understand. Target population for this study consists of 350 Youth groups dealing with income generating enterprises in Murang'a County. The enterprises are placed into six categories namely; Motor Bike Operators, Car Wash Shops, Bee keeping, Youth Commercial Public Toilets, Milk vending and Green Grocery. Kenya has many active youth enterprises which have benefited from Uwezo funds and other sources such as NGOs. The distribution of these enterprises is shown in Table 3.1. The study targeted active youth enterprises. According to Kombo & Tromp (2006), an effective population should have ideas on the topic investigated. The target populations have adequate information to address the study objectives of the research.

Table 3.1 Target population of Active and registered youth enterprises)

Category of Youth Business enterprise	Target Population
Motor Bike Operators	100
Car wash shops	50
Bee keeping	100
Youth commercial public toilets	30
Milk vending	50
Green grocery	20
Total	350

Source: (Murang'a County Youth office, 2012)

3.4 Sampling Frame and Sampling Techniques

The sampling frame describes the list of all population units from which the sample is selected (Cooper & Schindler, 2003). It is a physical representation of the target population and comprises all the units that are potential members of a sample (Kothari, 2008). The researcher used stratified sampling. According to (Kothari 2003), stratified sampling results in more reliable and detailed information. The youth enterprises were stratified into six strata according to the type of activity they are engaged in. These are: Motor bike operators, Car wash enterprises, Bee keeping enterprises, Youth commercial public toilets, Milk vending enterprises and green grocery enterprises. Stratified sampling method was used to select the youth enterprises to be included in the sample from the target population of 350 enterprises. According to Martin (2005), purposive type of sampling relies on the researcher's judgment regarding the participants from whom information is collected. The rationale of selection was that the chairperson was charged with the responsibility of overseeing these youth enterprises. The sample size was computed using:

$$n = \frac{Z^2 pq}{e^2}$$

Where

n = The Sampling Distribution

z = Standard Normal Distribution

p = Population Mean

e = Standard Error

$$n = \frac{1.96^2 (0.5 \times 0.5)}{0.05^2}$$

$$n = 385$$

$$n_{adjaceted} = \frac{nN}{n + N}$$

Where

n = The Sampling Distribution

N = Total Population

$$n = 385$$

$$N = 350$$

$$n_{adjusted} = \frac{385 \times 350}{(385 + 350)}$$

$$n_{adjusted} = 186$$

Table 3.2 Sample size

Type of Business enterprise	Target Population	Sample
Motor bike operators	100	100/350*186= 54
Car wash shops	50	50/350*186= 27
Bee keeping	100	100/350*186= 54
Youth commercial public toilets	30	30/350*186= 16
Milk vending	50	50/350*186= 27
Green grocery	20	20/350*186= 11
Total	350	189

3.5 Data Collection Instruments

According to Creswell (2002) data collection is the means by which information is obtained from the selected subject of an investigation. The tool of data collection for this study was questionnaires addressed to enterprise chairpersons. The questionnaire was used for data collection because it offers considerable advantages in its administration. It gives opportunity to the researcher to collect data from large numbers of respondents simultaneously and provides the investigation with an easy accumulation of data. Gay (1992) maintains that questionnaires give respondents freedom to express their views or opinion and also to make suggestions. It is also anonymous and is able to produce more candid answers than is possible in an interview. The researcher with the assistance of the supervisors developed the research instrument. The questionnaire was developed in accordance with the objectives and research questions. The questionnaire contained both structured and unstructured questions. The open-ended questions were used to limit the respondents to given variables in which the researcher is interested, while unstructured questions were used in order to give the respondents room to express their views in a more pragmatic manner Kothari (1990).

3.6 Pilot Study

According to (Sekaran, 2008, Mugenda, 2008, William, 2006) pilot test is necessary for the validity of a study. A pilot test was conducted using questionnaires administered to chairman of youth enterprises not sampled for study. This constituted 10% of the 350 registered youth enterprises. That is (10% of 350) = 35 were selected using simple random sampling. A pilot test was conducted to detect weakness in design and instrumentation and provided proxy data for selection of a probability sample (Cooper & Schindler 2006; Nachmias & Nachmias, 2008). According to Nicholas, (2011), the respondents in pilot test do not have to be statistically selected. Cronbach's alpha was used to test the reliability and consistency of the measures in the questionnaire. Cronbach's alpha is the most commonly used co-efficient of internal consistency and its computed as; $\text{Alpha} = \frac{Nr}{[1+r(N-1)]}$.

Where r = mean inter item correlation, N = number of items in the scale.

It's a general form of the Kuder-Richardson(K-R) 20 formulars used to assess internal consistency of an instrument based on split-half reliabilities of data from all possible halves of the instrument. Cronbach's alpha is usually interpreted as the mean of all possible split-half coefficients. It reduces time required to compute a reliability coefficient in other methods (Cronbach's 2004).

The Kuder-Richardson (K-R) 20 formula is as below:

$$KR_{20} = \frac{K(S^2 - \sum s^2)}{(S^2)(K - 1)}$$

Where KR_{20} Reliability coefficient of internal consistency

K Number of items used to measure the concept

S^2 Variance of all scores

s^2 Variance of individual items.

On the other hand validity is the accuracy and meaningfulness of inferences which are based on the research results. In essence this means the degree to which results obtained from the analysis will represent the phenomenon being studied (Nachmias & Nachmias, 2003; Mugenda & Mugenda, 2008).

Finally, the pilot survey drawn responses from the views of supervisors on the design and content of the instrument who suggested for more efficient and practical way of administering it. The pilot testing was re-run until the researcher was satisfied with the data collection instruments. Validity is used to check whether questionnaire is measuring what it purports to measure (Bryman & Cramer, 1997). Validity is the strength of our conclusions, inferences or propositions. More formally, Patton (2002) define it as the best available approximation to the truth or falsity of a given inference, proposition or conclusion.

3.7 Data Analysis and Presentation

This study produced both quantitative and qualitative data. Once the questionnaires were received, they were coded and edited for completeness and consistency. Quantitative data was analyzed by employing descriptive statistics and inferential analysis using statistical package for social science (SPSS). This technique gave simple summaries about the sample data and presented quantitative descriptions in a manageable form, Gupta (2004). Together with simple graphics analysis, descriptive statistics forms the basis of virtually every quantitative analysis to data, Kothari (2004). Correlation analysis was used to establish the relationship between the independent and dependent variables. The purpose of doing correlation was to allow the study to make a prediction on how a variable deviates from the normal. The hypothesis testing was done at 5% level of significance and SPSS was used for this purpose. The data was then presented using frequency distribution tables, for easier understanding.

3.7.1. Multiple Regression Analysis Model

Competitive advantage for youth enterprises was regressed against four variables of strategic options namely collaborative networks, innovation, product diversification and business development services. The research model was derived from the theoretical framework of strategic management options with competitive advantage. This hypothesized that there was a direct and positive relationship between strategic management options and competitive advantage. The relationships between the variables are depicted as follows.

The equation of strategic option with competitive advantage was expressed as follows:

$$Y = a + B_1X_1 + B_2X_2 + B_3X_3 + B_4X_4 + e$$

Y_s = competitive advantage

a = Constant (Co-efficient of intercept)

X_1 = Collaborative networks and;

X_2 = Strategic linking & networks

X_3 = Regulatory framework

X_4 = Business development services

$B_1 \dots B_4$ = regression coefficient of four variables.

e = error term

Interpretation of Multiple Regression Coefficients

β_1 = the coefficient of X_1 which represented collaborative networks. The research was to find out collaborative networks influence on the competitive advantage of Youth enterprises. If the null hypothesis is rejected, then X_1 would be taken to have significant influence on Y.

β_2 = the coefficient of X_2 represents innovation through value addition. The research was to find out innovation influence on the competitive advantage of Youth enterprises. If the null hypothesis is rejected, then X_2 would be taken to have significant influence on Y.

β_3 = the coefficient of X_3 represents product diversification. The research was to find out product diversification influence on the competitive advantage of Youth enterprises. If the null hypothesis is rejected, then X_3 would be taken to have significant influence on Y.

β_4 = the coefficient of X_4 represents business development services. The research would find out business development services influence on the competitive advantage of Youth enterprises. If the null hypothesis is rejected, then X_4 would be taken to have significant influence on Y.

Table 3.8 Operationalization of Study Variables

Type of variable	Variable name	Operationalizing Indicators of variables
Dependent variable	Competitive advantage	<ul style="list-style-type: none"> • Continuous profit increase • Successful tendering • Proper handling of customer complains
Independent variables	Collaborative networks	<ul style="list-style-type: none"> • Joint tendering • Joint ventures • Strategic alliances • Joint seminars
	Innovation through product value addition	<ul style="list-style-type: none"> • New product use • New products and services • Product flavors
	Product Diversification	<ul style="list-style-type: none"> • No of products and services portfolio • New market penetration • Rewarding new implemented ideas
	Business Development services	<ul style="list-style-type: none"> • Effective R & D department • Presence of best personnel • Great customer loyalty • Growing customer base

CHAPTER FOUR

RESEARCH FINDINGS AND DISCUSSION

4.1 Introduction

This chapter presents and discusses the results of the study performed to test the conceptual model and research hypotheses. First, it evaluates the response rate, reliability and validity of the survey constructs. Secondly, it collates the general background information of the respondents and descriptive analysis of the study variables. Finally, the chapter reviews the results of statistical analysis to test the research hypotheses as well as presenting discussions of the results and implication arising from the findings.

4.2 Response Rate

Response rate is the percentage of people who responded to a survey. According to Orodho (2003), response rate is the extent to which the final data sets include all sampled members and is calculated as the number of respondents with whom interviews are completed and divided by the total number of respondents of the sample including none respondents. The study sample consisted of 189 active youth enterprises. The research distributed 220 questionnaires to respondents who were chairpersons of the selected youth enterprises. All the questionnaires were returned though some questionnaire had few unmarked gaps. This marked questionnaire return rate of 100% which was significant to provide reliable findings for this study. According to Kothari (2004), a response rate of 50% is considered average, 60-70% is considered adequate while anything above 70% is considered to be excellent response rate. This response rate was, therefore considered representative of the respondents to provide information for analysis and derive conclusions.

4.3 Validity of the Research Instrument

Validity refers to the degree to which the research instrument measures correctly what it ought to measure. Validity is concerned with whether the findings are really

about what they appear to be about (Balta, 2008). Content validity should be established prior to any theoretical testing (Hair et al, 2007) in the current study, all of the measures was selected based on the existing scales for which validity was already established.

In addition, the questionnaire was tested by discussions with experts during the questionnaire formulation stage to ensure that the measure included an adequate representative set of items that tapped the content. Construct validity was also ensured by anchoring the constructs to the theory and empirical review of data from which they were derived. The researcher further conducted a pilot test with 35 chairpersons of active youth enterprises not sampled for main study which also helped to validate the instruments. During pilot study, the researcher administered the research instruments and clarified all unclear issues which emerged from research instrument. Before printing the final questionnaire, all the issues raised during the pilot study were addressed through the supervisors' guidance so as to retain the original intention of the research instrument

4.4 Multicollinearity

Multicollinearity exists when there are more than one variable measuring the same value (Haire et al, 2006). Multicollinearity is concerned with high correlation between independent variables that are supposed to predict a certain dependent variable. Existence of multicollinearity may lead to significant impact on the regression and statistical results. Multicollenearity can be detected using the value of correlations. According to Pallant (2005), a value 0.8 or 0.9 shows that there is a relation of multi – collinearity between two variables. In this research, the correlation coefficients of the variables are indicated in Table 4.1 below. Since the correlation coefficient values in Table 4.1 are less than 0.8, it implies that there is no correlation between the study variables hence no further test of multi-collenearity was deemed necessary.

Table 4.1: Correlation between independent study variables

Variables	Correlation coefficient
$X_1 \longrightarrow X_2$	0.470
$X_1 \longrightarrow X_3$	0.104
$X_1 \longrightarrow X_4$	0.500
$X_2 \longrightarrow X_3$	0.371
$X_2 \longrightarrow X_4$	0.595
$X_3 \longrightarrow X_4$	0.070

4.5 Descriptive Analysis

Before proceeding with the regression analysis to test the hypotheses proposed by the research model, it was worth examining the general descriptive statistics of this study sample data. In view of this, descriptive analysis was done to provide summaries through the use of frequencies and percentages.

4.5.1 Economic activity of the enterprise

The researcher sought to know the economic activity of various youth enterprises. The study found that there are diverse economic activities that are undertaken by the youths in Murang'a County. Majority of youth groups, (27.3%) are in motor bike operations and equal percentage in bee keeping respectively. Probably, this is because motor bike operation and honey fetches quick market. In addition the motor bikes are relatively easy to buy. These benefits make the projects sustainable. Both car wash and public toilet follows at both 13.6% while milk vending and green grocer both stands at 9.1% as shown in Table 4.2.

Table 4.2: Economic Activity of the Enterprise

Name	Frequency	Percent
Motor bike	60	27.3
Car wash	30	13.6
Bee keeping	60	27.3
Green grocer	20	9.1
Milk vending	20	9.1
Public toilet	30	13.6
Total	220	100.0

4.5.2: Year the enterprise started

Various youth enterprises in Murang'a County began at different times. The researcher sought to know when the enterprises began their operations. The study found out that, 16.8% of the youth enterprises have been in operation since 2006, 18.6% since 2007, 24.1% since 2008, 18.6% since 2009 and 20.9% since 2010. This implies that majority of youth enterprises began in 2008 which is an indicator that they took advantage of the youth enterprise fund which became operational in 2008 as reflected in Table 4.3.

Table 4.3: Year the Enterprise Started

Year	Frequency	Percent
2006	37	16.8
2007	41	18.6
2008	53	24.1
2009	41	18.6
2010	46	20.9
Total	218	99.1
Missing System	2	.9
Total	220	100.0

4.5.3: Age of the respondents

The respondent's age brackets were as follows, that 33.2% of the respondents were between the age of 18 to 25 years, 49.5% between the age of 26 to 30 years and 17.3% between the ages of 31 to 35 years as shown in Table 4.4. Majority of youth (82.7%) were between the ages of 18 to 30 years.

Table 4.4: Age of the Respondents

Age	Frequency	Percent	Cumulative Percent
18-25	73	33.2	33.2
26-30	109	49.5	82.7
31-35	38	17.3	100.0
Total	220	100.0	

4.5.4: Respondents view on age limit

The respondents gave different views on what should be the age limit for one to be considered youth for eligibility for youth funds. 71.4% of the respondents felt that the government should raise the age limit of the youth to 40 years while 28.6% of the respondent felt the government should raise the age limit to 45 years as reflected in Table 4.5.

Table 4.5: Respondents View on Age Limit

Proposed age	Frequency	Percent
40	157	71.4
45	63	28.6
Total	220	100.0

4.5.5: Securities needed by youth office.

The researcher sought to know the securities needed by youth office for eligibility for youth/Uwezo funds. The youth office currently requires both the youth group registration certificate and active bank statement for a period not less than six months. But in some cases only and mostly for starters, youth office only requires group registration certificate as shown in Table 4.6.

Table 4.6: Securities Needed By Youth Office

Securities needed	Frequency	Percent
Active bank statement	96	43.6
Group registration certificate	124	56.4
Total	220	100.0

4.5.6: Respondents view on other securities which need to be considered

The respondents gave different views on what other securities needed to be considered by youth office for eligibility for youth/ Uwezo funds. Twenty seven percent (27.7%) of respondents preferred chief's letter to be considered as securities needed. 26.4% preferred guarantors, 24.15% preferred pay slip and 21.8% preferred insurance fee as indicated in Table 4.7.

Table 4.7: Other Securities Which Need To Be Considered

Other securities	Frequency	Percent
Guarantors	58	26.4
Pay slip	53	24.1
chiefs letter	61	27.7
Insurance fee	48	21.8
Total	220	100.0

4.5.7: Reasons for engaging in collaborative networks

The study found that all the active youth enterprises in Murang'a County engage in collaborative networks in various ways and for various reasons. Fifty eight point six percent (58.6%) of the respondents felt that they engage in collaborative networks in order to reduce market competition, 26.4% engage in order to expand the business while 15% engage in order to raise collateral for loan as shown in Table 4.8.

Table 4.8: Reasons for Collaborative Networks

Reasons	Frequency	Percent
Need to expand business	58	26.4
Need to raise collateral for loan	33	15.0
Need to reduce market competition	129	58.6
Total	220	100.0

4.5.8: Reasons for engaging in innovative processes

The study found out that all the active youth enterprises in Murang'a County engages in innovative processes to raise their competitive advantage in various ways and for various reasons. Forty five percent (45%) of the respondents felt that they engage in innovative processes in order to raise their technological expertise, 28.6% engage in order to re-brand the existing products and services 26.4% engage in order to manage to establish new products and services as reflected in Table 4.9.

Table 4.9: Reasons for Engagement in Innovative Processes

Reasons	Frequency	Percent
To raise technological expertise	99	45.0
To establish new products and services	58	26.4
To re-brand existing products and services	63	28.6
Total	220	100.0

4.5.9: Reasons for engaging in product diversification

The research found out that all the active youth enterprises in Murang'a County engages in product diversification in order to raise their competitive advantage in various ways and reasons. 36.4% of the respondents felt that they engage in product diversification in order to expand their market niche, 31.8% in order to meet their customer needs, 19.5% in order to raise profit, 7.7% engage in order to dominate the market while 4.5% in order to be a market leader as shown in Table 4.10.

Table 4.10: Reasons for Product Diversification

Reasons	Frequency	Percent
To be a market leader	10	4.5
To dominate the market	17	7.7
To expand our market niche	80	36.4
To raise profit	43	19.5
To satisfy customer needs	70	31.8
Total	220	100.0

4.5.10: Business development services the enterprise owned

The study showed that all the active youth enterprises in Murang'a County engaged in business development services in order to raise their competitive advantage in various ways and for different reasons. 17.3% of the respondents felt that they possess good customer relations as their business development services, 15.9% possessed satisfactory customer services, 14.1% after sales services. 13.2% felt they possessed different products and services, 11.8% well trained and motivated employees, 10.9% cleanliness, 10% modern technology, 3.6% free newspapers' while 3.2% clean operational environment as their business development services as shown in Table 4.11.

Table 4.11: Business development services Enterprise Owned

Skills	Frequency	Percent
After sales services	31	14.1
Clean operational environment	7	3.2
Cleanliness	24	10.9
Free newspapers	8	3.6
Good customer relations	38	17.3
Having different services and products	29	13.2
Modern technology	22	10.0
Satisfactory customer services	35	15.9
Well trained and motivated employees	26	11.8
Total	220	100.0

4.5.11: Effect of Collaborative Networks on Competitive Advantage of Youth Enterprises in Kenya

Using a five-point likert scale, the study sought to know respondents' level of agreement on various statements relating to collaborative networks in relation to competitive advantage of youth enterprises. Descriptive statistics such as frequency, percentage, mean and standard deviation were jointly used to summarize the responses as presented in Table 4.12. The study findings showed that 67.3% of the youth enterprise leaders agreed that collaborative networks have enabled them to market their products and services with other youth groups while 32.3% strongly agreed. When asked to state how collaborative networks enabled fighting of substitute goods, 59.1% of youth enterprise leaders agreed, 29.1% strongly agreed while 10% disagreed that collaborative networks had enabled them fight substitute goods. Regarding reducing operational cost by collaborating with others, 40.4% disagreed and 26.6% were neutral, 13.8% agreed and 17% strongly agreed. On bargaining for fair prices from suppliers, 53.6% of the enterprise leaders agreed that collaborative net works enables them bargain for fair prices from suppliers, 31.4% strongly agreed while 12.7% disagreed. On easy access to sources of finances, 86.3% of the youth enterprise leaders agreed, 2.3% strongly agreed 11% disagreed that collaborative networks have enabled them easy access to sources of finances.

The highest rated item was the issue that collaborative networks have enabled the youth enterprises to market their products and services together with (mean = 4.3, Std.deviation= 0.516) while the least rated item was the issue that collaborative networks have reduced the youth enterprises operational cost with (mean = 3.03, Std.deviation= 1.148). From the findings of the study, it is further noted that responses to the statements used to measure collaborative networks range between mean of 3.03 – 4.30 as reflected in Table 4.12. Similarly, the standard deviation of study items ranged between 0.633 – 1.148. This shows that majority of respondents were in agreement with the statements that were used to measure collaborative networks. This was due to the fact that the respondents had adequate knowledge on crucial information relating to their enterprises as chairpersons.

Table 4.12: Collaborative Networks and effects on competitive advantage

Collaborative Networks	Mean	Std. Deviation	Strongly disagree	Disagree	Neutral	Agree	Strongly Agree	Percent
We market our products and services together	4.30	.516	.5	0	0	67.3	32.3	100
We fight substitute goods by working with other groups.	4.09	.834	.5	10.0	1.4	59.1	29.1	100
We bargain for fair prices from suppliers through teaming work.	4.01	.940	.5	12.7	1.8	53.6	31.4	100
We have reduced operational cost by teaming work.	3.03	1.148	2.3	40.4	26.6	13.8	17.0	100
We have accessed sources of finances easily by teaming with other groups.	3.82	.633	0	11.0	.5	86.3	2.3	100

n = 217, Cronbach's Alpha = .653

4.5.12: Effect of Innovation on Competitive Advantage of Youth Enterprises in Kenya

The study sought out the effect of innovation on competitive advantage of youth enterprises in Kenya. Table 4.13 shows that 44.1% of the youth enterprise leaders agreed and 55% strongly agreed that innovation have enabled their enterprises increase the number of products and services they market. On discovering new uses for their products and services, 57.7% of youth enterprise leaders agreed and 29.5% strongly agreed while 12.7% were neutral that it influences competitive advantage of youth enterprises. Regarding making products and services with different flavors, 27.7% agreed and 60.5% strongly agreed that it influences competitive advantage of youth enterprises; this is because customers have different tastes and preferences.

The results further showed that 27.7% of the youth enterprise leaders agreed and 71.8% strongly agreed that innovation enables convenient and attractive packaging which eventually influences competitive advantage of youth enterprises. Regarding creating products and services which suits customers needs, 54.1% of youth enterprise leaders agreed and 45.9% strongly agreed innovation influences competitive advantage of youth enterprises. Regarding innovation enabling youth enterprises to implement convincing brands of products and services 50.9% agreed 48.6% strongly agreed.

Looking at the mean of the item used to measure effect of innovation on competitive advantage, it is important to note that the highest rated item was the item that innovation has increased the number of products and services youth enterprises market with (mean = 4.53, Std.deviation= 0.56) while the least rated item was the issue that innovation has enabled youth enterprises to discover new uses of their products and services with (mean = 4.17, Std.deviation= 0.629) as indicated in Table 4.13. This meant that majority of respondents were in agreement with the statements.

Table 4.13: Innovation and effects on Competitive Advantage

	Mean	Std. Deviation	Strongly Disagree	Neu tral	Agree	Strongly Agree	Perc ent
Innovation has increased the number of products and services we market	4.53	.560	.5	.5	44.1	55.0	100
Innovation has enabled us discover new uses of our products and services	4.17	.629	0	12.7	57.7	29.5	100
Innovation has enabled us make different forms of the same products and services	4.49	.699	0	11.8	27.7	60.5	100
Innovation has enabled us make convenient and attractive packaging	4.70	.514	.5	0	27.7	71.8	100
Innovation has enabled us create products and services which suits customer needs	4.46	.499	0	0	54.1	45.9	100
Innovation has enabled us implement convincing product branding to customers	4.48	.510	0	.5	50.9	48.6	100

n = 220, Cronbach's Alpha = 0.628

4.5.13: Effect of Product Diversification on Competitive Advantage of Youth Enterprises in Kenya

The third objective of the study sought to find out the effect of product diversification in creating competitive advantage to youth enterprises in Kenya. Study respondents were asked to indicate on a five – point Likert scale their level of agreement on several statements describing the product diversification in relation to competitive advantage of youth enterprises. The findings revealed that 84.5% of the youth enterprise leaders strongly agreed and 15% agreed that product diversification have enabled their enterprises increase the market niche of their products and services while only 5% were neutral. Regarding product diversification enabling youth enterprises to venture into new markets, 66.8% of respondents agreed and 33.2% strongly agreed.

On product diversification enabling grading of products and services, 43.6% of youth enterprise leaders agreed and 55.9% strongly agreed that it influences competitive advantage of youth enterprises while only 5% were neutral. Regarding product diversification having increased youth enterprises market competitiveness, 50.5% of respondents agreed and 49.1% strongly agreed. Finally, regarding product diversification having strengthened youth enterprises capacity building in research and development, 41.8% of respondents agreed, 13.2% strongly agreed and 33.6% were neutral.

The highest rated item was the issue that product diversification have increased the market niche of youth enterprises with (mean = 4.84, Std.deviation= 0.379) while the least rated item was the issue that product diversification have strengthened capacity building of youth enterprises research and development department (mean = 3.57, Std.deviation= 0.86) as reflected in Table 4.14.

Table 4.14: Product diversification and effects on Competitive Advantage

Aspects	Mean	Std. Deviation	Disagree	Neutral	Agree	Strongly Agree	Percent
Having different types of products and services increases my group market niche.	4.84	.379	0	.5	15.0	84.5	100
Having different types of products and services has enabled us to venture into new market.	4.33	.472	0	0	66.8	33.2	100
Product diversification has enabled us to grade our products and services.	4.55	.507	0	.5	43.6	55.9	100
Product diversification has increased our market competitiveness.	4.49	.510	0	.5	50.5	49.1	100
Product diversification has strengthened capacity building of our research and development department	3.57	.860	11.4	33.6	41.8	13.2	100

n = 220

4.5.14: Effect of Business Development Services on Competitive Advantage

The study sought to find out how business development services create competitive advantage to youth enterprises in Kenya. The findings of the study in Table 4.15 revealed that 60% of the youth enterprise leaders strongly agreed and 40% agreed that regular training of all workers have given their enterprises best human capital which greatly influences competitive advantage of the enterprises. On rewarding and motivating staffs for successfully implemented new ideas, 28.6% of youth enterprise leaders agreed and 70.9% strongly agreed that it influences competitive advantage of youth enterprises.

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

Table 4.15: Business development services effects on Competitive advantage

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

n = 218

4.5.15: Competitive Advantage of Youth Enterprises

Several parameters were used to measure competitive advantage in this study. The researcher sought to find out the relationship between strategic options and competitive advantage. To achieve this, the respondents were requested to indicate on a five – point likert scale their level of agreement on several statements describing the relationship. Result of the study showed that using strategic options (collaborative networks, innovation, product diversification and business development services) have enabled youth enterprises to continuously make profit with 70.9 % of respondents strongly agreeing and 28.2% of respondents agreeing. 60.9% of respondents agreed and 38.6% strongly agreed that employing strategic options have enabled their youth enterprises to service their loans in time. The researcher also sought to know whether youth enterprises have benefited from government tenders, 46% of respondents disagreed, 12.3% strongly disagreed and 35.5% remained neutral over the matter.

The respondents argued that they are not aware of existence of this tenders neither is there a clear procedure for them to benefit from these tenders yet it is government policy to give at least thirty percent of its tenders to youth and women. 56.8% of respondents strongly agreed and 43.2% agreed that employing strategic options have enabled them to continuously expand their market share. Strategic options have enabled youth enterprises to gain confidence from suppliers and creditors with 62.8% of respondents strongly agreeing and 35.3% agreeing. Like in government tenders the respondents felt weak in participating in corporate social responsibility, 31.8% of respondents strongly disagreed, 41.4% disagreed and 23.2% remained neutral that they participate in corporate social responsibility. This may be attributed to lean nature of youth enterprises. The respondents also felt that employing strategic options have enabled youth enterprises to greatly reduce customer complaints and reduced products and services expire with 51.4% of respondents agreeing and 47.2% strongly agreeing that they have enjoyed reduced customer complaints and reduced products and services expire.

Table 4.16: Parameters for Competitive Advantage

Aspects	Mean	Std. Deviation	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Perc ent
My group has continuously made profit.	4.69	.531	.5	0	.5	28.2	70.9	100
We service the loan in time.	4.38	.513	0	.5	0	60.9	38.6	100
My group successfully bid for govt tenders.	2.34	.774	12.3	46.4	35.5	5.5	.5	100
My group has continuously increased customer loyalty.	4.26	.501	0	.9	0	70.9	28.2	100
My group has continuously expanded market.	4.57	.496	0	0	0	43.2	56.8	100
We enjoys suppliers and creditors confidence.	4.58	.627	.9	.5	.5	35.3	62.8	100
My group continuously participates in corporate social responsibility.	2.01	.892	31.8	41.4	23.2	1.8	1.8	100

4.6: Relationship between Study Variables

Having described the study variables using descriptive statistics, the study sought to establish the effects of collaborative networks (X_1), innovation (X_2), product diversification (X_3) and business development services (X_4) on competitive advantage of youth enterprises. This could only be done after the set of items for each variable were aggregated by taking the mean. In so doing, the set of items which are purely opinion based are supposed to meet a certain threshold of Cronbach alpha. The widely used Cronbach's coefficient alpha was employed to assess internal consistency. Bryman and Cramer (1997) stated that reliability of 0.70 is normally acceptable in basic research. Zikmund (2003) also points out that a Cronbach alpha of 0.60 minimum is acceptable. Based on the coefficient values, the items tested were deemed reliable for this study. Table 4.17 gives the details and summary statistics of study variables. At this point the individual items were aggregated by taking their means. The rest of the discussions from this section are based on the aggregated variables. From Table 4.17 below, the highest rated strategic option is Innovation (X_2) that it has the greatest influence on competitive advantage of youth enterprises with (mean = 4.47, Std.deviation= 0.339) while the least rated strategic option was Collaborative Networks (X_1) that it has the least influence on competitive advantage of youth enterprises with (mean = 3.85, Std.deviation= .544).

Table 4.17: Reliability coefficient of the study variables

Strategy	Number of items	Reliability Cronbach's	Comments	Mean	Std Deviation
Collaborative networks (X_1)	5	0.653	Accepted	3.85	.544
Innovation (X_2)	6	0.628	Accepted	4.47	.339
Product diversification (X_3)	5	N/A	Factual Information	4.36	.225
Business development services (X_4)	6	N/A	Factual Information	4.00	.214

4.6.1: Bi-variate Linear Relationship between Study Variables

The researcher sought to establish the bivariate nature of both dependent and independent variables. To evaluate the strength of the relationship, a bivariate correlation analysis was used. Linear multiple regression analysis was further used to establish the nature of the relationship. In addition, the inferential statistics were used to test the null hypothesis for possible rejection or acceptance. The 5% level of significance was taken as the level of decision criteria where by the null hypothesis was rejected if the p-value was less than 0.05 and accepted if otherwise. Competitive advantage (Y) was calculated as an aggregate of all parameters measuring performance in the research instrument.

Before running regression analysis, the researcher run the correlation matrix in order to check whether there was association between variables and also checked whether there was association between variables and also checked whether there was multicollinearity within the variables. Pearson product moment correlation coefficient (r) was used to aid in establishing correlation between the study variables of interest. Correlation coefficient shows the magnitude and direction of the relationship between the study variables.

The correlation coefficient varies over a range of +1 through 0 to -1. When r is positive, the regression line has a positive slope and when r is negative, the regression line has a negative slope. Table 4.18 below shows bivariate linear relationship between study variables.

The findings of the correlation analysis indicated that there is a positive correlation between collaborative networks and competitive advantage ($r = 0.581$, $P < 0.001$). Therefore, an increase in use of collaborative networks led to an increase in youth enterprises competitive advantage. Regarding innovation, the correlation coefficient was also positive ($r = 0.640$, $P < 0.001$). This means that an increase in use of innovative processes led to an increase in youth enterprises competitive advantage. Result of the study showed that there is significant positive correlation between product diversification and competitive advantage of youth enterprises ($r = 0.333$,

P<0.001) implying that an increase in use of product diversification led to an increase in youth enterprises competitive advantage. Further the study results showed that there is significant positive correlation between business development services and competitive advantage of youth enterprises ($r = 0.358$, $P < 0.001$) implying that an increase in use of product diversification led to an increase in youth enterprises competitive advantage. This means that the variables could be selected for statistical analysis like regression analysis. It is important to note that collaborative networks and innovation improved competitive advantage but not to the extent of product diversification and business development services.

TABLE 4.18: Bi-variate linear relationship between study variables

VARIABLES		Collabora			Business	Y
		tive Networks	Innova tion	Product Diversification	development services	
Collaborative Networks (X ₁)	Pearson Correlation	1	.470**	-.104	.500**	.581**
	Sig. (2-tailed)		.000	.126	.000	.000
Innovation (X ₂)	Pearson Correlation	.470**	1	.371**	.595**	.640**
	Sig. (2-tailed)	.000		.000	.000	.000
Product Diversification (X ₃)	Pearson Correlation	-.104	.371**	1	.070	.333**
	Sig. (2-tailed)	.126	.000		.302	.000
Business development services (X ₄)	Pearson Correlation	.500**	.595**	.070	1	.358**
	Sig. (2-tailed)	.000	.000	.302		.000
Y	Pearson Correlation	.581**	.640**	.333**	.358**	1
	Sig. (2-tailed)	.000	.000	.000	.000	

** . Correlation is significant at the 0.01 level (2 tailed).

*.correlation is significant at the 0.05 level (2-tail)

n = 220

4.7 Effect of Independent Variables on Dependent Variable

The initial effort to examine the relationships proposed by the research model involved conducting multiple regression analysis. Multiple regression analysis is used to analyze the relationship between a single dependent variable and several predictor variables (Hair et al, 2006). The researcher used linear regression analysis to test the four null hypotheses. Linear regression is an approach to modeling the relationship between a scale of variable Y and more variables denoted as X. The F-test was used further to determine the validity of the model while R squared was used as a measure of the model goodness of fit. The regression coefficient summary was then used to explain the nature of the relationship between the dependent and independent variables.

Hypothesis One: Collaborative networks have no significant effect on competitive advantage of youth enterprises in Kenya

4.7.1: Collaborative networks and competitive advantage model summary

The coefficient of determination (R squared) of 0.337 shows that 33.7% of competitive advantage can be explained by collaborative networks. The adjusted R-squared of 33.4% indicates that collaborative strategy in exclusion of the constant variable explain competitive advantage of youth enterprises by 33.4%, the remaining percentage can be explained by other factors excluded from the model. R of 0.581 shows that there is positive correlation between collaborative networks and competitive advantage. The standard error of estimate (0.25633) shows the average deviation of the independent variables from the line of best fit. These results are shown in Table 4.19a.

Table 4.19a: Collaborative networks and competitive advantage model

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.581 ^a	.337	.334	.25633

a. Predictors: (Constant), Collaborative Networks

a) Collaborative networks and competitive advantage

ANOVA

The result of Analysis of Variance (ANOVA) for regression coefficient as shown in Table 4.19b revealed (F=110.969, p value<0.001). Since P value is less than 0.05 it means that there exists a significant relationship between collaborative networks and competitive advantage.

Table 4.19b Collaborative networks competitive advantage

ANOVA^b

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	7.291	1	7.291	110.969	.000 ^a
	Residual	14.323	218	.066		
	Total	21.614	219			

b. Dependent Variable: Y

b) Collaborative Networks and Competitive Advantage Regression Weights

The study hypothesized that collaborative network has no significant effect on competitive advantage of youth enterprises in Kenya. The study findings indicated that there was a positive significant relationship between collaborative networks and competitive advantage ($\beta=0.335$ and p value <0.001). Therefore, a unit increase in use of collaborative networks index led to an increase in competitive advantage by 0.335. Since the P-value was less than 0.05 as shown in Table 4.19c, the null

hypothesis was rejected and the alternative hypothesis accepted. It can therefore be concluded that collaborative networks influences competitive advantage of youth enterprises in Kenya.

Table 4.19c: Collaborative Networks and Competitive Advantage Regression Weights

Model	Unstandardized Coefficients		Standardized Coefficients		
	B	Std. Error	Beta	T	Sig.
(Constant)	3.267	.124		26.432	.000
Collaborative Networks	.335	.032	.581	10.534	.000

a. Dependent Variable: Y

1. Discussion of Findings on the Relationship between Collaborative Networks and Competitive Advantage of Youth Enterprises.

The regression analysis on Table 4.19c reveals that collaborative networks had an influence on competitive advantage of youth enterprise in Kenya. For every unit increase in collaborative networks, there was a corresponding increase by 0.335 in competitive advantage of youth enterprise. The Pearson product moment correlation coefficient revealed a moderate, positive and significant correlation between collaborative networks and competitive advantage ($r = 0.581$, $p\text{-value} < 0.001$) significant at 0.05 level of significance. Use of collaborative networks was positively and significantly associated with other competitive strategies as revealed by the results of the correlation matrix on Table 4.18.

These results are consistent with previous studies investigating the influence of collaborative networks on competitive advantage. The findings of Wincent (2005) sited various challenges which youth enterprises experience due to shortage of income, in-sufficient investment capability and resources. Therefore, in order to overcome these obstacles youth enterprises are forced to rely on cooperation with others, in the sense of building strategic networks. Through strategic networks, youth enterprises resolves their problems by gaining competence, building resources,

sharing risks, undertaking quick market movements and making joint investment as argued by Dickson & Hadjimanolis (1998). Therefore, youth enterprises have made profit by participating in this form of collaborations.

The findings concurs with the research findings of UNCTAD (2003), who found out that SMEs represents more than 90 percent of formal sector enterprises and 16 percent to 33 percent of the working population in Africa. According to African Development Bank experts, 70 percent to 80 percent of SMEs in Africa are micro or very small enterprises. The contribution of SMEs to the Gross Domestic Product (GDP) is estimated to be less the 10 percent in most African countries. On the other hand, the informal sector represents the lion's share in terms of GDP and employment.

The research study findings supports purpose of strategic SME networks to create a forum for direct and joint business activity among membership firms as well as indirect services such as lobbying. Strategic SME networks enable members to contribute inputs and also benefit outputs from one another. Firms in these networks share competence and resources so that each firm can reach goals through participation. Therefore, cooperation and relations are fundamental for value creation, i.e. competitiveness (Human & Provan, 1997). Strategic SME networks have two important functions. For customers, the strategic SME network represents a large company that provide complex products and services, and for membership firms on the other hand, network represents a place where learning and resource exchange can be used for development, innovation, and strategic renewal (Mezegar, Kovacs & Paganelli, 2000).

Hypothesis Two: Innovation has no significant effect on competitive advantage of youth enterprises

4.7.2: Innovation and Competitive Advantage of Youth Enterprises

From Table 4.20a, the coefficient of determination (R squared) of 0.41 shows that 41% of competitive advantage can be explained by innovation. The adjusted R-

squared of 40.7% indicates that innovation in exclusion of the constant variable explain competitive advantage of youth enterprises by 40.7%, the remaining percentage can be explained by other factors excluded from the model. An R of 0.64 implies that there is positive correlation between innovation and competitive advantage. The standard error of estimate (0.24183) shows the average deviation of the independent variables from the line of best fit. These results are shown in Table 4.20a.

Table 4.20a: Innovation and competitive advantage.

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.640 ^a	.410	.407	9.24183

a. Predictors: (Constant), Innovation

a) Innovation and competitive advantage

ANOVA

The result of Analysis of Variance (ANOVA) for regression coefficient as shown in Table 4.20b revealed (F=151.581, p value<0.001). Since p value is less than 0.05 it means that there exists a significant relationship between innovation and competitive advantage.

Table 4.20b: Innovation and competitive advantage

ANOVA^b

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	8.865	1	8.865	151.581	.000 ^a
	Residual	12.749	218	.058		
	Total	21.614	219			

a. Predictors: (Constant), Innovation

b. Dependent Variable: Y

b) Innovation and Competitive Advantage Regression Weights

The study hypothesized that innovation has no significant effect on competitive advantage of youth enterprises in Kenya. The study findings indicated that there was a positive significant relationship between innovation and competitive advantage ($\beta=0.593$ and p value <0.001). Therefore, a unit increase in use of innovation index led to an increase in competitive advantage by 0.593. Since the P -value was less than 0.05 as shown in Table 4.20c, the null hypothesis was rejected and the alternative hypothesis accepted. It can therefore be concluded that innovation influences competitive advantage of youth enterprises in Kenya.

Table 4.20c: Innovation and Competitive Advantage Regression Weights

Model		Unstandardized		Standardized		
		B	Std. Error	Beta	T	Sig.
1	(Constant)	1.903	.216		8.806	.000
	Innovation	.593	.048	.640	12.31	.000
					2	

a. Dependent Variable: Y

2. Discussion of Findings on the Innovation and Competitive Advantage

The findings on Table 4.20c indicate that innovation positively and significantly influences competitive advantage of youth enterprises in Kenya ($\beta= 0.593$, P value <0.001). For every unit increase in the application of innovation through product value addition, there was a corresponding increase in competitive advantage by 0.593. The Pearson product moment correlation coefficient revealed a moderate positive and significant correlation between innovation and competitive advantage of youth enterprises ($r = 0.64$, P value <0.001) as shown in Table 4.18.

These results are consistent with those of previous researchers such as (Buhalis & Cooper, 1998; Getz & Carlsen, 2000; Getz & Petersen, 2005; Hjalager, 2002; Jacob & Groizard, 2003; Morrison et al, 1999; Shaw & Williams, 1998) who argue that many youth enterprises lack the necessary capabilities and resources to pursue growth opportunities through innovation even when they wish to do so. It appears that the critical role of innovativeness, as a dynamic capability, in achieving economic recovery is not completely understood since resource limitation is not a problem that only youth enterprises face, but all companies have limited (or even scarce) resources (Barney, 1996; Peteraf, 1993).

The research findings on approaching innovation through product value addition rhymes with the views of Wang & Ahmed (2004) define innovativeness as a firm's ability to exceed routine thinking process, which involves going beyond the obvious to discover newness (Avlonitis et al., 2001). Hurley & Hult (1998: 44) view innovativeness as "the ability of the organization to adopt or implement new ideas, processes, or products and services successfully"; treated as a "cultural precursor" that provides the "social capital" to facilitate innovative behavior (Hurley et al., 2005). Likewise, Hult et al. (2004) rationalize innovativeness as a firm's capacity to introduce new processes, products and services, or ideas in the organization. Firm-level innovativeness can also be define as: "An organization-wide strategic mindset and attitude towards innovation possessed to some degree by all firms; composed of an embedded cultural willingness, propensity, receptivity, market responsiveness, commitment, intention, and technological capacity to engage in risky behavior and to rapidly incorporate change in business practices through the [early] creation and/or adoption of new ideas that facilitates innovation and delivers a superior competitive advantage" (Walsh et al., 2009).

Hypothesis Three. Product Diversification has no significant effect on Competitive Advantage of Youth Enterprises

4.7.3: Product Diversification and Competitive Advantage Model Summary

Results of regression analysis showed significant association between product diversification and competitive advantage of youth enterprises. The coefficient of determination (R-squared) of 0.111 shows that 11.1% of competitive advantage of youth enterprises can be explained by product diversification. The adjusted R-square of 0.107 depicts that product diversification in exclusion of constant variable explained competitive advantage by 10.7%. The remaining percentage can be explained by other factors excluded from the model. These results are reflected in Table 4.21a.

TABLE 4.21a: Product Diversification and Competitive Advantage Model Summary

Model	R	Adjusted R		Std. Error of the Estimate
		R Square	Square	
1	.333 ^a	.111	.107	.29693

a. Predictors: (Constant), Product Diversification

Model	R	Adjusted R		Std. Error of the Estimate
		R Square	Square	
1	.333 ^a	.111	.107	.29693

a) **Product Diversification and Competitive Advantage of Youth Enterprise ANOVA**
 F- Statistics were used as a measure of model validity. Table 4.21b shows that significant relationship between product diversification and competitive advantage enterprises (F= 27.149, P value<0.001) and at least the slope (β coefficient) is Therefore, it can be concluded the model was valid

Table 4.21b: Product Diversification and Competitive Advantage ANOVA

Model	Sum of Squares	Df	Mean Square	F	Sig.
1 Regression	2.394	1	2.394	27.149	.000 ^a
Residual	19.220	218	.088		
Total	21.614	219			

a. Predictors: (Constant), Product Diversification

b. Dependent Variable: Y

b) Product diversification and Competitive Advantage Weights

The study hypothesized that product diversification has no significant effect on competitive advantage of youth enterprises. The study findings revealed that there was a positive significant relationship between product diversification and competitive advantage ($\beta=0.464$ and P value <0.001) as indicated in Table 4.21c below. Therefore, a unit increase in product diversification index led to an increase in competitive advantage of youth enterprises performance index by 0.464. Since the P-value was less than 0.001, the null hypothesis was rejected and the alternative hypothesis accepted. Therefore, it can be concluded that product diversification had a significant effect on competitive advantage of youth enterprises.

Table 4.21c: Product Diversification and Competitive Advantage Weights

Model	Unstandardized		Standardized		
	B	Std. Error	Beta	T	Sig.
1(Constant)	2.533	.389		6.516	.000
Product Diversification	.464	.089	.333	5.211	.000

a. Dependent

Variable: Y

3. Discussion of Findings between Product Diversification and Competitive Advantage

The result of regression analysis showed that product diversification had a positive significant relationship with competitive advantage of youth enterprises in Kenya as reflected by ($\beta = 0.464$ and P value <0.001) in Table 4.26. Pearson product moment correlation coefficient ($r = 0.333$ and P value <0.001) in Table 4.18 showed that there

is a positive significant correlation between product diversification and competitive advantage of youth enterprises in Kenya. This means that an increase in use of product diversification improves competitive advantage of youth enterprises in Kenya.

This finding concurs with some earlier studies on the use of product diversification contribution to building competitive advantage of youth enterprises in Kenya. According to Hall (1995), diversity is a kind of strategy which is often used for expanding the company's market or increasing sales and profits. According to Nayyar (1992), enterprises have diversity if they work simultaneously in more than one business. So, the diversity strategy can be defined as "the extent of participating in different businesses and the main model of relationships among different business of the companies.

According to Rowe et.al, (1997) and Qian (2002), diversity can be classified into two; namely related diversity and unrelated diversity. The related diversity is reached when an enterprise has different business units which are related to each other in some ways (for example: similar businesses). In this kind of diversity, the units are common. Or they are jointly used by related businesses in that enterprise. Overall, there are tangible and intangible relationships among different business units. The related diversity leads to the reciprocal transfer of information between organization managers and department managers. It causes organization managers in organizations with related diversity compared to organizations with unrelated one, to have more information about their department managers (Rowe et.al., 1998). In the unrelated diversity, an enterprise is diversified in the areas that have little similarities to each other. Overall, this kind of diversity causes enterprises to collect cash flows from departments and reallocate them to the departments [Rove et al. 1997]. In other words, the unrelated diversity strategy is the result of diversification among different industries (Qian 2002).

SMEs can diversify through various way namely; new investments in similar products and services and services, and investments which lead to the vertical integration of complementary activities. This integration may be forward or backward. Investments lead to the globalization through increasing the participation in foreign markets and similar products and services and lastly investments which lead to the formation of intangible assets like marketing knowledge, patented technology, product differentiation, and management capability.

Hypothesis four: Business development services have no significant effect on competitive advantage of youth enterprises in Kenya

4.7.4: Business development services and Competitive Advantage Model Summary.

The coefficient of determination (R squared) of 0.128 shows that 12.8% of competitive advantage of youth enterprises can be explained by business development services. The adjusted R-square of 12.4% indicates that business development services in exclusion of the constant variable explained the change in competitive advantage by 12.4%, the remaining percentage can be explained by other factors excluded from the model. R of 0.358 shows that there is positive correlation between business development services and competitive advantage. The standard error of estimate (0.29398) shows the average deviation of the independent variables from the line of best fit. These results are shown in Table 4.22a.

Table 4.22a: Business development services and Competitive Advantage Model Summary

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

a. Predictors: (Constant), Business development services

a) Business development services and competitive advantage ANOVA

The result of analysis of Variance (ANOVA) for regression coefficient as shown in Table 4.22b revealed (F=32.087, P value<0.001). Since the P value is less than 0.05, it means that there exists a significant relationship between business development services and competitive advantage of youth enterprises in Kenya.

Table 4.22b: Business development services and Competitive Advantage ANOVA

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

a. Predictors: (Constant), Business development services

b) Business development services and Competitive Advantage Weights

The study hypothesized that business development services have no significant effect on competitive advantage of youth enterprises in Kenya. The study findings indicated that there was a positive significant relationship between business development services and competitive advantage ($\beta=0.525$ and P value<0.001). Therefore, a unit increase in use of business development services index led to an increase in competitive advantage index by 0.525. Since the P-value was less than 0.05 as shown in Table 4.22c below, the null hypothesis was rejected and the alternative hypothesis accepted. It can therefore be concluded that business development services influences competitive advantage of youth enterprises in Kenya.

Table 4.22c: Business development services and Competitive Advantage Regression Weights

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

a. Dependent

Variable: Y

4. Discussion of findings between business development services and competitive advantage

The findings in Table 4.22c indicates that business development services positively and significantly influences competitive advantage of youth enterprises in Kenya ($\beta = 0.525$, P value <0.001). For every unit increase in the application of business development services, there was a corresponding increase in competitive advantage by 0.525. The Pearson product moment correlation coefficient revealed a moderate positive and significant correlation between innovation and competitive advantage of youth enterprises ($r = 0.358$, P value <0.001) as shown in Table 4.18.

These results are consistent with previous research. Business development services are built on the dynamic capabilities of the firm. This concept has become the subject of increased research attention (Zollo & Winter, 2002), with ensuing studies expanding and refining the original definition. In what is considered to be a major contribution, apart from that of Teece *et al.* (1997), Eisenhardt & Martin (2000) define dynamic capabilities as “the firm’s processes that use resources to match and even create market change”. Helfat & Peteraf (2003) conceptualize strategic capabilities in terms of “adaptation and change”, due to their ability to “build, integrate, and reconfigure other resources and capabilities”. Bowman & Ambrosini (2003) regard dynamic capabilities as the firm’s ability to renew its existing

resources in response to environmental changes. Zollo & Winter (2002) focus on the notion of organizational learning as a source of dynamic capability, which they defined as “a learned and stable pattern of collective activity through which the organization systematically generates and modifies its operating routines in pursuit of improved effectiveness”.

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

4.8: Joint Model (Multiple regressions Model)

Multiple regression analysis was used to determine whether independent variables, Collaborative networks (X_1), Innovation (X_2), Product Diversification (X_3) and Business development services (X_4) simultaneously affect the dependent variable (Y) which is Competitive Advantage of youth enterprises in Kenya. From Table 4.23a, the coefficient of determination (R-squared) of 0.573 shows that 57.3% of competitive advantage of youth enterprises can be explained by collaborative networks, innovation, product diversification and business development services.

The adjusted R of 0.565 indicates that collaborative networks, innovation, product diversification and business development services in exclusion of the constant variable explained the change in competitive advantage by 56.5%, the remaining percentage can be explained by other factors not included in the model. An R of 0.757 shows that there is a positive correlation between collaborative networks, innovation, product diversification and business development services and competitive advantage enterprises in Kenya. These results are shown in Table 4.23a.

Table 4.23a Joint Model

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.757 ^a	.573	.565	.20731

a. Predictors: (Constant), Business development services, Product Diversification, Collaborative Networks, Innovation

The analysis of variance (ANOVA) as shown in Table 4.23b tests the significance of the model at 5% level of significance. The value of $P < 0.001$ means that the null hypothesis is rejected and the alternative hypothesis is taken to hold as p value is less than 0.05. This implies that collaborative networks (X_1), innovation (X_2), product diversification (X_3) and business development services (X_4) are significant predictors at explaining the competitive advantage and that the model is significantly fit at 5% level of significance.

Table 4.23b: Joint Model ANOVA^b

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	12.374	4	3.094	71.983	.000 ^a
	Residual	9.240	215	.043		
	Total	21.614	219			

a. Predictors: (Constant), Business development services, Product Diversification, Collaborative Networks, Innovation

b. Dependent Variable: Y

Further, the four predictor variables were found to be significant; collaborative networks X_1 ($\beta = 0.281$, $t = 8.763$, $P\text{-value} < 0.001$), innovation X_2 ($\beta = 0.378$, $t = 6.288$, $P\text{-value} < 0.001$), product diversification X_3 ($\beta = 0.338$, $t = 4.714$, $P\text{-value} < 0.001$) and business development services X_4 ($\beta = -0.231$, $t = -2.468$, $p\text{-value} = 0.014$) as shown in Table 4.23c.

It is worth to note that business development services in the joint model coefficients had a negative influence on Y. that is, for a unit increase in business development services, there is decrease in Y by 2.13. This is quite interesting given that on its own, business development services influences Y positively (see Table 4.22c).

Based on standardized Beta coefficient. We can depict that in the joint model X_1 , ($B_1 = 0.486$) has the greatest influence, followed by X_2 ($B_2 = 0.408$), X_3 ($B_3 = 0.242$) and X_4 ($B_4 = -0.145$). The combined model is $Y = 1.166 + 0.281X_1 + 0.378X_2 + 0.338X_3 - 0.231X_4$.

Table 4.23c: Joint Model Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients		
	B	Std. Error	Beta	t	Sig.
1 (Constant)	1.166	.374		3.120	.002
Collaborative Networks	.281	.032	.486	8.736	.000
Innovation	.378	.060	.408	6.288	.000
Product Diversification	.338	.072	.242	4.714	.000
Business development services	-.213	.086	-.145	2.468	.014

a. Dependent Variable: Y

4. Discussion of the joint model

The overall objective of this study was to determine the effect of strategic options on competitive advantage of youth enterprises in Kenya. The expectation was that if youth enterprises choose to implement these strategic options namely collaborative networks, innovation through product value addition, product diversification and entrepreneurial skill, it will achieve competitive advantage and sustainable growth and stay ahead of competition. The result of regression analysis showed that collaborative networks, innovation through product value addition, product diversification and entrepreneurial skill combined had significant positive relationship with competitive advantage of youth enterprises in Kenya apart from business development services which had negative relationship, X_1 ($\beta = 0.281$, P-value <0.001), X_2 ($\beta = 0.378$, P-value <0.001), X_3 ($\beta = 0.338$, P-value <0.001), and X_4 ($\beta = -0.231$, p-value = 0.014) as shown in Table 4.23c.

The findings supports argument of Porter that competitiveness is based on the increased productivity of a nation's enterprises (continuous increases in value-added). To achieve these continuous increases in value-addition, enterprises must transform their ways of competing: they must shift from comparative advantages (i.e. low-cost labour, etc.) to competitive advantages, namely the ability to compete on cost and quality, delivery and flexibility. The competitiveness of enterprises depends on the business environment and the sophistication of company operations, including inter-firm cooperation. Getting the business environment right can be looked at from the policy and institutional point of view—are all the institutions and laws in place to create an enabling business environment? Or looked at from the enterprise level—what policies and support structures are necessary for enhancing their capacity? Competitiveness has been the subject of a number of recent annual reports: UNCTAD's World Investment Report (WIR) 2002, UNIDO's Industrial Development Report 2002/2003, and the Global Competitiveness Reports 1979-2002, published by the World Economic Forum. While each has a slightly different focus (transnational corporations, industrial development, government intervention), they all agree that an important element in improving competitiveness is building

domestic capabilities. For example, World Investment Report 2002 states: “If developing countries are to strengthen competitiveness, they will have to strengthen their capabilities, attract and stimulate activities suited to their endowments (or lack of) and upgrade them over time.” None of the preceding reports goes into detail about the policies and support programmes that are necessary for strengthening productive capacity at the enterprise level, particularly that of small- and medium-sized enterprises (SMEs). Therefore, in filling out the picture on competitiveness, this report examines the groundwork that developing countries must lay if their domestic enterprises are to become competitive. In recent years there has been an increasing focus on, and understanding of, the design and implementation phases of youth enterprises as part of efforts to make youth enterprises more successful and work more efficiently (IFAD, 2007). Recent studies (TANGO International 2008c, 2008d, 2008e) note that, while the trend with implementation is showing significant improvement, the trend with competitiveness is rather disappointing, as fewer youth enterprises are being sustained. According to the findings of the studies, one of the most common constraint on competitiveness encountered in field operations in Philippines and Vietnam reveal that they did not conduct risk analyses prior to enterprise design, and lack of concrete risk management strategies. Inadequate consideration of contextual issues, such as a lack of infrastructure or financial services has led to the development of market-driven enterprise designs which might not be sustainable.

Several factors have undermined long term competitiveness of income generating youth enterprises such as, the lack of follow-up support, lack of technical skills to carry out preventive maintenance or the absence of refresher training courses. (Rigby, Howlett & Woodhouse, 2000). According to Youth Challenge International Kenya, an international NGO concerned with youth, majority of the Kenya’s population is the youth aged 15 to 35 years and currently number about 60% of the population (YCIK, 2005). Empowering the youth through initiating and supporting income generating youth enterprises to successful completion and sustainability globally is still a neglected concern in general, or an unfulfilled aspiration at best (World Bank, 2005).

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter presents the summary of the study findings as guided by the specific objectives and also the conclusion. Recommendations as well as direction for future research as per the findings are also presented.

The study sought to establish the effect of strategic options on the competitive advantage of youth enterprises in Kenya. Specifically, the study sought to determine the effects of collaborative networks in creating competitive advantage to youth enterprises in Kenya. To establish effects of product innovation through value addition in creating competitive advantage to youth enterprises in Kenya. To evaluate the effects of product diversification in creating competitive advantage to youth enterprises in Kenya and to find out how business development services creates competitive advantage to youth enterprises in Kenya.

5.2 Summary of Findings

5.2.1: Specific objective 1: Determine the effect of collaborative networks in creating competitive advantage to youth enterprises in Kenya

The goal of the youth enterprises pursuing collaborative networks is to become most competitive in their area of investment. Collaborative net works gives youth enterprises a defense against competitors due to combined resources and combined sharing of risks. This lowers operational costs which eventually raises the profit margins. This study sought to determine if these implications are held true for youth enterprises pursuing collaborative net works as their strategic option. Based on the result of this study, collaborative networks affect the competitive advantage of youth enterprises.

The findings indicated that competitive advantage of youth enterprises increased by 0.335 for those pursuing collaborative networks. In their pursuit to achieve competitive advantage, youth enterprises placed more emphasis on marketing their products and services together, teaming together to bargain for fair prices from suppliers and teaming together to access sources of finances easily just to mention a few as means of realizing collaborative networks in practice.

5.2.2: Specific Objective 2: Establish the effect of innovation through product value addition in creating competitive advantage of youth enterprises in Kenya

The focus of innovation through product value addition is creating what is within the ability of youth enterprises which are characterized by limited resources. It involves moving an extra mile to make a different form of the same products and services the youth enterprises are trading in. Youth enterprises pursuing innovation through product value addition offered unique products and services. This research sought to determine if this assertion is held true.

Based on the findings of this study, there is enough evidence to reject the null hypothesis H_{02} that innovation has no significant effect on competitive advantage of youth enterprises. The study found that innovation affects competitive advantage of youth enterprises in Kenya. The findings revealed that 41% of competitive advantage of youth enterprises can be explained by innovation. A unit increase in use of innovation index led to an increase in competitive advantage by 0.593.

In their effort to realize innovation through product value addition, youth enterprises pay more emphasis on making different forms of the same product they market, discovering new uses of the same products and services they market, implementing convincing product branding to customers just to mention a few aspects; this enhances their competitive advantage ahead of other competitors.

5.2.3: Specific Objective 3: Determine the effect of product diversification in creating competitive advantage of youth enterprises in Kenya

The study established that product diversification had a positive significant correlation with competitive advantage of youth enterprises. Product diversification involved having different types of product, using different types of product to venture into new market, grading those products and services just to mention a few. This raises the youth enterprises competitive advantage. This study sought to determine whether this assertion is held true.

The result of regression analysis between product diversification and competitive advantage of youth enterprises in Kenya showed that product diversification had a positive significant relationship competitive advantage of youth enterprises. This means that an increase in use of product diversification index improves competitive advantage of youth enterprises index by 0.464. The study also found out that 11.1% of competitive advantage of youth enterprises can be explained by product diversification.

5.2.4: Specific Objective 4: Find out how business development services create competitive advantage of youth enterprises in Kenya

The focus of business development services is creating a very conducive business environment which not only continuously attracts and retains customer but also gives the business with its employees a unique position in the market ahead of the competitors. This research sought to find out if this assertion is true.

Based on the findings of this study, there is enough evidence to reject the null hypothesis H_{04} that business development services has no significant effect on competitive advantage of youth enterprises in Kenya. The study found that business development services affect the competitive advantage of youth enterprises in Kenya. Moreover, the study found that youth enterprises regularly trains its staffs, rewards them for newly implemented ideas, use mobile marketing and mobile promotional

services just to mention a few as means of using these entrepreneurial skill to raise their competitive advantage.

The result of regression analysis between business development services and competitive advantage of youth enterprises in Kenya showed that business development services had a positive significant relationship with competitive advantage. This means that an increase in use of business development services index improves competitive advantage index of youth enterprises by 0.525

5.3 Conclusions

The study concludes that collaborative networks as used by youth enterprises were statistically a significant factor in relation to competitive advantage. On collaborative networks measures, it was found that marketing products and services together, fighting substitute goods together, bargaining for fair prices from suppliers together and teaming together for easy access to sources of finance positively impacted on competitive advantage of youth enterprises. These confirmed the assertion that collaborative networks raises competitive advantage of youth enterprises which is in line with the views of Human & Provan, 1997 who argues that strategic SME networks enable members to contribute inputs and also benefit outputs from one another. Firms in these networks share competence and resources so that each firm can reach goals through participation. Therefore, cooperation and relations are fundamental for value creation, i.e. competitiveness. Strategic SME networks represent a place where learning and resource exchange can be used for development, innovation, and strategic renewal (Mezegar, Kovacs & Paganelli, 2000).

The study concludes that innovation through product value addition is statistically significant factor in determining competitive advantage of youth enterprises in Kenya. Innovation through product value addition has the most statistically significant superior effects when compared with collaborative networks, product diversification and business development services. Youth enterprises must excel in pursuing innovation in terms of product value addition as identified in this study. The

research findings on approaching innovation through product value addition rhymes with the views of Wang & Ahmed (2004) who defined innovativeness as a firm's ability to exceed routine thinking process, which involves going beyond the obvious to discover newness (Avlonitis et al., 2001). Hurley & Hult (1998) view innovativeness as "the ability of the organization to adopt or implement new ideas, processes, or products and services successfully"; treated as a "cultural precursor" that provides the "social capital" to facilitate innovative behavior (Hurley et al., 2005). Likewise, Hult et al. (2004) rationalize innovativeness as a firm's capacity to introduce new processes, products and services, or ideas in the organization. The aim should be to create a superior fulfillment of customer needs in one or several products and services attributes in order to develop customer satisfaction and loyalty which in turn be used to expand strategic competitiveness of youth enterprises in Kenya.

The result of multiple regression indicated that product diversification had significant effect on competitive advantage of youth enterprises in Kenya. Product diversification whether anchored on having different types of product or having different grades of the same products and services to meet specific market segment must raise the competitive advantage of youth enterprises ahead of their competitors. This agrees with the views of Hall (1995), that diversity is a kind of strategy which is often used for expanding the company's market or increasing sales and profits. According to Nayyar (1992), enterprises have diversity if they work simultaneously in more than one business. The effect of product diversification is to achieve a proper tool to manage risks according to Hall (1995). In conclusion; Product diversification should enable youth enterprises to launch products and services not offered by their competitors in order to remain competitive in the market place.

The study concludes that business development services as used by youth enterprises were statistically a significant factor in relation to competitive advantage. Youth enterprises which aim to perform at a significantly higher level than competitors should ensure regular in service training of the staffs, use of mobile marketing and mobile promotional services and staff motivation measures in order to raise their

competitive advantage. The findings are in agreement with the literature review that Youth enterprises need to strengthen their entrepreneurial skill by building strong dynamic capabilities in line with the views of Eisenhardt & Martin (2000) who define dynamic capabilities as “the firm’s processes that use resources to match and even create market change”. Helfat & Peteraf (2003) conceptualize strategic capabilities in terms of “adaptation and change”, due to their ability to “build, integrate, and reconfigure other resources and capabilities”. Bowman & Ambrosini (2003) regard dynamic capabilities as the firm’s ability to renew its existing resources in response to environmental changes. Zollo & Winter (2002) focus on the notion of organizational learning as a source of dynamic capability, which they defined as “a learned and stable pattern of collective activity through which the organization systematically generates and modifies its operating routines in pursuit of improved effectiveness”.

5.4: Recommendations

Based on the findings of the study, the researcher recommends that youth enterprises adopt collaborative networks in order to build their competitive advantage. The study recommends that youth enterprises in Kenya deepen their engagement into more collaborative networks measures which will enable them increase their bargain power from suppliers and easily access source of finance among others in order to be a key partners in economic development both at County and National government level, this will strengthen their competitiveness and improve their performance to be in line with the aspirations of vision 2030. The research further recommends that the government need to simplify the policy procedures followed when awarding affirmative action of 30% tenders to the youth. In simplifying the procedures the researcher recommends use of easily accessible medium of communication such as chief barazas instead of print media and internet which are only accessible to urban based youths.

Based on the findings of this study, the researcher recommends for more emphasis to be put on innovation through product value addition because it is cost effective and will involve working and expanding goods and services which the youth enterprise has already been dealing with.

The study also recommends that youth enterprises to expand product diversification to raise their competitive advantage. Youth enterprises must scan the environment fully to identify the best segment to target and adopt product diversification that will satisfy customer wants and needs in market segments that assures continued growth and sustainability as way of raising their competitive advantage.

The study recommends Youth enterprises to employ many business development services at the same time in order to satisfy and retain all kinds of customers regardless of their age, gender or religion. The research recommends the need for youth enterprises to stretch their profits to the surrounding societies by engaging in cost effective social corporate responsibilities. This will make the society to feel to be part of youth enterprise competitive advantage agenda.

The study recommends the need to expand the existing requirements needed by youth office in order for youth enterprises to qualify for youth funds. The respondents felt the need to expand requirements needed to include guarantors, pay slip chiefs letter and insurance fee. Policy change is essential in order to accommodate these items in the expanded list of requirements

The study recommends for policy adjustment by government and other stakeholders in order to expand the age bracket of youth eligibility to youth funds and any other funds from other sources such as non- governmental organizations to forty years. This is because by the time the youth enterprise is at the peak of its competitive advantage, majority of members are above current ceiling age of 35 years, hence the members cannot access the affirmative action meant for youth.

The study further recommends continuous assessment of strategic options implemented by youth enterprises in terms of their appropriateness in the ever changing business environment. This is because strategic options should match with the business environment in order to realize optimal competitive advantage.

5.5: Areas for Further Research

Although this study provides insight into strategic options and their effects on competitive advantage of youth enterprises in Kenya, several areas remain unclear and require to be addressed by future researchers.

Further research need to be carried out on how to formally institutionalize collaborative networks among the youth enterprises in terms of guiding policies. The formal policy frame work will ensure long term sustainability of the collaboration as well as balanced benefits for the collaborating youth groups. The study found out that the nature of collaborative networks existing among youth enterprises are purely based on trust and good will rather than policies.

Further research need to be done on how to patent and protect the specific innovation done in product value addition carried out by specific youth group in order to prevent idle youth groups from waiting the innovative ones to take a move to add to their competitive advantage, then they copy that move thus disadvantaging the original owner of the innovation.

Further research need to be carried out on how to ensure the competitive advantage gained by youth enterprises is realized by surrounding community through participation in corporate social responsibilities. This is because the study found out that youth enterprises were least engaged in social corporate responsibilities.

Further research need to be done on the relationship between business development services and innovation. This quest was raised by the research findings that entrepreneurial skill had a positive effect on competitive advantage on its own, but had a negative effect on competitive advantage in the joint model when innovation is factored in.

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APPENDICES

APPENDICES 1: RESPONDENT CONSENT

DEAR RESPONDENT,

DATE.....,

REF: CONSENT FOR PROVISION OF ACADEMIC DATA

I am a student at the Jomo Kenyatta University Agriculture and technology pursuing degree of doctor of philosophy in business administration (strategic management option). I am currently conducting a research study on the strategic option for competitive advantage for youth enterprises. A case study of Murang'a County to fulfill the requirements of doctor of philosophy in business administration (strategic management option)

I would highly appreciate if you assist me by responding to all questions as listed below. Your response will be treated with utmost confidentiality and purely for academic purposes.

Your assistance is highly appreciated.

Yours Faithfully,

SAMUEL MWANGI NJUGUNA

HD433/1362/2011

Appendix 2: RESEARCH QUESTIONNAIRES FOR CHAIRPERSONS

Please answer all the questions honestly and exhaustively by putting a tick (✓) or numbers in the appropriate box that closely matches your group. NB: This information will be used strictly for academic purposes only and will be treated with utmost confidence.

PART 1: Background Information

This questionnaire is intended to gather general information on strategic option for competitive advantage for youth enterprises in Murang'a County. The questionnaire has two sections. Kindly respond to all question items honestly. Please tick (✓) in the appropriate box.

PART I : Personal information

1. Name of the enterprise.....
2. Date the enterprise started.....
3. Location
4. Enterprise economic activity.....
5. Your Gender: (please tick)
Male Female
6. Level of education (please tick)
Primary Secondary Un ty others
specify.....
7. Age (please tick).....years.
8. In your own views, what should be the age limit of a youth for eligibility to youth funds? Between 18 yrs to.....yrs.
9. What are the securities needed by youth office for you to qualify for the loan?

Extent of application of Innovation on Competitive Advantage

Do your enterprise value and engage in innovative processes? Yes No

What drove your enterprise to engage in innovative processes?

i) To raise technological expertise

ii) To establish new products and services

iii) To re-brand existing products and services

To what extent do you apply these innovations through product value addition actions in your group? (Please tick (√) in the appropriate box). (Strongly agree)=SA, (Agree)=A, (Neutral)=N, (Disagree)=D, (Strongly disagree) =SD.

	Application of Innovation: Product Value Addition	SA	A	N	D	SD
1.	My group has increased the number of products and services we market					
2.	My group has discovered new uses of our products and services					
3.	My group has enabled has made different forms of the same product					
4.	My group has made products and services with different taste flavors					
5.	My group has achieved convenient and attractive packaging					
6	My group has created products and services which suits exact customers needs					
7	My group have implemented convincing products and services branding to customers					

3. Extent of application of Product Diversification on Competitive Advantage.

Does your enterprise engage in product diversification? Yes NO

What drove your enterprise towards product diversification?

i).....

.....

ii).....

.....

To what extent do you apply these product diversification actions? (Please tick (√) in the appropriate box) (Strongly agree)=SA, (Agree)=A, (Neutral)=N, (Disagree)=D, (Strongly disagree) =SD.

	Application of Product Diversification	SA	A	N	D	SD
1.	Having different types of products and services increases my group market niche					
2.	My group has ventured into new market with new and existing products and services					
3.	My group have managed to grade our products and services					
4	My group have increased our market competitiveness					
5	My group have strengthened capacity building of our research & development department					

4. Extent of application of Business development services on Competitive Advantage

Do you have business development services ahead of your competitors?

Yes No

Mention the business development services your enterprise own which gives you a competitive advantage edge

.....

To what extent do you apply these business development services actions? (Please tick (√) in the appropriate box) (Strongly agree)=SA, (Agree)=A, (Neutral)=N, (Disagree)=D, (Strongly disagree) =SD.

	Application of Business development services	SA	A	N	D	SD
1.	My group regularly train our workers to give our enterprise best human capital					
2.	My group rewards staff to motivate them for successfully implementing new ideas					
3.	My group uses mobile marketing and mobile promotional activities.					
4.	My group have made continuous growing customer base					
5.	My group responds positively to market changes					
6	My group participates in social corporate responsibilities					

5. Parameters for Competitive Advantage

To what extent has your enterprise realized these parameters of competitive advantage? (Please tick (√) in the appropriate box) (Strongly agree)=SA, (Agree)=A, (Neutral)=N, (Disagree)=D, (Strongly disagree) =SD.

	Parameters of Competitive Advantage	SA	A	N	D	SD
1.	My group have Continuous made profit annually					
2.	My group have timely serviced the loans acquired					
3.	My group have Successfully bid for government tenders					
4.	My group have continuously Increased customer loyalty					
5.	My group has Continuously expanding our market share					
6.	My group enjoys suppliers and creditors confidence					
7	My group continuously participates in corporate social responsibility					
8	My group enjoys reduced customer complaints and reduced products and services expire					

Thank you for your cooperation

APPENDICES III: LIST OF YOUTH GROUP ENTERPRISES

1. Victory Rwathia Youth Group
2. Sunrise Youth Group
3. Aberdare Progressive Youth Group
4. Kaganda Youth Group
5. Baraka Winners Youth Group
6. Ka-Mwangi Youth Group
7. Witeithie Youth Group
8. Hotshot Youth Group
9. Maono mbali Youth Group
10. Mazingira Youth Group
11. Focus Investors Youth Group
12. By Grace Youth Group
13. Gakuyu Integrative Youth Group
14. Maragi Development Youth Group
15. Upper Nyakihai Youth Group
16. Green Hill Youth Group
17. Mugumo Generation Youth Group
18. Gitige Horticulture Youth Group
19. Saviour Youth Group
20. Kagondu New Vision Youth Group
21. Mt. Zion Youth Group
22. Kahuhia Youth Group
23. Sunset Youth Group
24. Senior Pioneer Youth Group
25. Kahatia Aberdare Youth Group
26. Kihoya Youth Group
27. Boyo Youth Group
28. Full Gospel Church Youth Group
29. Muguru Movement Youth Group
30. Evolution Youth Group

31. Githiga Adonai Youth Group
32. Scorpion Youth Group
33. Kaganda Youth Group
34. Kinyona Youth Group
35. Maganjo United Youth Group
36. Gathambo Youth Group
37. Kamacharia Youth Group
38. Mpya Youth Group
39. Kambara Blessed Pals Youth Group
40. Shepherded Youth Group
41. Kiru Mwireri Youth Group
42. Ithe Kahuno Youth Group
43. Ndinge'ro Youth Group
44. Gitwe Youth Group
45. Githindiri Youth Group
46. Scholar Youth Group
47. Kagi Youth Group
48. Nyakio Dairy Youth Group
49. Mwangaza Youth Group
50. Mwireri Youth Group
51. Olive Youth Limitation Youth Group
52. Kaririwa Horticultural Farmers Youth Group
53. Nyamwithimo Youth Group
54. Mwisho wa Raha Youth Group
55. NAP Dairy Youth Group
56. Iyego Investors Youth Group
57. Imara Youth Group
58. Umoja Youth Group
59. Focused Youth Group
60. Githaku Gia Gathua Youth Group
61. Kahakimba Youth Group
62. Karurumo Youth Group

63. Ihigaini Neighbour Youth Group
64. Ngamikaki Youth Group
65. Ndikwe Umoja Youth Group
66. Magaki Youth Group
67. Matongu Youth Group
68. Ndimu Youth Group
69. Gitaka Youth Group
70. Kagio-ini Church of Prophet Youth Group
71. Kimari Youth Group
72. Nyakianga Youth Group
73. Pioneer Youth Group
74. Pamoja Welfare Youth Group
75. Muungano Muslim Youth Group
76. Murang'a Exodus Youth Group
77. Mumbi Youth Group
78. Kiru Youth Group
79. Wanjrere Mwiruti Youth Group
80. Umoja Investments Youth Group
81. Gikui Young Youth Group
82. Link Small Scale Traders Youth Group
83. Sarudadi Youth Group
84. Arise Kiumba Youth Group
85. United Mugoiri Young Youth Group
86. Muiga Plantation Confection Youth Group
87. Kayahwe Youth Group
88. Gitei Youth Group
89. Gaitega Developers Youth Group
90. Young Movers Youth Group
91. Kamuga Youth Group
92. Gitui United Youth Group
93. Kagira Youth Group
94. Nyakaitha Youth Group

95. Wanjengi Maisha Bora Entrepreneur Youth Group
96. Wembe Youth Group
97. Young Leader Youth Group
98. Kahuro Youth Group
99. Kamacharia Youth Group
100. Mathioya Jenga Tunjengane Youth Group
101. Githima Investment Youth Group
102. Aberdare Destiny Youth Group
103. Njuki Youth Group
104. Gatura Interdenominational Youth Group
105. Muhunyuko Youth Group
106. Mirichu Development Youth Group
107. Shangilia Mwireri Youth Group
108. Kahithe Wonderful Youth Group
109. Good Hope Youth Group
110. Sisters Youth Group
111. Elishandai Youth Group
112. Young Unity Youth Group
113. Gatang'ara Agro – Processing Youth Group
114. Young Mwihangi'a Youth Group
115. Kapemba Youth Group
116. Kahuro Youth Group
117. Mukangu Youth Group
118. Mugoiri United Youth Group
119. Jambezi Youth Group
120. Crowd 15 Youth Group
121. Kiriko Youth Group
122. Kiamuturi Youth Group
123. Kambara Youth Group
124. Kiangima Youth Group
125. Muthangari Youth Group
126. Gikuuini Ireke Youth Group

127. Iyego Shalom Youth Group
128. Eagle Peak Youth Group
129. Good Shepherd Youth Group
130. Mukuyu Ukombozi Youth Group
131. Golden Girls Youth Group
132. Zamu Zam Youth Group
133. Jamii Disabled Youth Group
134. Mjini Mwamko Mpya Youth Group
135. Alpha Youth Group
136. Ten Vision Youth Group
137. Kahuro Mwihoko Youth Group
138. Kanjuki Agro Processors Youth Group
139. Kiruri Jijenge Youth Group
140. After Tsunami Enterprise Youth Group
141. Greenstar Youth Group
142. Kangoka Youth Group
143. New Life Youth Group
144. Mahigaini Youth Group
145. Mathioya Wahundura Youth Group
146. Gikoe Kwiya Youth Group
147. Future Oriented Youth Group
148. Kameki Tuiname Youth Group
149. Purple Passion Youth Group
150. Zura Noma Youth Group
151. Karera Youth Group
152. Star Achievers Youth Group
153. Generation Youth Group
154. Umoja ni Nguvu Youth Group
155. Skyline Youth Group
156. Wema Production Youth Group
157. St. Rovers Youth Group
158. Vijanaa Pamoja Youth Group

159. Great Friends Youth Group
160. Kaganda Vision Youth Group
161. Kioneki Youth Group
162. Gatuya Mwihoti Youth Group
163. Mwikoria Gatang'ara Youth Group
164. Gaturi Local Youth Group
165. Gakira Central Youth Group
166. Kahigaini Wonderful Youth Group
167. Good Neighbours Youth Group
168. Musdi Youth Group
169. Ushindi Youth Group
170. Gakunya Youth Group
171. Silver springs Youth Group
172. St.Peter Gitiri Youth Group
173. Muringu Development Youth Group
174. Sunshine Youth Group
175. Aberdare Vision Youth Group
176. Nyakianga Youth Group
177. First Step Youth Group
178. Gacharageini Tumaini Youth Group
179. Wanaruona Youth Group
180. Kiriaini Car Wash Youth Group
181. Happy Dairy Youth Group
182. Kenol Green Grocers Youth Group
183. Kabati Winners Youth Group
184. Gitugu Great Youth Group
185. Good Investment Youth Group
186. Gatanga Boda Boda Youth Group
187. Kigumo Clean Car Wash Youth Group
188. Mukangu Investors Youth Group
189. Kiamuturi United Youth Group
190. Kabati Green Grocers Youth Group

191. Nyakihai Bee Harvestors Youth Group
192. Young Worriers Youth Group
193. Maragua Visionary Youth Group
194. Karurumo Organized Youth Group
195. Marimira Focused Youth Group
196. Kimonjo Agro Based Youth Group
197. Good Will Youth Group
198. Mukuyu Public Toilet Youth Group
199. Murang'a Public Toilet Youth Group
200. Gatheru Youth Group
201. Kiamagua Youth Group
202. Roma Youth Group
203. Springs of Love Youth Group
204. Kamaka Youth Group
205. Kagaa Mwihoko Youth Group
206. Canjamuka Youth Group
207. Jikaze Youth Group
208. Kanya Youth Group
209. Promise Youth Group
210. Kawaki Car Wash Youth Group
211. Bronsters Youth Group
212. Gakuya Awakening Youth Group
213. Mumos Boda Boda Youth Group
214. Blue Ladies Youth Group
215. Water Supply Motor Bikes Youth Group
216. Gakira Motor Bikes Youth Group
217. Kanyenyaini Bodas Youth Group
218. Rwathia Motor Bikes Youth Group
219. Mugoiri Investment Youth Group
220. Saba Saba Honey Harvester