

**FACTORS INFLUENCING THE USE OF BUSINESS
ADVISORY SERVICES OF MICRO AND SMALL
ENTERPRISES IN NAIROBI CITY COUNTY, KENYA**

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**Factors Influencing the Use of Business Advisory Services of Micro and
Small Enterprises in Nairobi City County, Kenya**

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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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DEDICATION

This thesis is dedicated to my loving husband, Kassim Omollo Owino, my son Ibrahim Ochieng Omollo and daughter Grace Akinyi Omollo. Their patience, love, understanding and support they gave me, the will and determination to complete my post graduate studies. To my parents, the late John Otengo and Bernadette Otengo, for the faith they had in me, and their encouragement throughout the study. To my late aunt, Sr. Tecla Agutu, who significantly inspired and shaped my spiritual and academic life. And to all my sisters; Colleta, Consolata, Joan and Susan, and to my late brothers; Stephen and Christopher, whom without, my life would not have been fulfilling.

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TABLE OF CONTENTS

DECLARATION	ii
DEDICATION	iii
ACKNOWLEDGEMENTS	iv
TABLE OF CONTENTS	v
LIST OF TABLES	xii
LIST OF FIGURES	xv
LIST OF APPENDICES	xvi
LIST OF ABBREVIATIONS AND ACRONYMS	xvii
DEFINITION OF OPERATIONAL TERMS	xviii
ABSTRACT	xx
CHAPTER ONE	1
INTRODUCTION	1
1.1 Background of the Study.....	1
1.1.1 Business Advisory Services.....	3
1.1.2 Micro and Small Enterprises in Kenya.....	5
1.2 Statement of the Problem.....	7
1.3 Objectives	9

1.3.1	General Objective	9
1.3.2	Specific Objectives	9
1.4	Hypotheses.....	9
1.5	Significance of the Study.....	10
1.5.1	Micro and Small Enterprises in Kenya.....	10
1.5.2	Investors.....	11
1.5.3	Policy Makers	11
1.5.4	Researchers and Scholars	11
1.6	Scope of the Study	12
1.7	Limitations of the Study	12
CHAPTER TWO		14
LITERATURE REVIEW.....		14
2.1	Introduction.....	14
2.2	Theoretical Framework.....	14
2.2.1	Resource Dependency Theory.....	14
2.2.2	Core Competency Theory.....	16
2.2.2	Technology Adoption Theory	17
2.2.3	Theory of Economic Development	18

2.2.4	Management Economic Theory	20
2.2.5	Institutional Theory	21
2.2.6	Decision Theory	22
2.3	Conceptual Framework.....	23
2.3.1	Employee’s Competence	25
2.3.2	Technology Adoption.....	26
2.3.3	Organisational Structure.....	26
2.3.4	Characteristics of the Of the Owner of the Business.....	27
2.3.1	Business Advisory Service	27
2.4	Review of Literature Related to The Study	28
2.4.1	Employees Competence in the Individual Micro and Small Enterprises	28
2.4.2	Extent of Adoption of Technology in Micro and Small Enterprises.....	31
2.4.3	Organizational Structure and Business Advisory Services	34
2.4.4	Characteristics of the Owner of the Micro and Small Enterprises	36
2.4.5	Importance of Business Advisory Services to Micro and Small Enterprises.....	38
2.5	Critique of the Existing Literature Relevant to the Study.....	40
2.5.1	Importance of Business Advisory Services to Micro and Small Enterprises	41

2.5.2	Competence of the Employees in the Individual Micro and Small Enterprises	43
2.5.3	Extent of Adoption of Technology in Micro and Small Enterprises	44
2.5.4	Organizational Structure and Business Advisory Services	46
2.5.5	Characteristics of the Owner of the Micro and Small Enterprises	46
2.6	Research Gaps	47
2.7	Summary of Reviewed Literature	48
CHAPTER THREE		51
RESEARCH METHODOLOGY		51
3.1	Introduction.....	51
3.2	Research Design	51
3.2.1	Research Philosophy	51
3.2.2	Research Design	52
3.3	Target Population.....	54
3.4	Sample and Sampling Techniques	55
3.4.1	Sampling Frame.....	55
3.4.2	Sampling Technique	55
3.5	Data Collection Instruments	56
3.6	Data Collection Procedure	57

3.7 Pilot Testing	57
3.7.1 Reliability of the Study Instrument	57
3.7.2 Validity of the Study Instrument	58
3.8 Data Analysis and Presentation	60
3.8.1 Data Presentation	61
3.9 Hypotheses Testing	62
CHAPTER FOUR.....	63
RESEARCH FINDINGS AND DISCUSSION.....	63
4.1 Introduction.....	63
4.2 Response Rate.....	63
4.3 Requisite Tests	64
4.3.1 Cronbach’s Alpha Test	64
4.3.2 Factor Analysis	65
4.3.3 Sampling Adequacy.....	66
4.3.4 Test for Multi-collinearity	67
4.4 Demographic Information.....	68
4.4.1 Employee Competence	70
4.4.2 Extent of adoption of technology	77

4.4.3	Structure of the Organisation.....	83
4.4.4	Characteristics of the owner of the firm	89
4.5	Inferential Analysis.....	97
4.5.1	Correlation analysis	98
4.5.2	Employees Competence and Use of Business Advisory Services	99
4.5.3	Extent of Adoption of Technology and Use of Business Advisory Services.....	101
4.5.4	Structure of the organization and use of business advisory services.....	104
4.5.5	Characteristics of the owner of the firm and use of business advisory services.. ..	107
4.6	Development of Multiple Regression Model	110
4.6.1	Test for Normality	111
4.6.2	Test for Auto correlation	112
4.6.3	Combined effect model	112
4.6.4	Hypothesis Testing	115
4.7	Optimal model.....	117
CHAPTER FIVE.....		121
SUMMARY, CONCLUSIONS AND RECOMMENDATIONS		121
5.1	Introduction	121

5.2 Summary of the Findings	121
5.2.1 Specific Objective 1: Influence of employees competence of individual micro and small enterprise on the use of business advisory services in Kenya.....	121
5.2.2 Specific Objective 2: Influence of the extent of adoption of technology on the use of Business advisory services in Kenya	123
5.2.3 Specific Objective 3: Influence of the structure of the organization on the use of business advisory services in Kenya.....	124
5.2.4 Specific Objective 4: Influence of the characteristics of the owner of the firm on the use of business advisory services in Kenya	126
5.3 Conclusion	127
5.4 Recommendations of The Study.....	130
5.4.1 Employees Competence.....	130
5.4.2 Adoption of Technology.....	130
5.4.3 Organization Structure.....	131
5.4.4 Characteristics of the Owner	131
5.5 Theoretical Implications.....	132
5.6 Areas for Further Research	133
REFERENCES.....	134
APPENDICES	145

LIST OF TABLES

Table 3.1: Distribution of MSEs for various categories of manufacturing industries in industrial area, Nairobi County.....	54
Table 4.1: Response rate for food and non-food manufacturing MSEs.....	64
Table 4.2: Reliability test of the constructs in the conceptual framework.....	65
Table 4.3: KMO and Bartlett's tests	66
Table 4.4: Multicollinearity	68
Table 4.5: Number of on-job trainings given to employees.....	71
Table 4.6: Level of education considered when hiring	72
Table 4.7: Formal skills, access to information and labor productivity.....	74
Table 4.8: Employees engagement to attend business forums.....	75
Table 4.9: New products, services, markets and research collaboration.....	80
Table 4.10: Level of Adoption of technology	82
Table 4.11: Levels of market share	88
Table 4.12: Entrepreneurial level of competence.....	92
Table 4.13: Advisory organizations used.....	94
Table 4.15: Correlation analysis.....	98

Table 4.16: Bivariate results for employees’ competence and use of business advisory services.....	99
Table 4.17: ANOVA results for employees competence and use of business advisory services.....	100
Table 4.18: Beta coefficients for employees’ competence and use of business advisory services.....	101
Table 4.19: Bivariate results for extent of adoption of technology and use of business advisory services.....	102
Table 4.20: ANOVA results for extent of adoption of technology and use of business advisory services.....	103
Table 4.21: Beta coefficients for the extent of adoption of technology and use of business advisory services	104
Table 4.22: Bivariate results for the structure of the organization and use of business advisory services.....	105
Table 4.23: ANOVA results for the structure of the firm and business advisory	105
Table 4.24: Beta coefficients for the structure of the organization and use of business advisory services.....	106
Table 4.25: Bivariate results for characteristics of the owner of the firm and use of business advisory services	108
Table 4.26: ANOVA results for characteristics of the owner of the firm and use of business advisory services	109

Table 4.27: Beta coefficients for structure of the organization and use of business advisory services.....109

Table 4.28: Normality test.....112

Table 4.29: Model Summary; Combined Model113

Table 4.30: ANOVA results for the multiple regression analysis114

Table 4.31: Beta coefficients results for multiple regression.....115

Table 4.32: Optimal Model Summary118

Table 4.33: ANOVA table for the Optimal Model118

Table 4.34: Beta coefficients results for the optimal model119

LIST OF FIGURES

Figure 2.1: Conceptual Framework	24
Figure 4.2: Number of employees.....	70
Figure 4.3: Number of departments in the organization.	84
Figure 4.4: Number of employees in each department.	85
Figure 4.5: Markets served.....	86
Figure 4.6: Level of education required to start and succeed in a business.	90
Figure 4.7: Owners years of experience.....	91
Figure 4.8: Normality histogram.....	111
Figure 4.9: Optimal model framework.	120

LIST OF APPENDICES

Appendix I: Introduction letter	145
Appendix II: Questionnaire	146
Appendix III: Factor loadings Matrix	157
Appendix IV: Factor scores matrix.....	161
Appendix V: List of MSEs	165

LIST OF ABBREVIATIONS AND ACRONYMS

CEO	Chief Executive Officer
ICT	Information Communication Technology
KNBS	Kenya National Bureau of Statistics
MSEs	Micro and Small Enterprises
SMEs	Small and Medium Enterprises
SPSS	Statistical Package for Social Sciences
UK	United Kingdom
USA	United States of America

DEFINITION OF OPERATIONAL TERMS

Adoption of technology: This term was used in this study to refer to the effects of innovation and technology adoption on operational competitiveness of the firm with specific reference to product development, services provided, new markets captured and production processes (Yahaness, Mian, Richardo & Matloub, 2012).

Business advisory services: This term was used in this study to refer to assistance provided to owners and managers of small and medium enterprises which can help them improve in their performance (Kubr, 2002).

Characteristics of the owner of the firm: In this study, this term was used to refer to the general characteristics of the owner of the firm, such as need for achievement, locus of control, risk taking propensity, education level, talents and experience in the business (Dollinger, 2008).

Competence of employees in individual MSE: In this study it was used to refer to the number of workers and the skills the workers possess, business and training plans, general characteristics of the employees of the enterprise such as their education level the skills they possessed. (Asian Development Bank, 2009).

Corporate governance: In this study, this term refers to the management style and leadership style including decision making styles used by the top level management of the enterprise (Jeffrey, 2003)

Informal sector: In this study, this term was used to refer to unconventional skills training programmers' conducted under temporary shelter or open air (Jua Kali). The training period is unspecified and depends on individual capacity (GoK, 2005).

Labor productivity: This is the level of production per employee in an organization. In this study, it was used to refer to the skills and training required by the individual employee in a specified area of job specialization (GoK, 2005).

MSEs: This term was used in this study to refer to Micro and Small sized enterprises both formal and informal sectors employing 10 – 50 employees (GoK, 2002).

Structure of the organization: In this study, this term was used to refer to the total number of employees in the firm and the departmental units in the firm. It was also be used to refer to the internal characteristics of the firm, geographical markets served by the organization, level of control and authority practices within the firm and communication linkages within the firm and other firms (Xu, 2009).

ABSTRACT

Business advisory services facilitate sustainable growth and profitability of micro and small enterprises. Micro and small enterprises are of great importance to economic growth of any country. They provide one of the most prolific sources of employment creation, income generation and poverty reduction. While micro and small enterprise development remains central to the economic growth in a country, in Kenya they have not fulfilled their expected mandate due to a number of challenges they face. Inability to seek business advisory services is one of such challenges. The general objective of the study was to assess the factors that influence the use of business advisory services of micro and small enterprises in Nairobi City County, Kenya. The study specifically assessed the effect of employees competence on the use of business advisory services; determined the effect of adoption of technology on the use of business advisory services; established the effect of organization structure on the use of business advisory services and examined the effect of characteristics of the owner of the micro and small business on the use of business advisory services of micro and small enterprises in Nairobi City County. The study adopted a descriptive survey research design. A population of 58 registered micro and small enterprises in the industrial area of Nairobi City County formed the sample frame of this study. A census approach was used to get its sample size for its population target. The sample, therefore, constituted all the 58 registered micro and small enterprises in the industrial area of Nairobi County. The sample was stratified with two (2) strata that classified the enterprises as either food manufacturing or non-food manufacturing. The respondents were the chief executive officers of micro and small enterprises within the sample frame. A pilot study was done to pre-test the research instruments to ensure reliability and validity. Data collected was analyzed using measures of central tendency, dispersion and inferential statistics. Statistical software for social sciences version 20 was used as statistical tool for data analysis. The results of the analysis indicated that employee competence, extent of adoption of new technology, and characteristics of the owner of the firm have a positive relationship with the use of

business advisory services. A multiple regression was carried out including the test for normality and autocorrelation assumption tests to confirm the results. The study concluded that employee competence have the greatest influence on the use of business advisory services followed by characteristics of the owner of the firm and then the extent of adoption of new technology. The study also concluded that the structure of the organization had no significant influence on the use of business advisory services. The study recommends that the government of Kenya should ensure that basic training and skills acquisition is provided to employees of MSEs formally or informally in order to enable employees become competent. Adoption of new technology in a business is necessary for a business to grow.

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

The definitions used to describe enterprises as micro, small or medium is based on employment size. According to the national baseline survey of 1999 in Kenya, micro enterprises is defined as those enterprises having 1-10 employees, small enterprises as those one having 11-50 employees and the medium/large enterprises are those with more than 50 employees. Micro and small enterprises are small in nature, either in terms of number of employees, capital or asset turnover. Their working capital and assets is limited and their overall turnover is usually small compared to larger enterprises (Mburu, 2012).

The European Institute of Business Management and Policy Research define Micro and Small Enterprises (MSEs) as those enterprises having a staff headcount of less than 50 employees, with a turnover of less than €50 million per annum and a balance sheet of about €25 million. Micro and Small enterprises are most prominent in construction, hotels and restaurants, business services and part of retail and wholesale trade (European commission annual report on European Union small and medium enterprises, 2009).

The same report states that small-scale businesses are heavily oriented towards markets for domestic consumption while medium enterprises towards exports. Further, the report indicates that both Micro business and Small enterprises have strongly turned out to be the job engine for much of the European economy. Micro and Small sized enterprises are of major importance for economic growth. Proportional to their size, small firms create more jobs than large firms do (Fostering Dynamism in MSEs in Asia, 2009).

According to the annual report of 2009 on European Union, SMEs in 2008, there were over 20 million enterprises in the European Union. Out of which about 43,000

were large scale enterprises, while the vast majority (99.8%) were Micro, Small including enterprises (Fostering Dynamism in MSEs in Asia, 2009). The article further indicates that micro and small enterprises create a higher degree of competition leading to a positive effect on aggregate employment growth five to eight years later. Similar studies on enterprises in Asia by Asian Development Bank (2009) indicate that a large share of Asian workers are engaged in MSEs, therefore they are a major source of the employment in the country.

MSEs contribute significantly to the economy in terms of output of goods and services. MSEs have spearheaded the creation of jobs at relatively low capital costs especially in the fast growing service sector. In addition, they have contributed to the development of a pool of skilled workers who are the base for future industrial expansion. Micro and Small enterprises have strengthened forward and backward linkages among socially, economically and geographically diverse sectors of the economy (Hasovic, 2010). Micro and Small enterprises help to create demand as well as supply, especially to the rural households. They offer excellent opportunities for entrepreneurial and managerial talent to mature in the country. A critical shortage of the above is often cited as a great handicap to economic development. MSEs support industrialization policies that promote rural-urban balance.

Micro, small enterprises (MSEs) play a central role in the European economy as they are the major source of entrepreneurial skills, innovation and employment. In the enlarged European Union of 25 countries, some 23 million MSEs provide around 75 million jobs and represent 99% of all enterprises. (European Commission) Similarly, micro and small enterprise are the backbone of Singapore's economy, contributing 47% of the country's GDP and generating 62% of available jobs.(SMU,2008).

The promotion of MSEs and, especially, of those in the informal sector is viewed as a viable approach to sustainable development because it suits the resources in Africa. MSEs are the main source of employment in developed and developing countries alike, comprising over 90% of African business operations and contributing to over

50% of African employment and GDP (Okafor, 2009). In Kenya, MSEs create employment at low levels of investment per job, lead to increased participation of indigenous people in the economy, use mainly local resources, promote the creation and use of local technologies, and provide skills training at a low cost to society.

In Kenya, according to the economic survey (2006), the MSEs sector contributed over 50% of new jobs in the year 2005, therefore help solve the problem of unemployment, raising the citizens' living standards and contributing to economic growth of the country. While MSEs development remains central to the economic development in the world, Kenya included, they have not fulfilled their expected mandate due to a number of well-known structural constraints (Wanjohi, 2010). Small firms lack the managerial and technological capabilities that are routinely internalized by large firms. They face challenges related to accessing credit, lack of economic policies on MSEs growth, regulatory requirements, inadequate information on markets for their products, inadequate managerial skills, and slow to adapting new technologies.

1.1.1 Business Advisory Services

Business advisory services are range of consulting services provided to owners and managers of small and medium enterprises which can help them improve in their performance (Kubr, 2002). In MSEs Business advisory services of may be offered by financial advisors to businesses and high net worth individuals who require specialized advice on capital formation, cash flow and wealth management.

Advisory clients pay fees based on services provided or as a percent of assets under management (Business Dictionary, 2016). According to a survey carried out by the Asian Development Bank (2009) on fostering dynamism in MSEs in Asia, MSEs can be helped to adopt technologies and enter into new markets by the government by providing information and business advisory services on improved production methods, products, markets, technical support and vocational training.

The government can also foster links between MSEs and large enterprises and encourage cluster-based development whereby many enterprises that make and sell related or complimentary products are grouped in close proximity with their suppliers and buyers. Business advisory services enhance innovation, higher production and human resource management. Innovation leads to technology development, intellectual property diagnostic and business thinking design. It also leads to high production involving quality management, production management and service excellence. Innovation further leads to human resource management which entails manpower planning, recruitment and selection, compensation and benefits, performance management, career management, learning and development of employees.

Accessing business advisory services leads to financial management. Financial management involves planning and budgeting, cash flow and working capital management, financial controls, financial and business assessment for growth. Seeking business advisory services does not only make business grow but also aligns the business with the national goals of sustaining an economy driven by innovation; value added services and high quality business activity (Mburu, 2012).

Wanjohi (2008) suggest that upgrading product quality, improving design and packaging, accessing markets, improving human skills, accessing relevant information to the MSEs owners and removing discriminatory practices against small producers are some of the attempts that will help solve the problem of stunt growth of small and medium enterprises in Kenya. According to Wanjohi (2008) accessing business advisory services can help micro and small enterprises in Kenya to improve their performance and also help them eliminate wasteful resources. He advocates that Firms which engage business advisory service are always ahead of time in terms of strategic business practices, such as new product development, organizational restructuring, operational improvements, market research, financial information systems, manufacturing information systems, standardization and environment energy and efficiency. He suggested that greater systematic support in the provision

of infrastructure, information and advisory services to MSEs will help them cope with the new competitive domestic and global markets.

1.1.2 Micro and Small Enterprises in Kenya

In Kenya, the Micro and Small enterprises mostly fall under the popular informal sector called Jua Kali as they largely start in the open sun under no roof. The sector employs over 80% and is currently receiving a lot of government attention as it's seen as the solution to the crippling unemployment especially for the youth since, over 65% of Kenyan population is youthful and unemployed. Even though the definition varies from one country to another (depending on the economic structure), the regulatory and institutional framework for the Kenya's MSEs has been based on the number of employees and the company's annual turnover (MSMEs Act, 2012).

For instance, the micro enterprises have been defined as those employing less than 10 workers with annual turnovers of less than KES 500,000 and capital formation of less than KES 5 million for services or less than KES 10 million for enterprises doing manufacturing. Small enterprises are defined as those that employ between 10 and 50 workers with annual turnovers between KES 500,000 and KES 5 million and capital formation between KES 5 million and KES 20 million for services or between KES 5 million and KES 50 million for enterprises doing manufacturing (Ong'olo and Awino, 2013).

In Kenya, the SME bill 2014 (GoK, 2011) cites MSEs as enterprises that cut across all sectors of the Kenyan economy and provide one of the most prolific sources of employment creation, income generation and poverty reduction. For example, according to the economic survey done in Kenya in 2003, employment within the small and medium sector increased from 4.2 million persons in 2000 to 5.1 million in 2002, accounting for 74.2% of the total persons engaged in employment (Economic Survey, GoK, 2003). The same survey indicated that this sector contributes up to 18.4% of the country's gross domestic product. From the above information, the small and medium sector is therefore not only a provider of goods and services but

also a driver in promoting employment, innovation and also a source for poverty reduction. This in the final run leads to economic and industrial growth in a country.

Sessional Paper No. 2 (2005) indicates that MSEs create positive externalities due to their wider geographic spread across the country. They are found both in rural and urban areas in Kenya and are mostly dominant in the construction, service, transport, hotels and restaurants sectors and also in the extractive sector of the economy and sustains majority of household in Kenya. The significance of MSEs in economic growth is also cited in Sessional paper No. 2 of 1992 GoK.

The review of the same paper in 2002 further indicated that Small enterprise and *Jua Kali* development in Kenya has significantly contributed to economic development. The Kenyan economy has seen a rebound growing at 3% after experiencing a jolt as a result of the post-election violence of 2008. From a negative growth in 2001, the economy experienced a high of over 7% in 2007 before hitting the floor in 2008. Vision 2030, Kenya's development blue-print estimates a 10% growth by 2012 to support a vibrant economy towards a newly industrialized state by 2030. A major driver is the informal sector of MSEs. According to the Global Economic Report (World Economic Forum, 2010) Kenya ranks 98th Country out of 133 in global competitiveness in 2009-2010, a 5 point drop from the 2008-2009 ranking when it was 93rd. Though favorable in the African context, this rating is lower than that of key trading partners in Africa particularly Egypt and South Africa who rank 70th and 45th respectively, (GCI, 2010). The rating is also significantly low from the global perspective (WB, 2010).

According to the Economic Survey (RoK, 2012), the MSEs sector contributed 79.8% of new jobs created in that year in Kenya. Job creation in this sector went up by 5.1 percent in 2011. The increase was 445,900 indicating a higher growth in absolute terms compared to the increase of 437,300 registered in 2010. Analysis by province shows that Nairobi City County recorded a 5.4 increase (RoK, 2012). According to the Sessional paper No.2 of 2005 (RoK, 2005), SMEs have high mortality rates with most of them not surviving to see beyond their third anniversaries. According to

Huang (2010) many MSEs in Kenya do not access business advisory services and this is a major challenge to their growth and development. In Nairobi City County, most of the owners of MSEs do not seek business advisory services. In Kenya, Nairobi City County, there are over 5,000 MSEs, However only less than 3,000 MSEs which are formally registered.

1.2 Statement of the Problem

In the current competitive business world, the use of business advisory services plays a significant role towards enhancing the growth and development of business enterprises. However in Kenya, over 80 % micro and small enterprises do not seek business advisory services and this act as major obstacle towards overall enterprise performance in terms of profitability and sustainability (Hassan, 2012). According to Mburu (2012) micro and small enterprises in Kenya face unique challenges such as lack of adequate managerial training, lack of adequate finance and limited access to credit, inadequate knowledge, poor infrastructure, poor management of resources and inadequate support from the government. This affects their growth and profitability, hence, diminishes their ability to contribute effectively to sustainable development. McGrath and Kings (2002) identifies lack of managerial training and experience, inadequate education and skills, lack of credit, national policy and regulatory environment, technological change, poor infrastructure and scanty market information as some of the causes of MSEs' failure.

Despite the challenges they face, MSEs are important because they are able to provide economic benefits. They generate new jobs and also reduce the erosion of human capital by providing alternative employment opportunities for relatively skilled yet unemployed workers (Kenyan economic survey, 2011). The economic survey of 2006 indicated that 50% of new jobs created in 2005 were contributed by MSEs (GoK, 2006). The economic survey of 2003 indicates that the MSEs sector contributed to 18.4% of the country's gross domestic product, which is an important indicator of a country's economic growth.

Much as they are significant in economic growth, past statistics indicate that three out of five businesses fail within the first few months of operation (KNBS, 2007). Kings and McGrath (2002) identify lack of managerial training and experience, inadequate education and skills, lack of credit, national policy and regulatory environment, technological change, poor infrastructure and scanty market information as some of the causes of MSEs' failure. Hasovic (2010) emphasizes that access to business advisory services by MSEs can provide an all-round solution to the above problems. According to KIM (2012) lack of business advisory services as one of the causes of failure of MSEs in Africa, Kenya since business counseling, research consultancy and monitoring by the MSEs sector as some of the ways of enhancing business performance.

Business advisory services play a major role in mitigating the growth and development challenges faced by MSEs. However, most of the previous studies conducted on micro and small enterprises focused on different aspects of MSEs and thus failed to contribute to the knowledge and understanding of the use of business advisory services of micro and small enterprises. Some of the recent studies includes: Ngugi (2013) study on influence of intellectual capital on the growth of small and medium enterprises; Njaramba & Ngugi (2014) study on the problem facing SMEs in the adoption of financial advisory services; Wanjohi and Mugure (2008) research study on the challenges affecting the MSEs in rural Kenya; Mairura (2013) carried out a study to establish the role of financial intermediation in promoting the growth of small and medium manufacturing enterprises in Kenya and Kimwele (2005) undertook a study on the adoption of information technology security policies in Kenyan Small and Medium Enterprises (SMEs).

It is hence evident that a rich gap in literature exists on business advisory services in MSEs. This study therefore aimed to fill the missing knowledge gap by assessing the factors that influence the use of business advisory services of micro and small enterprises in Nairobi County, Kenya.

1.3 Objectives

This study was guided by a general objective and specific objectives.

1.3.1 General Objective

The general objective of this study was to assess the factors that influence the use of business advisory services of micro and small enterprises in Nairobi City County, Kenya.

1.3.2 Specific Objectives

1. To assess the effect of employees competence on the use of business advisory services of micro and small enterprises of micro and small enterprises in Nairobi City County.
2. To determine the effect of adoption of technology on the use of business advisory services of micro and small enterprises of micro and small enterprises in Nairobi City County.
3. To establish the effect of organization structure on the use of business advisory services of micro and small enterprises of micro and small enterprises in Nairobi City County.
4. To examine the effect of characteristics of the owner of the micro and small business on the use of business advisory services of micro and small enterprises in Nairobi City County.

1.4 Hypotheses

H₀₁ Employees competence has no significant effect on the use of business advisory services of micro and small enterprises of micro and small enterprises in Nairobi City County.

- H₀₂ The level of technology adoption does not significantly affect the use of business advisory services of micro and small enterprises of micro and small enterprises in Nairobi City County.
- H₀₃ The structure of micro and small enterprises has no significant effect on the use of business advisory services of micro and small enterprises in Nairobi City County.
- H₀₄ The characteristics of the owner of micro and small enterprises do not significantly affect the use of business advisory services of micro and small enterprises in Nairobi City County.

1.5 Significance of the Study

Past studies on MSEs indicate that, there is a missing gap in literature on why MSEs fail to use business advisory services. Yet MSEs plays a major role in promoting country's economic development and failure to use business advisory services is a major challenge to their growth and development. The findings of this study will therefore be of significance to the following groups;

1.5.1 Micro and Small Enterprises in Kenya

The study will be of great significance to the owners of Micro and Small Enterprises in Kenya regarding the use of business advisory services. The study findings will provide insight into the factors that influence the use of business advisory services. The outcome of the study will serve as a knowledge base for comprehensive guidance on how the MSEs Owners and managers should seek business advisory services.

1.5.2 Investors

The study will be of great significance to individual investors willing to invest in Micro and Small Enterprises in Kenya. The findings of this study provide major evidence on the reasons why MSEs fails to use business advisory services.

By using the study recommendations, investors willing to venture in MSEs sector can seek business advisory services as a strategy to gain more competitive knowledge and skills on how to manage various business challenges hence leading to increased business performance.

1.5.3 Policy Makers

The study gives an insight to policy makers on the use of business advisory services in Kenya and this enables them to formulate and implement policies which should encourage MSEs to seek business advisory services and in turn enhance their performance. The results should enable the MSEs appreciate the importance of use of business advisory services in their business. From this study, MSEs should be able to overcome the challenges of accessing advisory services to their business organizations. Further the findings should enable the government to come up with advisory services centers where MSEs owners can access free business advisory services which would enable them cope with the competitive and dynamic business environment.

1.5.4 Researchers and Scholars

The findings of this study are expected to be of great significance to various researchers and scholars involved in MSEs research activities. The documented report of this study will be easily acquired from the library and it will equip the learners with more knowledge and skills on the factors that influence the use of business advisory services of micro and small enterprises in Nairobi City County, Kenya. The study will provide information on business advisory services in Kenya which future researchers can use for future reference. The study will further make a

myriad of contributions to the literature on MSEs and use of business advisory services which will be part of articles useful by researchers who want to further this study and to other wider stakeholders in the academic circles.

1.6 Scope of the Study

The study was limited to micro and small manufacturing enterprises in Nairobi's industrial area in Kenya. The study was conducted on micro and small manufacturing business owners who have conducted their business for the last three (3) years. These enterprises employ between 10-50 workers. The study was conducted among micro and small food manufacturers and non-food manufacturer operating in the industrial area of Nairobi, Kenya. The enterprises chosen for this study are those that realize a turnover of between 5-10 million Kenya shillings. They work under shades provided either by the government or by themselves. These enterprises employ both skilled and semi-skilled personnel and they are registered by the government through the ministry of Industrial development under the department of entrepreneurship development.

1.7 Limitations of the Study

This study was limited by a number of factors. For instance some respondents were biased towards answering the questions especially the questions investigating on whether use of business advisory services is enhancing their business performance or not. This limitation was resolved by explaining to the respondent in advance why this study is seeking to establish the use of business advisory services among the MSEs in Kenya. Another limitation was unreliable information from the respondents. This limitation was addressed by explaining to the respondent why reliable information is needed in order for the study to achieve its aim. Taking too much time to complete a questionnaire was also an expected limitation.

This was resolved by giving a time limit; this was set to one week within which the questionnaire should be completed and collected for data analysis. Suspicion from the respondents was another expected limitation.

This was solved by showing a letter of introduction of the research from the University and also from the Ministry of Industrial Development in Kenya, Department of Entrepreneurship development to show that the research activity was actually genuine and permitted.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter gives an insight on the theoretical and empirical review on issues related to performance of SMEs. It discusses the theoretical and empirical literature related to independent variables in this study, the conceptual framework of the study, the critique of the existing literature relevant to the study, summary of the empirical and theoretical literature and the research gaps.

2.2 Theoretical Framework

The theoretical framework relates to the philosophical basis on which the research was carried out and forms the link between the theoretical aspects and practical components of the problem under investigation. In this study the theoretical framework consisted of theories and models related to the present study. It is in this framework where the research problem under study evolved. A theoretical framework provides the researcher the lens to view the world. The theoretical view of this study was enriched by a number of theories that basically informed the study variables.

2.2.1 Resource Dependency Theory

This theory seeks to explain organisational and inter-organisational behaviour in terms of these critical resources that an organisation must have in order to service and function. The theory focuses on the resources, the flow or exchange of resources between organisations, those dependencies and power differentials created as a result of unequal resource exchange, the constraining effects such dependency has on organisational actions and the efforts by organisation leaders to manage dependency.

Amy, Hillman, Michael, Wither and Blackburn (2013), how external resources of an organisation affects the behaviour of the organization. For example, the procurement of external resources is an important tenet of both the strategic and the tactical management of any company. The theory highlights the implications regarding the optional division structure of the organisation, recruitment of board members and employees, production strategies, contract structure and the external links of the organisation.

Resource dependency theory advocates that; organisations depend on resources, these resources originate from an organisation's environment and the environment to a considerable extent contains other organisations. The resources one organisation needs are often in the hands of the other organisations. Resources are a basis of power and resource dependencies are directly linked. Legally independent organisation can depend on each other for resource utilisation. Organisations depend on multi-dimensional resources such as labour, capital and raw materials. Organisations may not be able to come out with countervailing initiatives for all these multiple resources, hence organisations move through the principle of scarcity. Critical resources are those that the organisation must have to function.

The level of employees' competence determines the type of resources that should be exchanges or sought from other organisations. Employees competence determines the strength of the of organization human resources that influences how micro enterprises develop and implement various business strategies. The resource dependency theory determines the type of resources that are required to be sought by the micro enterprises from other organisations. Lack of competent employees' leads to poor execution of firms business strategies and this makes it hamper the many micro enterprises to seek businesses advisory services.

The study applied this theory to assess the effect of employees competence on the use of business advisory services of micro and small enterprises of micro and small enterprises.

2.2.2 Core Competency Theory

The core competency theory is the theory of business strategy that prescribes actions to be taken by firms to achieve competitive advantage in the marketplace. The theory was developed by Prahalad and Gary in 2000 where they defined organizations core competencies as a harmonized combination of multiple resources and skills that distinguish a firm in the marketplace. Core competencies fulfill three criteria notably; Provides potential access to a wide variety of markets; make a significant contribution to the perceived customer benefits of the end product and helps to produce unique products that competitors find difficult to imitate (Prahalad & Gary, 2000). Micro and small enterprises must orient their strategies to tap into the core competencies and the core competency is the fundamental basis for the value added by the firm. Some core competencies that firms might have include technical superiority, its customer relationship management, and processes that are vastly efficient and all these are determines by the level of employees competency (Prahalad & Gary, 2000).

Availability of competent employees helps firms to improve on core competencies and attain competitive advantage and sustainable strategic advantage. Competent employees are able to seek business advisory services in order to build a business model that complements these competencies. The important aspect to be noted is that core competencies provide the companies with a framework wherein they can identify their core strengths and strategize accordingly. Employee's competency plays a key role in determining the strength of the overall organization core competencies in the market.

Micro and small enterprises that have competent employees are able to identify their competence weaknesses and this influences them to seek business advisory services in order to strengthen their core competencies and achieve competitive advantage in the market place. The study therefore used this theory to assess the effect of employees' competence on the use of business advisory services of micro and small enterprises of micro and small enterprises.

2.2.2 Technology Adoption Theory

This theory explains how, why and at what rate new ideas and technology spread through cultures operating at the individual and the firm level (Venkatesh, Morris, Davis, & Davis, 2003). Technology adoption theory sees acceptance of technology (innovation) as being communicated through channels over time and within a particular social system. Individuals are seen as possessing different degrees of willingness to adopt innovation and thus, it is generally observed that the portion of the population adopting innovation is normally distributed over time. Technology adoption in an organization is related to individual leader characteristics and external characteristics of the organization. Individual characteristics describe the leader's attitude towards change and internal characteristics of the organizational structure. Internal characteristics of the firm may include centralization of authority, thus the degree to which power and control in a system are concentrated in the hands of a few individuals, the degree to which organization members possess a relatively high level of knowledge and expertise.

It also refers to the degree to which organization emphasizes on its members to follow rules, the degree to which the units in an organization are linked by interpersonal networks and the number of employees in an organization. Adaptation of technology was considered as a variable in the study.

This variable seeks to establish the influence of technology adoption on the use of business advisory services to enhance performance in micro and small enterprises. Adoption of technology in an organization leads to innovation on methods of production, development of new products, services provided in an organization marketing systems and accessing information on new markets for products, new products and better methods of production. This information can be accessed through business advisory services by the providers.

Structure of the firm was also considered as a variable in this study. This variable was adopted in this study to investigate the extent to which it influences the use of business advisory services. Internal structure of the firm may include issues related to authority whether centralised or decentralized authority, degree to which organisation members possess knowledge and expertise, degree to which the units in an organisation are linked by interpersonal networks and the number of employees in an organisation. Knowledge and expertise of employees in an organisation is very important in order for the organisation to realise its goals. Knowledge and expertise can be acquired through business inter-linkages and exchange of information. One of the ways of accessing this information could be through business advisory services. The study used this theory to determine the effect of adoption of technology on the use of business advisory services of micro and small enterprises of micro and small enterprises.

2.2.3 Theory of Economic Development

According to this theory by Wagner (2006), entrepreneurs are agents of change. They introduce new goods or new methods of production, open new markets and discover new sources of supply or carries out a new organization of an industry. He upsets the conventional ways of doing things.

It requires risk taking, managerial ability, wealth and preferences for control, flexibility and other job attributes as the primary motivators for entrepreneurs. This theory advocates that most successful businesses tend to be founded by talented individuals who continually receive ideas of unknown value that they use to develop their own firms. The return from the idea depends upon the talent of the employee as well as the value of the idea. Talent also conditions an employee's earnings as a worker, but yields a greater pay off when combined with available idea.

Initially the average is not valued and not worth pursuing but as they gain labour market experience, the employees become better and are able to implement the best practices that come with the idea and develop their firms. Entrepreneurs learn from experience about the value of their ideas. Individuals resort into business owners and workers according to their managerial skills. Wagner (2006) thus explains why self-employment is more prevalent among the most educated. The most educated are also the higher earners and thus have more wealth to finance their own businesses and possibly a greater willingness to bear risks both of which have been conjectured as factors contributing to entrepreneurship.

Whether individuals or those receiving inheritance and lottery windfalls, they are likely to start businesses (Wagner, 2006). Most successful firms are founded mainly in high growth areas by talented highly educated individuals with management experience. They exploited ideas of uncertain value their founders had come across though through their employment. As individuals gain experience as workers, they become better and able to assess the value of entrepreneurial ideas. They get to observe returns from ideas developed in their firms which provide useful information to project the value of ideas that subsequently come their way. Information grants an entrepreneur the power to seize a profitable opportunity according to this theory.

This theory is relevant in this study because it relates to the independent variable on disposition of the enterprise owner and the structure of the firm with specific reference to corporate governance of the firm, economies of scale and the general characteristics of the firm. This variable seeks to investigate the extent to which structure and dispositions of the owner of the enterprise enhance the use of business advisory services among the MSEs. The theory is also relevant in investigating the independent variable on the role of technology adoption on introduction of new products and new methods of production including discovering new sources of supply to an industry. The study thus used this theory to determine the effect of adoption of technology on the use of business advisory services of micro and small enterprises of micro and small enterprises.

2.2.4 Management Economic Theory

Competence of employees MSEs with specific references the individual of an organisation, employee skills knowledge, capability and training is considered as one of the independent variable which could enhance the use of business advisory among the MSEs. This variable was instigated by the management economic theory which postulates that management practices can facilitate resource combination, thus top management can design several aspect of the firm in more or less entrepreneurial ways (Eisenhardt & Martin, 2000). The degree of entrepreneurship in a firm depends on the management practices. A company's management practices range along a spectrum from highly entrepreneurial to highly administrative. A "promoter" characterized the entrepreneurial side of the spectrum and a "trustee" characterises the administrative side. The promoter's sole intent is to pursue and exploit opportunities regardless of resources currently controlled, while the trustee aims to efficiently use the resources currently controlled.

The management economic theory's description of entrepreneurial management consists of six different dimensions: strategic orientation, commitment to opportunity, commitment to resources, control of resources, management structures and reward philosophy (Brown, 2001). This variable was adopted in this study to determine the extent to which the owner of the MSE has an influence on the use of business advisory services. The characteristic of the owner of the firm was considered as a variable in this study. The variable is in agreement with this theory in that characteristics of the owner of the MSE has a great influence on the management practices within an organisation and thus in turn influences the rate at which new ideas that promote growth can be adopted in an organisation. A "promoter" MSE owner will seek all the types of resources including business advisory services, in order to promote the growth of the micro and small enterprise. This type of entrepreneur is considered highly entrepreneurial.

On the other hand, a “trustee” MSE owner will be reluctant to adopt or seek new ideas including resources, and business advisory services, into an organisation. Such an entrepreneur is highly administrative and will only seek to effectively use the resources currently controlled, hence will least promote entrepreneurial activities in an organisation. According to McClelland’s theory of human motivation, with specification on the need to achieve, these individuals are not highly motivated. Their levels of needs to achieve are low and may not highly possess the characteristic of entrepreneurs. The study applied this theory to examine the effect of characteristics of the owner of the micro and small business on the use of business advisory services of micro and small enterprises in Nairobi City County.

2.2.5 Institutional Theory

According to Oliveira and Martins (2011) institutional theory emphasizes that institutional environments are crucial in shaping organizational structure and actions. The theory stipulates that organizational decisions are not driven purely by rational goals of efficiency, but also by social and cultural factors and concerns for legitimacy. Institutions are transported by cultures, structures, and routines and operate at multiple levels. The theory claims that firms become more similar due to isomorphic pressures and pressures for legitimacy. This implies that firms in the same field tend to become homologous over time, as competitive and customer pressures motivate them to copy industry leaders.

For example, rather than making a purely internally driven decision to adopt e-commerce, firms are likely to be induced to adopt and use e-commerce by external isomorphic pressures from competitors, trading partners, customers and government. Institutional theory determines how external factors influence MSEs to design their organizational structures and this determines how MSEs relate with other organizations and how they seek advisory services. The study used this theory to establish the effect of organization structure on the use of business advisory services of micro and small enterprises of micro and small enterprises.

2.2.6 Decision Theory

Decision theory as discussed by Dickert, Fielder, Andreas and Nicklisch (2013) indicates that a manager should be accountable to his decisions. He should be concerned about the outcome of his action by weighing the risks of taking any of the options to reduce the risks by the outcome. This theory is about decisions made at both the individual and institutional level. There are two broad categories of decisions theory.

According to Dickert, Fielder, Andreas and Nicklisch (2013), one might decide between giving up resources to influence the well-being of others often without expecting direct benefits. It is the stakeholders' expectation that public procurement office holders uphold the interest of the wider society before their own and this remains the decision of the individual procurement office holder at any circumstance. Modern decision theory has developed since the middle of the 20th century through contributions from several academic disciplines.

There are two broad categories of decision theories: the normative and descriptive decision theories. The distinction between normative and descriptive decision theories is, in principle, very simple. A normative decision theory is about how decisions should be made and a descriptive theory is about how decisions are actually made (Folker & Keeler, 2011). Decision theory provides a rational framework for choosing between alternative courses of action when the consequences resulting from this choice are imperfectly known. Two streams of thought serve as the foundations of this thinking. In many MSEs managers or enterprises owners are faced with tasks of making Key decisions in the organization and this determines the nature of organizational structure that is employed by the MSEs and how job task functions are executed. The study also used this theory to establish the effect of organization structure on the use of business advisory services of micro and small enterprises of micro and small enterprises.

2.3 Conceptual Framework

A conceptual framework is a model which shows the major variable examined in the study and the interrelationships that exist between the variables. A concept is an abstract or general idea inferred or derived from specific instances. It is a phrase that symbolizes several interrelated ideas.

Conceptualization is inventing or contriving an idea or explanation and formulating it mentally. It is the act of creating or formulating something by linking up particular ideas or actions intended to deal with the problem or situation (Kothari, 2006). In this study, the conceptual framework captures the major variables relating to the factors influencing use of business advisory services in MSEs (Figure 2.1). The dependent variable is the use of business advisory services and the independent variables are the factors influencing the use of business advisory services, which include competence of employees of the individual MSE, adoption of technology, organisation structure and the characteristics of the owner of the MSE.

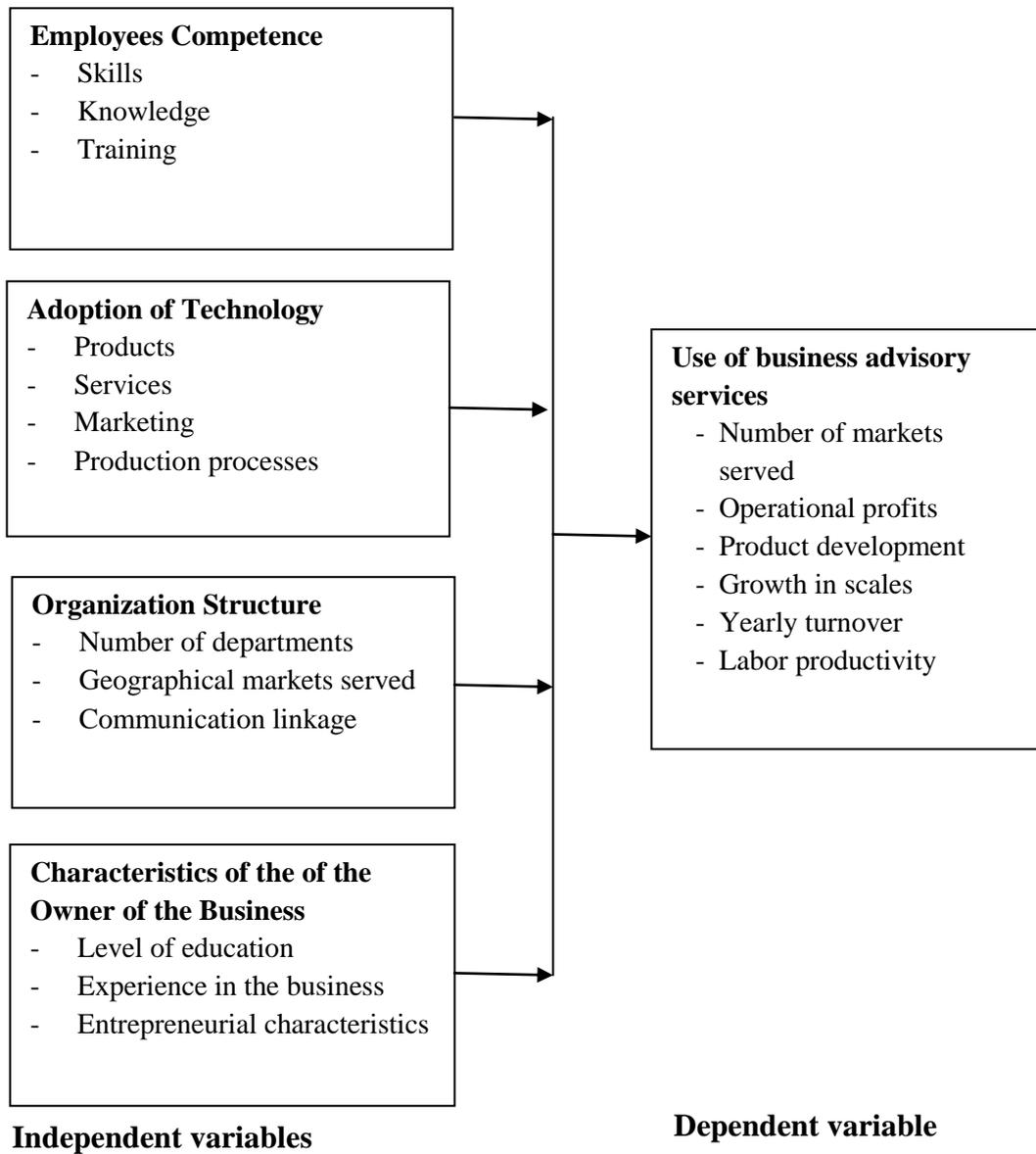


Figure 2.1: Conceptual Framework

2.3.1 Employee's Competence

Employee's competence refers to the skills employees' possess including training plans of the firm for the employee. It also refers to the resources which an organization has such as labor and skills of employees, which affects the productivity levels in an organization. Employee's competence is considered as a variable that can influence the use of business advisory services in a micro and small enterprise. Employee competencies refer to the capabilities employees have for acting in different situations in creating assets.

This is very important because without people, the company cannot exist. These competencies depend on five factors: explicit knowledge or formal education; practice, knowing how to do things, requiring training and practice; experience, this is, knowledge acquired on the job practice; values and social networks or relations among individuals within an environment and culture. There is considerable evidence that competence of employees in a firm has a direct influence on whether the firm is able to seek external advice or not (McKenzie, 2009).

Competence also includes the number of workers and the skills they possess, training skills and plans for the employees. It also includes the levels of knowledge of the employees of the business organization in terms of new markets available for business products, new products available in the markets, new methods of production available in the environment. Competence of employee's individual micro and small enterprises was considered as an independent variable in this study. Competence in this study is used to refer to the number of workers (employees), the technical skills the workers possess, including business skills and training plans for the workers and also the level of awareness of the management staff and the board of directors in an organisation (McKenzie, 2009).

Competence in this case is a critical resource which an organisation must have to function. Some of these resources originate from an organisations environment while others are often in the hands of other organisations. For example, a business advisory

service is a resource in the hands of other organisations (business advisory providers). Competence of employees of individual micro and small enterprise is a resource which is a basis of power. Power can enable an organisation to access advisory services. A micro and small enterprise can acquire business advisory service from the provider.

In order to have power and ability to access financial providers, the right number of workers with the right skills, access relevant training facilities for the employees and expand the level of awareness of the management team and the board of directors.

2.3.2 Technology Adoption

Technology adoption is acquisition of new technology that leads to effective and efficient methods of execution of organisation business functions. Adapting to changes in technology is a challenge to MSEs. Many are unfamiliar with new technologies and on sourcing for external advice. Greater products, production process and accessing the right market with the right product requires external assistance in terms of training, technical support and collaboration with external organization such as universities, research institutions or other businesses. The more complex the technology that a firm is using, the more likely there is a gap between internal resources and the resources required in order to make the most effective use of technology (Lau, 2008).

2.3.3 Organisational Structure

An organizational structure defines how activities such as task allocation, coordination and supervision are directed towards the achievement of organizational aims. It is also be considered as the viewing glass or perspective through which individuals see their organization and its environment (Jacobides, 2007). Organizational structure refers to the way that an organization arranges people and jobs so that its work can be performed and its goals can be met. When a work group is very small and face-to-face communication is frequent, formal structure may be

unnecessary, but in a larger organization decisions have to be made about the delegation of various tasks. Thus, procedures are established that assign responsibilities for various functions. It is these decisions that determine the organizational structure.

2.3.4 Characteristics of the Of the Owner of the Business

Characteristics of the business owner are attributes, qualities and traits that are exhibited by the very enterprise owner. The characteristics of a business owner greatly determines how the business is operated, since different characteristics leads to different methods of executing business functions. These Characteristics are mostly determined by, gender issues, level of education, experience in running the business, entrepreneurial characteristics and employees and employers' relationships. Dollinger (2008) entrepreneurial research has identified a number of personality characteristics that differentiate entrepreneurs from others. Among the characteristics, need for achievement, locus of control and risk taking propensity have been widely accepted as some of the characteristics that one needs to possess in order to become an entrepreneur.

2.3.1 Business Advisory Service

Kubr (2002) defines business advisory as an advisory service contracted for and provided to organization by specially trained and qualified persons who assist in an objective and in an independent manner, whereby the client organization identifies management problems, analyze such problems, recommend solutions to these problems, and help when requested in the implementation of solution. He states that business advisory is an independent professional advisory service assisting managers and organization in achieving organizational purposes and objectives by solving management and business problems, identifying and seizing new opportunities, enhancing learning and implementing changes. Business Advisory is a professional advice which can be provided to owners or managers of micro and small enterprises at request and cannot be forced. It is a service which can be sought for or not

depending on whether the manager or owner of the enterprise considers it necessary, hence can bring gain to a business or not.

Businesses seek for advisory services to maximize profits and grow, if they face definite difficulties which can be solved by advisory services, if they detect uncertainties and are not sure on how to position and for periodic checkups to detect hidden pitfalls and evaluate performance (Zihnija, 2010).

2.4 Review of Literature Related to The Study

Many empirical studies have been carried out on use of business advisory services in micro and small enterprises but most studies have been carried out in developed nations while only a few have been carried out in developing nations with specific reference to micro enterprises' in Kenya.

2.4.1 Employees Competence in the Individual Micro and Small Enterprises

Gupta and Guha (2013) asserted that firms that hire employees with limited skills, knowledge, capabilities and training have a greater chance of failure than firms that hire employees with higher skills, knowledge, capabilities and training. He emphasizes that lack of motivation and commitment on the part of the employees' is associated with firm's failure. Poor management of employees is often associated with firm failure. An effective work team is important for a firm's success. The employee's inability to perform is seen to be associated with firm failure. The firm's inability to attract and retain competent employees leads to failure. The biggest problem related to personnel in young firms is getting good staff with the right attitude and skills. Smaller and younger businesses are likely to have more limited resources than larger or more established businesses. This implies a negative relationship between advice seeking.

Small firms tend to have limited skilled and experienced employees, hence limited drive to seek for advice. According to Gupta and Guha (2013) many MSEs employees lack training and experience. They develop their own approach to work methods and procedures through a process of trial and error. As a result their working style is likely to be more intuitive than analytical, more concerned with day-to-day operations than long term issues, and more opportunistic than strategic in its concept. The solution to this is to access external advice on finance training on better working skills which can enable an MSE grow and realise growth in sales and higher turnover.

A study by Baron (2006), revealed that in Germany as a measure to ensure that small enterprises had competent employees, the government enacted a Vocational Training Act, the act requires all companies, including one-person companies, need to comply with the same rule. They have to be accredited for apprenticeship by the relevant chamber. Small businesses are supervised and there are coordinating bodies responsible for apprenticeships. They verify the suitability of premises and trainers in the company, organize final examinations in occupations, supervise initial Vocational Training Institutes and advise trainers and trainees. Companies in small businesses are visited by an advisor from a chamber. Karra (2008) cited that in Austria as a measure to improve the level of employees competency in business enterprises, training in companies is regulated by the Vocational Training Act. Every company even a one-person company can train apprentices to guarantee that they are assisted appropriately. The Federal Economic Chamber determines the suitability of companies to provide apprenticeship and issues declaration (certificate) entitling them to recruit apprentices.

Tan (2006) study noted that in Africa, one of the main obstacles that often prevent SME owners from taking systematic approaches to training and competence development is the difficulty to assess their training and competence needs, identify relevant training offers and providers, and use available training incentives. The study showed that most SMEs rely on spontaneous and intuitive actions and use in-

house training as an option rather than drawing up competence development plans. Efforts to support training and training capacity in SMEs focus on measuring and demonstrating benefits and returns on investment in training; identifying and anticipating skill needs; communicating skill needs translating skill needs into training programmers' among various players state, public agencies, chambers, trade unions, associations of SMEs, public and private training providers come to provide support to SMEs in developing systematic approaches to their workforce, but this fails to encourage many SMEs to seek business advisory services.

Man (2002) study probed entrepreneurial competence from a comprehensive angle in India. His study defined entrepreneurial competence in the aspects of capability of opportunity, capability of relationship, capability of conceptualization, capability of integration, capability of strategy and capability of commitment. This research indicated that entrepreneurial competence really affects the performance of newly founded enterprises. Madatta (2011) conducted a study in Tanzania to examine the relationship between the entrepreneurial competencies and business success in SME's in different settings within the same country. In accordance to Bird theory of entrepreneurial competencies, the study revealed that entrepreneurial competencies are a mechanism by which the likelihood of achieving business success can be improved. Findings also revealed that business environment influence the success of business in the SME's.

Education and training influences the development of business and the attributes lead to the success of business of the SME's. Njaramba and Ngugi (2014) carried out a study to establish factors affecting adoption of financial advisory service in small medium enterprise using a case of water bottling companies in Kenya. The study findings showed that competence (skills) affect the adoption of financial advisory services in business organizations.

The findings indicated that businesses need to obtain expert knowledge from external service providers and then embrace the knowledge in their firms. , The study showed that, a means score of 3.0492 respondents agreed that there is unavailability of sufficient evidence of the benefits of such services.

A mean score of 3.000 respondents moderately agreed that SMEs are unable to carry out the accounting function in-house due to inadequate knowledge and unqualified employees. A mean score of 2.902, respondents moderately agreed that SME owner/managers are unaware of their own weaknesses to ask for support and advice. A mean score of 2.574, respondents disagreed that SME owner/managers are frequently not aware of the range of support services and advice available to them.

A study by Okumu (2007) revealed that entrepreneurial know-how is one of the main sources of innovative capability of SME's. Micro and small enterprises encounter many difficulties when they autonomously have to access Research & Development activities, acquire technological competence from the external world and maintain them within the firm. Sometimes the training need gap relates not so much to technological aspects but to managerial skills, in particular when firms have to manage growth through the implementation of specific managerial techniques and practices.

2.4.2 Extent of Adoption of Technology in Micro and Small Enterprises

Miller (2010) study showed that worldwide, many micro and small enterprises encounter many challenges when it comes to adoption of new technology due to limited financial resources, because the cost of acquiring new technology is normally very high in comparison to the enterprises budget. The study also noted that in developed nations such as UK, USA, Canada, China and Japan, many micro enterprises have been able to adopt new technology due to easier accessibility of business advisory services. Nguyen (2012) studied the factors influencing technology adoption in 126 SMEs in the retail, manufacturing and service sectors in USA, Southern California. The findings showed that management characteristic, the firm's

characteristics, employee characteristics, and Information Technology resources influenced technology adoption. The results of the study also indicated that management's innovativeness affects the firm's perception of technology adoption however; age, education and gender do not.

A study by Miguel (2008) adoption of new technology is a critical challenge that affects the growth of micro enterprises in Africa. It hinders enterprises capacity to access various business advisory services that are normally offered using ICT platforms like internet. The study findings showed that micro enterprises have much to gain by adopting new technology since it helps in new knowledge absorption by reaching a wide range of business advisory services. The study also noted that many micro enterprises in Africa, fails to offer new products and reach global market due to limited access of ICT.

As study by Lau (2008), revealed that there are several drivers which have influenced ICT adoption by SMEs in South Africa. These drivers are categorized into internal and external. With respect to external factors, pressure from the competitors is considered as a major driver for ICT adoption by SMEs.

Similarly, internal factors such as to increase sales, customer demands and improving customer services are perceived as drivers of ICT adoption in SMEs. Generally, internal drivers seem to be more influential than external drivers. The ICT tools commonly used by SMEs are mobile phones, personal computers and photocopier machines. Diabate (2014) undertook a study on Factors Influencing Small and Medium Enterprises (SMEs) in Adoption and Use of Technology in Cote d'Ivoire. The findings of the study revealed that there is a high level of awareness of the importance of technology in management of SMEs'. ICT and other technologies can be mainstreamed into SMEs development agenda and that technology is a veritable tool for sustainable development of SMEs in Cote d'Ivoire.

Therefore, this study recommends that leaders of SMEs in Cote d'Ivoire formulate and implement policies that would enhance the development and deployment of

technology in SMEs with the aim of bridging the digital divide in a bid to actualize sustainable development in the country. A study by Oligoji (2006) showed that changes in the environment cause more uncertainties for technology adoption in many MSEs in Nigeria. The resources required by MSEs for acquiring information about the new trends in the market, new products and their development, information on accessing finance, new entrants in the industry and competition level are limited unlike large organizations due to their limitation on accessing business information. Large firms may even exit from one of their business areas but this is not usually in micro or small enterprises.

Lim (2007) study, advocates that MSEs need to adopt new technologies that match day-to-day production processes. This will enable them enter new markets, access information and improved production methods, products and markets.

Relevant technology will enable MSEs to adopt economies of scale in production. Freel (2000) suggest that the most innovative firms are involved in extensive and diverse links with a variety of external sources of knowledge and expertise. Acs & Karlsson (2002) concurred that entrepreneurial climate and limited access to knowledge is a major challenge affecting technology adoption and their growth and development in East Africa. Muteti (2005) cited lack of sufficient market information as a great challenge to MSEs in Uganda on technology adoption despite the vast amount of trade related information available and the possibility of accessing national and international databases. Many small enterprises in African countries continue to rely heavily on private and non-professional consultation or even physical contact for market related information. This is due to inability to interpret the statistical data and poor internet connectivity especially in the rural areas.

Ndiege (2014) did a study on Absorptive Capacity and ICT Adoption Strategies for SMEs in Kenya. The purpose of this study was to examine the role of absorptive capacity in SMEs' performance, as well as establish the correlation between SMEs' absorptive capacity and their Information Technology adoption process. The findings of this study, obtained by measuring different dimensions of absorptive capacity

using Jimenez-Barrionuevo, Garcia-Morales, and Molina's scale of 18 items, suggested that absorptive capacity plays a critical role in the performance of SMEs in Kenya and that SMEs with strong absorptive capacity employed the use of more superior Information Technology adoption processes than did their counterparts with low levels of absorptive capacity. The researchers submitted that, if exploited, absorptive capacity has the potential to improve the Information Technology adoption strategies of SMEs in Kenya and those of other developing countries that operate within similar environments.

Kimwele (2005) undertook a study on the adoption of information technology security policies in Kenyan Small and Medium Enterprises (SMEs). This study looked at whether the roles and responsibilities of Information Technology security in SMEs are well defined, whether SMEs have a documented information security and whether employees are aware of the policies governing the adoption of technology. Findings from the study showed that Information Technology security policies are not widely adopted and the benefits harnessed by Kenyan SMEs. The study further revealed that much more needs to be done if SMEs are to realize the benefits of information technology, without compromising their security status. This was one of the first studies to explore Information Technology security issues in Kenyan SMEs that help ICT adoption in micro enterprises.

2.4.3 Organizational Structure and Business Advisory Services

Structure of the firm refers to the total number of employees and the departmental units they form in the organization. The higher the number of employees, the larger the structure and size of the organization, for example, enterprises with 10 – 49 workers are called small enterprises; 50 – 199 medium enterprises, while 200 and above are large enterprises (Xu, 2009) asserted that structural factors play a significant role in determining the firm's ability to seek external advice. Zengwana and Zhangu (2004) suggested that the use of external advice by MSEs is positively associated with firm structure. Benette and Botter (2001) found similar results using multivariate techniques. Smaller and younger businesses are likely to have more

limited internal resources than larger firms. Smaller firms are likely to operate within the local markets and therefore are likely to operate largely on the basis of internal resources, therefore may need limited external support, particularly in relation to market development.

Operating within wider geographical markets and particularly export markets may require considerable knowledge and resources (West, Head, & Wright, 2001). Xu (2009) affirmed that MSEs have low labour productivity than large enterprises. This difference in labour productivity is explained by differences in sectoral orientation, capital intensity, and economies of scale as well as differences in the qualification and skill levels of the personnel of MSEs. Lower average labour productivity explains their average lower profitability as compared to large enterprises. Suppliers of commercial advice services may have an incentive to focus their attention on more lucrative markets among the medium to large scale businesses and public sector, than in micro and small enterprises. Further, larger organizations are highly complex and so may require a higher level of external support than smaller, less complex organizations.

Chang (2007) using a case study of the pharmaceutical industry in China is presented to show how process-based simulation can be applied to the quantitative studies on the organizational structure reformation. Through modeling core business processes and limited resources in the sales and marketing division of the enterprise, a simulation experiment was performed to analyze how the employees' working hours distribute in daily work. It was found that salesmen only spend 40% working time on the effort of marketing expansion and sales increase. It takes more than half the working time for them to track the progress of logistics affairs. So, it was concluded that the company under the case study, should improve the specialization of the organizational design, and especially should consider outsourcing the professional logistics service.

Salavou (2004) did a study to evaluate the logistic strategies developed in Small and Medium-sized Enterprises (SMEs) as a response to their organizational structures

and planning processes. A multiple case study was carried out in the second largest furniture cluster in Brazil. Based on theoretical models, it was found that the characteristics of a company's organizational structure had an impact on planning. In the case of companies with a low level of family participation, this impact was intentional, whereas in the case of companies with strongly centralized owner control over decision-making, the impact was unplanned. However, the formal nature of planning does not guarantee that logistics will have strategic aims and, in all cases, it has a strictly reactive nature.

2.4.4 Characteristics of the Owner of the Micro and Small Enterprises

Dollinger (2008) entrepreneurial research has identified a number of personality characteristics that differentiate entrepreneurs from others. Among the characteristics, need for achievement, locus of control and risk taking propensity have been widely accepted as some of the characteristics that one needs to possess in order to become an entrepreneur. Blid (2000) observed that most successful business organisations are started in high growth areas by talented and well educated individuals with management experiences. Talented individuals continuously receive new ideas of unknown values and turn these ideas into business opportunities. Individuals resort into business owners and workers according to their managerial skills and this explains why self-employment is prevalent among the most educated. Brown (2001) postulates that the degree of entrepreneurship in a business organisation depends on management practice. An organisation management practices range along a spectrum from highly entrepreneurial to high administrative.

“A promoter” characterizes the entrepreneurial side of the spectrum while a “trustee” characterizes the administrative side. The promoter's intention is to pursue and exploit opportunities, while the trustee aims to efficiently use the resources currently controlled.

Scott (2007) conducted a study on the linkage between the use of external advice and access to finance for small and medium-sized enterprises (SMEs) in the UK, with

particular consideration of differences in personal characteristics: gender, ethnicity and education. The study revealed that there is little evidence on gender, ethnic and educational differentials in obtaining external advice. The study finally concluded that there was a correlation between the provision of external advice and the ability to raise bank finance. Furthermore, there is clear gender, ethnic and educational differentials in the use of particular sources of external advice. Antunes (2004) study on business owner characteristics in Canada showed that, among exporting SMEs, 49% were partly or entirely owned by women, 8% by visible minorities, 4% by youths, 4% by new immigrants and 2% by Aborigines. Among innovative SMEs, 58% were partly or entirely owned by women, 14% by visible minorities, 5% by youths, 5% by new immigrants and 3% by Aborigines.

Usman (2008) study on owner characteristics and health of SMEs in Pakistan using a survey of 651 SMEs from the manufacturing sector, showed that education, generation setting up the business, and number of partners have a significant relationship with the health of SMEs. Health of the firm is also dependent on owner habits like watching television, reading newspapers and using computers for office work. Other factors like taste of the owner and occupation of the owner's relatives were also analyzed, however no significant relationship was revealed with the health of an SME was observed.

Mohammad (2011) study examined the effect of characteristics of entrepreneur and characteristics of the firm on the business success of Small and Medium Enterprises in Bangladesh. The characteristics of entrepreneur was found to be a significant factor for business success of SMEs in Bangladesh. However the firm characteristics were found not to be significant factors on the business success of SMEs in Bangladesh. The results of the analysis showed that only one of the demographic factors which is duration of organization operated has significant effect toward business success of SMEs. SMEs that operated for longer period were more successful in comparison to those who had operated for a shorter period. In addition

to this, independent sample t-test showed that gender plays a significant role on business success of SMEs in Bangladesh.

2.4.5 Importance of Business Advisory Services to Micro and Small Enterprises

Kubur (2002) study revealed that business advisory services bring in new and fresh ideas into the business organization, it is a catalyst for change in the organization which brings growth and success to the business organization, it is done by professionals, and therefore it brings to the business expertise relevant ideas which bring growth and competitive advantage. Business organizations should seek advisory services to attain growth, success and competitive advantage.

The United Kingdom government policy towards small business (Mole, 2008) asserts that business organizations should ensure that they have access to quality and cost effective external advice services in order to grow and remain competitive. Many governments and supra national organizations promote and finance business support agencies of various types. In the UK, Carey (2005) study found out that many small and micro enterprises sought business advisory services from accountants.

The study revealed that external accountants were consistently the most frequent source of professional services to the SME. Bennett and Robson (2002) report results from 2,474 SME respondents and find that 95% of respondents used external advisers for advice; of whom the main advisers were accountants (83%), banks (62%) solicitors (56%) customers (47%), suppliers (36%) consultants (32%) and trade/professional associations (31%).

A study by Blackburn, (2010) on business advice to SMEs in Australia, revealed that accountants were the main advisers of SMEs since all the businesses had necessary relations with an accountant for statutory compliance purposes. Most owner-managers had taken up noncompliance advice from their accountants although this varied in scale and scope. The demand for discretionary (i.e., non-compliance or not tax return related) business advice from accountants and financial advisers can be

regarded as a derived demand arising from the internal and external pressures on the enterprise that are faced by the owner-manager.

As expected, these results were consistent across the two national jurisdictions. The results also demonstrated that, in practice, accountants usually sell advisory business services to SMEs following the provision of traditional statutory or compliance services. It was noted that main reasons that SMEs seek advice from accountants are for compliance and taxation reporting purposes. Both the evidence and a priori thinking suggest that this may help to form a basis for providing subsequent forms of business advisory services. Xu (2009) advocates that lack of access to business advisory services is regarded by some policy makers as one of the significant barriers to micro and small, including medium enterprises development.

Policy makers focus primarily upon the supply side of the business advice process, without considerable attention paid to their availability, quality, cost and use. Whether provided by private sector organizations, legal advisors, management consultants or trainers, relatively little is done on how small and medium enterprises owners can access these services. He further asserts that accessing advisory services requires investment in time and resources of an organization. This may be expressed in market terms as a willingness to pay for the services of a business adviser, information provider or consultants and requires that the business organization seeking the service has the resources and any other relevant conditions required to access and implement the advice service provided.

Aliyu (2013) carried out a study to examine the relationship of owner/manager knowledge, competitive intensity, complexity of marketing, technical competence, firm size with the advisory services on the performance of Nigerian SMEs. The study findings showed that owner/manager knowledge, complexity of marketing decision; technical competence and advisory services have significant relationship with performance. The result also indicated business advisory services mediated the relationship between owner manager knowledge and the complexity of marketing decision.

Mairura (2013) carried out a study to establish the role of financial intermediation in promoting the growth of small and medium manufacturing enterprises in Kenya. The findings showed that most of the respondents agreed that, they received a lot of support from the financial intermediaries. The support they received enhanced their business growth. The growth of their business was attributed to the nature of the support they received.

Forty nine point two percent (49.5%) agreed that they received a lot of support, seventy three point five (73.5%) percent said that the support they received enhanced their business growth and fifty five point six percent (55.6%) strongly agreed that without the support their business would not have grown. The findings of the study also showed the role played by financial intermediaries in promoting SMEs' growth in Kenya.

Njaramba and Ngugi (2014) carried out a study in Kenya to establish the problems facing SMEs' in adopting financial advisory services. The study established that, the problem facing SMEs in the adoption of financial advisory service is inadequate finances to pay for the advisory services. The study further established that SMEs' owners depend, mostly, on informal institutions as they lack an awareness of important business information provision agencies or institutions. SME performance can be increased by receiving information and business advice. The study also indicated that SMEs' receive advice from external advisory services from finance officers but there is a little empirical evidence, as very few SMEs' have adopted this advisory services.

2.5 Critique of the Existing Literature Relevant to the Study

Evidence from the reviewed literature revealed that, many empirical studies in the field of business advisory services had been carried out but had not sufficiently expounded on factors influencing the use of business advisory services in micro and small enterprises in Kenya. Most of the related studies on the use of Business advisory services had been conducted outside Kenya and hence their findings were

generalized to contribute to knowledge with the use of business advisory services in Micro and small enterprises. This study explores the factors influencing the use of business advisory services in micro and small enterprises in Kenya.

2.5.1 Importance of Business Advisory Services to Micro and Small Enterprises

The European Commission (Jacqueline, Jennifer, Rob & Kees (2009) in their study on small business and entrepreneurship challenges, explored some of the challenges MSEs today face. The study concentrated on MSEs development in a transition context, by developing a framework which identifies MSEs development trends. The result of their work indicated that more fundamental barriers related to legal issues are common in the early stages of transition while more specific constraints related to human resources and skills development in the later stages. The study gave little contribution on the areas and importance of business advisory services at every transition stage as a remedy. The study was conducted in the European developed countries, hence, may not be relevant to a developing country like Kenya.

A similar study was done by London South Bank University which indicated that business supporting agencies such as business link alongside the provision of financial support infrastructure development and support for workforce training are all important activities foreseen as key components of a strategy to regenerate the area (McKenzie, 2009). Identifying the types of business that might be the most open to and make use of such external support would be valuable to the effective function of the objectives and associated program. The research did not indicate how MSEs can access such external support and advice, an area which has not been fully addressed.

Wanjohi and Mugure (2008) conducted a research study in the rural areas of Kenya to investigate the challenges affecting the MSEs. They cited lack of managerial training and experience, inadequate education and skills, lack of credit, national policy and regulatory environment, technological change, poor infrastructure and scanty markets information.

The study findings showed that there is a correlation between the provisions of external advice (Business advisory services) and the ability of such business to raise funds from the banks. This is because raising money from the bank requires the owner of the business to possess personality traits such as good communication skills, negotiation skills, human relation skills and conceptual skills that would enable the entrepreneur to convince the lenders to lend money to the business organization. They suggested a need for supportive policies to encourage the establishment of documentation centres and information networks to provide information to MSEs at an affordable price, but they did not indicate how SMEs can access this information.

In the UK, Carey (2005) study found out that many small and micro enterprises sought business advisory services from accountants. A study by Blackburn (2010) on business advice to SMEs in Australia revealed that accountants were the main advisers of SMEs since all the businesses had necessary relations with an accountant for statutory compliance purposes. However these studies did not expound of business advisory challenges facing MSEs and in addition they were conducted in a developed nation and hence falls short in explaining the challenges of use of business advisory services in micro and small enterprises in Kenya. Kubur (2002) study revealed that business advisory services bring in new and fresh ideas into the business organization.

The study drew emphasis on business advisory challenges benefits and failed to explain the factors influencing the use of business advisory services in micro and small enterprises. Xu (2009) advocates that lack of access to business advisory services is regarded by some policy makers as one of the significant barriers to micro and small, including medium enterprises development, However, The study failed to identify challenges hindering MSEs to access business advisory services and also the study drew much on policy issues.

Aliyu (2013) carried out a study to examine the relationship of owner/manager knowledge, competitive intensity, complexity of marketing, technical competence,

firm size with the mediation of advisory services on the performance of Nigerian SMEs. The study provided key findings on some of the business advisory services accessibility challenges but the study was carried outside Kenya and also failed to identify key challenges of use of business advisory services that are faced by MSEs in Kenya. Mairura (2013) carried out a study to establish the role of financial intermediation in promoting the growth of small and medium manufacturing enterprises in Kenya. The study focused on financial intermediation and growth of SMEs but failed to extend further on challenges faces by MSEs in accessing financial intermediation services since they are also part of business advisory serves.

Njaramba & Ngugi (2014) carried out a study on the problem facing SMEs in the adoption of financial advisory services. However, the study failed to highlight the key problems facing enterprises in accessing business advisory services notably; employees' competence, adoption of technology, organization structure and characteristics of the owner. Further studies should therefore be carried out to explore factors influencing MSEs in accessing advisory services.

2.5.2 Competence of the Employees in the Individual Micro and Small Enterprises

A study by Baron (2006) revealed that in Germany as measure to ensure that small enterprises had competent employees, the government enacted a Vocational Training Act that requires all companies, including one-person companies, need to comply with the same rule: they have to be accredited for apprenticeship by the relevant chamber. However, the study failed to explain how the Vocational Training Act leads to increased level of employees' competence and its contribution in access of business advisory services by MSEs.

The study also failed to explain how MSEs employees should be trained on various business skills that influences them to seek business advisory services. Tan (2006) study noted that in Africa, one of the main obstacles that often prevent SME owners from taking systematic approaches to training and competence development is the

difficulty to assess their training and competence needs. The study gave emphasis on training and thus failed to determine the influence of employees' competence on the use of business advisory services in micro and small enterprises in Kenya.

Man (2002) study probed entrepreneurial competence from a comprehensive angle in India. His study defined entrepreneurial competence in the aspects of capability of opportunity, capability of relationship, capability of conceptualization, capability of integration, capability of strategy and capability of commitment. Madatta (2011) conducted a study in Tanzania to examine the relationship between the entrepreneurial competencies and business success in SME's in different settings within the same country. These studies failed to explore widely on effect of employees competence on the use of business advisory services in micro and small enterprises in Kenya. Njaramba and Ngugi (2014) carried out a study to establish factors affecting adoption of financial advisory service in small medium enterprise using a case of water bottling companies. However the study failed to explore on effect of employees competence on the use of business advisory services in micro and small enterprises in Kenya.

2.5.3 Extent of Adoption of Technology in Micro and Small Enterprises

Miller (2010) study showed that worldwide, many micro and small enterprises encounter many challenges when it comes to adoption of new technology due to limited financial resources as the cost of acquiring new technology is normally very high in comparison to the enterprises budget.

The study failed to show how adoption of technology, affect the use of business advisory services in micro and small enterprises in Kenya. Nguyen (2012), studied the factors influencing technology adoption in 126 SMEs in the retail, manufacturing and service sectors in USA, Southern California, however the study failed to show any relationship between influence of adoption of technology on the use of business advisory services in micro and small enterprises. The study was also carried out in SMEs in Canada which have different characteristics with MSEs' in Kenya and

hence findings lacked any contribution in determining the influence of adoption of technology on the use of business advisory services in micro and small enterprises in Kenya.

study by Miguel (2008) indicates that adoption of new technology is critical challenge that affects the growth of micro enterprises in Africa since it hinders enterprises capacity to access various business advisory services that are normally offered using ICT platforms like internet. The study was a major attempt towards explaining business advisory challenges in MSEs but it failed to specifically give comprehensive findings on the influence of adoption of technology on the use of business advisory services in micro and small enterprises in Kenya. A study by Lau (2008) revealed that there are several drivers which have influenced ICTs adoption by SMEs South Africa.

iabate (2014) undertook a study on Factors Influencing Small and Medium Enterprises (SMEs) in Adoption and Use of Technology in Cote d'Ivoire. A study by Oligoji (2006) showed that changes in the environment cause more uncertainties for technology adoption in many MSEs in Nigeria.

These studies were carried out in different countries but did not explore on how adoption of technology would influence the use of business advisory services among MSEs in Kenya. Ndiege (2014) did a study on Absorptive Capacity and ICT Adoption Strategies for SMEs in Kenya, but did not show how absorptive capacity and ICT adoption strategies would influence the use of business advisory services in Kenya, Kimwele (2005) undertook a study on the adoption of information technology security policies in Kenyan Small and Medium Enterprises (SMEs). The study also failed to expound on the influence of adoption of technology on the use of business advisory services in micro and small enterprises in Kenya.

2.5.4 Organizational Structure and Business Advisory Services

Structural factors play a significant role in determining the firm's ability to seek external advice. Zenguana and Zhangu (2004) suggested that the use of external advice by MSEs is positively associated with firm structure. Benette and Botter (2001) found similar results using multivariate techniques. However, the researchers failed to elaborate how MSEs should design organization structure in order to support the use of business advisory services. Salavou (2004) did a study to evaluate the logistic strategies developed in Small and Medium-sized Enterprises (SMEs) as a response to their organizational structures and planning processes. The study gave emphasis on logistic strategies and hence lacked any contribution in explaining the influence of organization structure on the use of business advisory services in micro and small enterprises. In Kenya there is lack of a specific study on relationship between organization structure and the use of business advisory services in micro and small enterprises. Further studies should therefore be carried out to investigate the influence of organization structure on the use of business advisory services in micro and small enterprises in Kenya.

2.5.5 Characteristics of the Owner of the Micro and Small Enterprises

Dollinger (2008), in his entrepreneurial research identified a number of personality characteristics that differentiate entrepreneurs from other business men. Such characteristics include; need for achievement, locus of control and risk taking propensity. Blid (2000) also observed that most successful business organisations are started in high growth areas by talented and well educated individuals with management experiences. However, both researchers failed to explain the effects of MSEs owner characteristics on the use of business advisory services. Scott (2007) conducted a study on the linkage between the use of external advice and access to finance for small and medium-sized enterprises (SMEs) in the UK, with particular consideration of differences in personal characteristics: gender, ethnicity and education. The study also failed to explain the effects of MSEs owner characteristics on the use of business advisory services.

Usman (2008) study on owner characteristics and health of SMEs in Pakistan using survey of 651 SMEs from the manufacturing sector, showed that education, generation setting up the business, and number of partners have a significant relationship with the health of SMEs. Mohammad (2011) study examined the effect of characteristics of entrepreneur and characteristics of the firm on the business success of Small and Medium Enterprises in Bangladesh. The studies only focused on the characteristics of entrepreneur and hence cannot be used to explain the effects of characteristics of the owner of the micro and small business on the use of business advisory services. The empirical studies showed that there was need to undertake a specific study on effects of characteristics of the owner of the micro and small business on the use of business advisory services in Kenya.

2.6 Research Gaps

The empirical literature indicated that it is evident that research in the area of business advisory services and MSEs had been conducted but not in a comprehensive approach. Most of the studies that had been done focused either on challenges MSEs face or on Business advisory services accessibility challenges. Provision of business advisory services can enable business grow and remain relevant in a competitive environment. A number of research studies indicate that the providers of external business advice often spend considerable resources and effort attempting to persuade businesses to use the services.

A few studies that have a link on MSEs and business advisory challenges have been conducted outside Kenya and have focused on large enterprises and different aspects of business advisory services. For example, studies on the use of business support, for example, in UK, Sweden, Norway, Belgium and US Mole (2008) collectively demonstrate that the process of seeking and utilizing external support is a complex one involving several factors, but does not explore these factors. No study has been conducted in Kenya to explore the factors influencing the use of business advisory services in micro and small enterprises in the industrial area of Nairobi County,

Kenya. Carey (2005) study found out that many small and micro enterprises sought business advisory services from accountants in UK.

Blackburn (2010) carried out a study on business advice to SMEs in Australia, Aliyu (2013) also carried out a similar study to examine the relationship of owner/manager knowledge, competitive intensity, complexity of marketing, technical competence, firm size with the mediation of advisory services on the performance of Nigerian SMEs.

Mairura (2013) carried out a study to establish the role of financial intermediation in promoting the growth of small and medium manufacturing enterprises in Kenya. Njaramba and Ngugi (2014) carried out a study on the problem facing SMEs in the adoption of financial advisory services. It is therefore evident that there lacks a specific study that has been carried out to explore on factors influencing the use of business advisory services in micro and small enterprises in Kenya. These have left key gaps in the literature, of MSEs and business advisory services. The study hence aimed to fill these gaps in literature by adequately exploring the selected variables notably, employees' competence, adoption of technology, organizational structure and characteristics of the owner of the business in relationship to seeking business advisory services. The study adds value to the existing literature by providing additional empirical literature on use of business advisory services in micro and small enterprises in Nairobi County Kenya and therefore fills all the missing conceptual gaps. Summary of the theoretical and empirical studies is presented in Table 2.1.

2.7 Summary of Reviewed Literature

Empirical and theoretical literature reviewed in this study indicated that lack of use of business support services, advisory services included is a significant barrier to entrepreneurial development. Businesses need to have access to information regarding new markets for their products; new products processes and development including sources of finance that would enable them grow and develop into larger

enterprises. They need external advice on management skills, training for employees and general acquisition of entrepreneurial skills. Business need to adopt new technologies on product processing, acquire information on markets and services provided by technology. They also require external advice on how to achieve economies of scale, and adopt cooperate governance practices to enhance growth. The literature also suggests that MSEs need policies and programs that are friendly to their operations.

These studies however do not indicate how the MSEs can adopt the use of business advisory services; neither do they discuss the factors that influence the use of business advisory services. This study explores the factors influencing the use of business advisory services in micro and small enterprises in the industrial area of Nairobi County, Kenya.

To assess the effect of employees competence on the use of business advisory services of micro and small enterprises of micro and small enterprises, the study used Resource Dependency theory by Amy *et al*, 2013) and Core Competency Theory by Prahalad and Gary Hamel in (2000). Employee's competency plays a key role in determining the strength of the overall organization core competencies in the market. Micro and small enterprises that have competent employees are able to identify their competence weaknesses and this influences them to seek business advisory services in order to strengthen their core competencies and achieve competitive advantage in the market place.

To determine the effect of adoption of technology on the use of business advisory services of micro and small enterprises of micro and small enterprises, the study used Technology Adoption Theory by Venkatesh, Morris, Davis, and Davis (2003) and Theory of Economic Development by Wagner (2006). Adaptation to technologies that match day-to-day production process can enable MSEs enters new markets, access information and improves production methods, enables them adopt economies of scale in production. Willingness to adopt technologies leads to new methods of production, product development and accessing new markets. To establish the effect

of organization structure on the use of business advisory services of micro and small enterprises of micro and small enterprises in Nairobi City County, the study applied Oliveira and Martins (2011) institutional theory and Decision theory as discussed by Dickert, Fielder, Andreas and Nicklisch (2013).

Structure of the firm refers to the total number of employees and the departmental units they form in the organization. Structural factors play a significant role in determining the firm's ability to seek external advice. MSEs have lower labor productivity this is explained by differences in sectoral orientation, capital intensity, economies of scale as well as differences in the qualifications and skill levels of the owner of the MSE including the personnel of the MSEs.

Institutional theory emphasizes that institutional environments are crucial in shaping organizational structure and actions. Decision theory provides a rational framework for choosing between alternative courses of action when the consequences resulting from this choice are imperfectly known. In many MSEs managers or enterprises owners are faced with tasks of making Key decisions in the organization and this determines the nature of organizational structure that is employed by the MSEs and how MSEs managers make decision on how to seeks business advisory services.

To examine the effect of characteristics of the owner of the micro and small business on the use of business advisory services of micro and small enterprises the study used Management Economic Theory (Eisenhardt & Martin, 2000). Personality traits differentiate entrepreneurs from other people. Most successful businesses are started by talented and well educated people. Management practices by individual entrepreneur also influences the success of a business.

Individual leader's characteristics influences the leader's attitude towards change and internal characteristics of the firm structure, type of authority, inter-personal linkages and willingness to accept new changes in an organization influences the rate at which business advisory services can be adopted in an organization.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter presents the research philosophy, research design and methodology that was used in the study. The chapter is organized under the following sections: research philosophy, research design, target population, sample frame, sampling techniques and sample size, data collection instruments, pilot survey, data collection and data processing and analysis.

3.2 Research Design

3.2.1 Research Philosophy

A positivistic philosophy approach was adopted in this study whereby a quantitative approach trend was used to develop the key research instruments that were used further to analyze data. Quantitative analytical techniques were used to draw inferences regarding the existing relationships (Sekaran, 2010). The scholar used positivistic approach because the study is descriptive in nature and also because positivistic approach acknowledges that the theories, hypothesis, background knowledge and value attached to the study can influence what is observed. The Positivists aim to test a theory or describe an experience through observation and measurement in order to predict and control forces that surround us According to Sekaran, (2010), the positivism philosophy helps a researcher collect all facts and figures that are related with the research issue through general sources. The author further observes that under this philosophy, the researcher plays an important role of objective analyst in evaluating the collected data and produce an appropriate result in order to achieve the research objectives. Many philosophers believe that positivism is the foundation and rationale for most management research.

The positivism philosophy helps a researcher collect all facts and figures that are related with the research issue through general sources. The author further observes that under this philosophy, the researcher plays an important role of objective analyst in evaluating the collected data and produce an appropriate result in order to achieve the research objectives. Many philosophers believe that positivism is the foundation and rationale for most management research (Aiyabi,2013).

Aiyabi (2013) used this philosophy in his study on determinants influencing the likelihood of risk management strategies adoption by pension schemes in Kenya. This approach enabled development of key research instruments leading to efficient analysis of data and drawing of conclusions. This philosophy approach informed the use of both descriptive and correlation research designs to analyze the descriptive aspects of the variables and draw conclusions on the objectives, theories and hypotheses.

The study adopted the positivist philosophical orientation. Positivism is directly associated with the idea of objectivism. In this kind of philosophical approach, scientists give their viewpoint to evaluate social world with the help of objectivity in place of subjectivity (Sekaran, 2010). According to this paradigm, researchers are interested to collect general information and data from a large social sample instead of focusing details of research. This philosophy was adopted because of its main features.

3.2.2 Research Design

A research design is the plan and structure of investigation, so conceived to obtain answers to research questions. It is a plan or a program research which answers the research questions (Cooper & Schindler, 2011).

The research adopted a mixed research design method. Descriptive research design was used in this study to give a description of the state of affairs as they exist. A correlational design was also used to help in drawing conclusions on the objectives

of the study. The objectives involve determining influences between variables that can only be achieved by a correlational design. The study adopted qualitative research approach and data was collected based on cross-sectional research design. The qualitative approach addressed the degrees and levels of using business advisory services (Orodho, 2003).

Descriptive research seeks answers to “why” and “how” types of questions and attempts to connect variables in research, by identifying causal factors (Small et al., 2011). The approach provided an opportunity to explain the effect of the public procurement legal framework implementation on performance of Kenyan state corporations. Descriptive search design ensures ease in investigating any existing causality effect of various phenomenon under investigations. Descriptive research design has also been applied by Njeru (2014). While undertaking a study on procurement policies and implementation practices in tertiary public training institutions in Kenya. Mwangi (2013) also applied descriptive research design while undertaking as study on factors affecting compliance of public hospitality entities to public procurement laws and regulations in Kenya.

Descriptive research attempts to discover or establish the existence of causal relationship/interdependence between two or more aspects of a situation (Kothari, 2004). Descriptive research tests statistical relationship between two variables. The researcher begins with the idea that there might be a relationship between two variables. The study then measures both variables for a large number of cases and checks to see if they are in fact related (Oswald & Price 2010). This study was descriptive because it explained the challenges faced by SMEs regarding the use of business advisory services and data was collected through questionnaires. Descriptive survey design was used because it is the most suitable for such a study since it solicited the desired information about the challenges faced by SMEs regarding the use of business advisory services and also enabled collecting of information by administering questionnaires to respondents (Orodho & Kombo, 2002).

3.3 Target Population

A target population is the people a researcher selects as respondents in the study in order to achieve the objectives of the study (Kombo & Tromp, 2006). This study targeted a population of 58 registered food and non-food manufacturing MSEs in industrial area of Nairobi County. These are enterprises that have between 11-100 employees. Table 3.1 shows the distribution of the target MSEs for the various categories of manufacturing industries in the industrial area of Nairobi County.

Table 3.1: Distribution of MSEs for various categories of manufacturing industries in industrial area, Nairobi County

Type of Manufacturing Industry	Number of Enterprises
Food Manufacturing	11
Chemical Industries	10
Pharmaceuticals Industries	2
Cement Manufacturing Industries	8
Dry Cell Manufacturing Industries	2
Paint Manufacturing Industries	1
Paper Manufacturing Industries	1
Glass Manufacturing Industries	3
Steel and Iron Manufacturing Industries	4
Motor Spares and Parts Manufacturing Industries	10
Textile Manufacturing Industries	5
Cigarette Manufacturing Industries	1
Total	58

Source: Ministry of Industrial Development, Kenya Department of Entrepreneurship Development (2014)

3.4 Sample and Sampling Techniques

3.4.1 Sampling Frame

According to Cooper and Schindler (2011) a sample frame is related to the population, it is a list of elements from which a sample is drawn. It is a complete and a correct list of population showing how it is related to the larger population. The sample frame of this study included all the 58 registered food and non-food manufacturing industries in industrial area in Nairobi County as presented in Table 3.1. A census approach was used in this study because the population was small.

3.4.2 Sampling Technique

The subset of the population drawn from the sampling frame is called a sample (reference). Usually, the sample should be representative of the population to an extent that it exhibits the same distribution of characteristics as the population (Reading & Shaughnessy, 2000). According to Kothari (2004), a sampling design is a definite plan for obtaining a sample from a target population. It is the technique or the procedure that the researcher adopts in selecting units into the sample.

The study adopted the census technique since according to Kombo and Tromp (2006), data gathered using census contributes towards gathering of unbiased data representing all individuals' opinions in the study population on a study problem. The census approach was also justified since according to Graham (2005) results obtained from a census are likely to be more representative, accurate and reliable than results obtained from a population sample. Census provides a true measure of the population since there is no sampling error and more detailed information about the study problem within the population is likely to be gathered (Bell, 2007).

A census approach was used to select 58 elements from the population target for stud, since the diversity of the products the small and medium enterprises manufacture makes it difficult to accurately get a realistic sample (Cooper & Schindler, 2011). This is because some industries specialize in food, others in

chemical, cement, pharmaceutical products, also in paint including other varieties of products. A census involves including all the elements in the population to the study. A census is adopted when the population size is so small such that the cost of conducting a census is not significantly different from the cost of taking a sample.

3.5 Data Collection Instruments

This study collected both primary and secondary data. It used structured questionnaires as research instruments to collect primary data from the respondents. A questionnaire is a research instrument which gathers data over a large sample (Kombo & Tromp, 2006). According to Kothari (2004), a questionnaire comprises of carefully selected and ordered questions which enables a researcher to collect information within a very short time. In this study, both quantitative data was collected through structured questionnaire. Structured questionnaires were carefully designed and sent to the 58 respondents to ensure data collection achieved the objectives of this study. Categorical data was collected on an ordinal scale. A five point Likert scale was used to measure the responses to the various indicators of the variables under investigation.

Likert scales are widely used in most studies in businesses and other related courses in social science literature, especially in instances where the reflection of the agreement of the respondent is required Zikmund (2010). Primary data is original information collected from independent respondents (Cooper & Schindler, 2011).

The structured questionnaires were divided into two sections whereby the first section provided demographic information while second section provided information on the content of the study. Information gathered represented individuals' opinions and attitudes towards some of the research study questions.

3.6 Data Collection Procedure

A research permit was applied for data collection from the Ministry of Industrial Development through the Department of Entrepreneurship Development, authorizing the study to be carried out in the Industrial area of Nairobi County. A visit was made to the respondents before the day of the study to inform the respondents about the pending research study. Self-administered questionnaires were dropped off to the targeted respondents and picked after one week after completion. Drop off system was used because response rates are much higher than mail survey (Cooper & Schindler, 2011). In addition, it gives a greater control over sample design, it permits a thorough identification of the respondents and eliminate those who fall outside a pre-defined sample frame.

3.7 Pilot Testing

The purpose of a pilot test is to establish the accuracy and appropriateness of the research design and instruments for data collection (Saunders, Lewis & Thornhill, 2007). Pilot testing is important because it helps to detect weaknesses in research and instruments for data collection (Newing, 2011). Pilot testing is necessary for testing the reliability and validity of the research instruments and the viability of the study. The study conducted a pilot study using 10% of the sample of the study population which was six respondents. Mugenda and Mugenda (2007) indicate that the size of a sample to be used for testing depends on the time, cost and productivity; however, 5-10% of the main sample is accepted.

3.7.1 Reliability of the Study Instrument

Reliability refers to the repeatability, stability or internal consistency of a questionnaire (Cooper & Schindler, 2011). In this study, Cronbach's alpha was used to test the reliability of the measures in the questionnaire (Cronbach, 1951). Cronbach's alpha has the most utility for multi-item scales at the interval level of measurements. It requires only a single administration and it provides a unique

quantitative estimate of the internal consistency of a scale. Mugenda and Mugenda (2007) indicate that the size of a sample to be used for testing depends on the time, cost and productivity; however, 5-10% of the main sample is accepted. For this study, 5% of the sample of the study formed the population on which pilot testing was conducted. Thus 10% of the sample size of the population was six respondents. Therefore, owners of three small and medium enterprises formed the population on which pilot testing was done. These were not included in the study in order to control response biasness. The questionnaire responses were input into statistical packages for social sciences and Cronbach's alpha coefficient generated to assess the reliability. The closer the Cronbach's co efficiency is to 1 the higher the internal consistency reliability (Sekaran, 2003). A coefficient of 0.7 is recommended for newly developed questionnaire; therefore this study adopted the same.

Cronbach's Alpha is a general form of the Kuder-Richardson (K-R) 20 formulas, as presented in equation (3.1), for assessing internal consistency of an instrument based on split -half reliabilities of data from all possible halves of the instrument (Cronbach1971). In the equation, KR_{20} is reliability coefficient of internal consistency, K is number of items used to measure the concept, S_1^2 is the variance of individual items, S_2^2 is the variance of all scores.

$$KR_{20} = \frac{(K) (1 - \sum S_1^2)}{(S_2^2) (K - 1)}$$

3.7.2 Validity of the Study Instrument

Validity is the degree of congruence between the explanations of the phenomenon and realities of the world (McMillan & Schumacher, 2006). This study used both construct validity and content validity. Construct validity was assessed by dividing the questionnaire into several sections to ensure that each section asses information for a specific objective and also to ensure that the same closely relates to the

conceptual framework in this study. Content validity was ensured by subjecting the questionnaire to a panel of experts in entrepreneurship who evaluated the statements in the questionnaire for relevance and whether they were meaningful, clear and not offensive.

After evaluation, the instruments were adjusted appropriately before subjecting them to the final data collection exercise. Factor analysis was used to confirm that indicators belonged to the variables they are measuring. Factor analysis assumed factor loadings of 0.4 as acceptable. Any indicators with factor loadings above 0.4 was not expunged and belonged to the variable they load most. Further to factor analysis, two test namely Kaiser-Meyer-Olkin (KMO) for sampling adequacy and Bartlett's test of sphericity were applied. The KMO tested whether the relationship among the variables and their indicators had compact correlation to confirm whether the factor analysis yielded reliable factors.

Multi-collinearity was tested to confirm that the independent variables were not linearly related. In a regression model that best fits the data, independent variables should correlate highly with dependent variables but correlate, at most, minimally with each other. Malticollinearity can be tested using two statistics for each of the independent variables, the Variance inflation factor (VIF) or the Tolerance. Multi-collinearity is associated with VIF above 5 and tolerance below 0.2. According to Rogerson (2001) a maximum VIF value of 5 is recommended.

The study used Shapiro wilk test to confirm normality of the disturbance term for the multiple regression. Statistical models assumes normality of the error term, non multi-collinearity of the predictor variables and non-autocorrelation of the disturbance term. Non-autocorrelation of the disturbance term was tested using Durbin-Watson test.

3.8 Data Analysis and Presentation

Data analysis involves reducing accumulated data to a manageable size, developing summaries, looking for patterns and applying statistical techniques to help the researcher interpret the findings in relation to the research questions (Cooper & Schindler, 2011). In this study, quantitative data was coded and analyzed, while content coding was used in coding the qualitative data. Statistical techniques such as measures of central tendency, dispersion, symmetry and inferential statistics were used to analyze the data. In descriptive analysis, the raw data of the indicators was analyzed and presented in frequency tables and graphs for all the variables depending on the nature of the categorical data of the indicator. The mode in terms of the modal class was used as a measure of central tendency of choice because the indicators were ordinal categorical data with 5 categories each. A list of key ideas and themes for each variable was generated which guided the nature of integration needed for qualitative and quantitative data. The analysis of variance (ANOVA) was used to measure the effect represented by the interaction between the dependent variable (business advisory services) and the independent variables (factors influencing the use of business advisory services).

Regression analysis modeling was used to establish the effect of the independent variables (factors influencing the use of business advisory services) on the dependent variable (business advisory services). Multiple regression analysis and regressing random variables Y and X was used to show the interactions between X and the proposed moderating variable (Kothari, 2004).

Multiple regression models usually reveal linear relationships between the predictors and the independent variable. In most cases, relationships exist but may not be linear, however if the independent variable is dichotomized, it is possible to fit in binary logistic regression model which may reveal other relationships. In this study, a multiple linear regression analysis model, see equation (3.1), proposed by Cohen and West (2003) was used to establish the significance of the influence of the independent variables on the dependent variables. In the equation, β_0 is constant; β_i

is coefficient of X_i {for $i= 1, 2, 3, 4$ }, Y_1 is dependent variable (viz., business advisory services); X_1 is employee competence, X_2 is adoption of technology, X_3 is organizational structure, X_4 is characteristic/traits of the owner of the business), and e is error term.

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

The regression model was used to test on how well it fits the data using SPSS Version -. The significance of each independent variable was also tested. The relevance of application of this model to this study was tested by using the p-value for the F statistics, whereby if the p-value was less than 0.05, then it was concluded that the model is significant and has good predictors of the dependent variable and the results are not based on chance. However, if the p-value was greater than 0.05, then the model was considered not to be significant and cannot be used to explain the variations in the dependent variable. The regression model is fit based on the assumptions that the residuals follow a normal distribution and is not Auto correlated. The Shapiro-Wilk test for normality and Darbin-Watson test for Autocorrelation were therefore done to confirm these assumptions.

3.8.1 Data Presentation

The study generated quantitative data which was presented through statistical techniques such as frequency distribution tables, graphical techniques such as bar graphs, line graphs, and charts such as pie charts and cumulative frequency curves.

3.9 Hypotheses Testing

Multiple regression analysis in the form of equation (3.1) was applied to test whether or not the null hypotheses stipulated in this study were true. Cooper and Schindler (2008) advocate that multiple regression helps to decide whether the individual hypothesis is statistically supported or not. Student's t-test was used to test the significance of the independent variable Y on the influence of the independent variables X_1 - X_5 at 5% level of significance. For the hypothesis to be accepted or rejected, comparison was made between the critical t-values and the calculated t-values. If the calculated t-value was greater than critical t-value, then the alternative hypothesis was accepted Donald (2008).

CHAPTER FOUR

RESEARCH FINDINGS AND DISCUSSION

4.1 Introduction

This chapter presents empirical findings using descriptive research design and data presented. The study sought to investigate the factors influencing the use of business advisory services in small enterprises in Kenya. Primary data was utilized in this study to draw a reliable conclusion on the factors influencing the use of business advisory services in small enterprises in Kenya. The chapter provides a detailed analysis of reliability test of the instruments, descriptive analysis of each variable and inferential statistics showing how each hypothesis was tested and how conclusions were made.

4.2 Response Rate

The study was conducted in industrial area, Nairobi County Kenya, and targeted a population of 58 registered food and non-food manufacturing MSEs. Given the population size, a census was conducted considering all the 58 MSEs. Out of these 58 MSEs, 52 responded, translating to an overall response rate of 89.7% (See Table 4.1). The high response rate implied reliability of the data collected and could be generalized to determine the factors influencing the use of business advisory services in micro and macro enterprises in the county. This was in line with Orodho (2009) who state that a response rate above 50% contributes towards gathering of sufficient data that can be generalized to represent the opinions of respondents about the study problem in the target population.

Table 4.1: Response rate for food and non-food manufacturing MSEs

Sector	Sampled	Responded	Response rate (%)
Food manufacturing	13	11	84.6
Non-food manufacturing	45	41	91.1
Total	58	52	89.7

4.3 Requisite Tests

4.3.1 Cronbach's Alpha Test

An instrument's reliability is its ability to produce consistent and stable measurements. Cronbach's alpha was calculated and used as the test statistic to measure the reliability of the instruments. Cronbach's alpha is a coefficient of reliability that gives an unbiased estimate of data generalizability (Zinbarg, 2005). An alpha coefficient of 0.80 or higher indicates that the gathered data are reliable and have relatively high internal consistency and can be generalized to reflect opinions of all respondents in the target population (Zinbarg, 2005). Results of this study showed that all constructs depicted value of Cronbach's alpha that are above the suggested value of 0.8 (see Table 4.2).

Table 4.2: Reliability test of the constructs in the conceptual framework

Variable	Number of Items	Cronbach' s Alpha	Comment
Employees competence of individual micro and small enterprise	12	0.904	Accepted
Extent of adoption of technology	10	0.898	Accepted
Structure of the organization	6	0.868	Accepted
Characteristics of the owner of the firm	3	0.903	Accepted
Use of business advisory services	12	0.821	Accepted

4.3.2 Factor Analysis

Factors are a smaller set of underlying composite dimensions of all the variables in the data set, while loadings are the correlation coefficients between the variables and the factors (Mugenda & Mugenda, 2012). Factor analysis can be applied in order to explore a content area, structure a domain, map unknown concepts, classify or reduce data, illuminate causal nexuses, screen or transform data, define relationships, test hypotheses, formulate theories, control variables, or make inferences. Factor loading assume values between zero and one, of which loadings of below 30 are considered weak and unacceptable (Nachmias & Nachmias, 2008).

The pilot study assumed factor loadings of 0.4 as acceptable. All the indicators in the study at least had a factor loading greater than 0.4 for one of the components and hence are a representative of the variables analyzed, see Appendix IV. No indicator had loadings below 0.4 for all components and therefore no indicator was expunged. The idea in factor analysis is finding a set of latent variables that essentially contain the same information with the manifest variables. From factor analysis, the indicators under investigation into were placed under precise and the correct variables they belong to and built confidence on retention of indicators to their respective variables.

4.3.3 Sampling Adequacy

To measure the sampling adequacy of the data, Kaiser-Meyer-Olkin test (KMO) and Bartlett's test of sphericity were used. The KMO is a statistic that indicates the proportion of variance in variables that might be caused by underlying factors. A value of zero indicates that the sum of partial correlation is large relative to the sum of correlations indicating diffusions in the patterns of correlations, and hence, factor analysis is likely to be inappropriate (Costello & Osborne, 2005). A value close to 1 indicates that the patterns of correlations are relatively compact and so factor analysis should yield distinct and reliable factors (Cooper & Schindler, 2011). Bartlett's test of sphericity tests whether the relationship among indicators is significant or not. It tests the hypothesis that a correlation matrix is an identity matrix, which would indicate that variables are unrelated and therefore unsuitable for structure detection. Small values (< 0.05) of the significance level indicate that factor analysis may be useful with one's data. The obtained Kaiser-Meyer-Olkin measures of sampling adequacy shows that the value of test statistic is 0.914 which is greater than 0.5 (see table 4.3) implying that factor analysis should yield distinct and reliable factors.

Bartlett's test of sphericity is used to test whether the data is statistically significant or not. With the value of test statistic and the associated significance level, it shows that there is a relationship among variables.

Table 4.3: KMO and Bartlett's tests

Test	Value	
Kaiser-Meyer-Olkin measure of sampling adequacy.		0.914
Bartlett's test of sphericity	Approx. Chi-square	3535.701
	Df	465
	sig.	0

4.3.4 Test for Multi-collinearity

A situation in which there is a high degree of association between independent variables is said to be a problem of multi-collinearity, which results into large standard errors of the coefficients associated with the affected variables. According to Mugenda and Mugenda (2012), multi-collinearity can occur in multiple regression models in which some of the independent variables are significantly correlated among themselves. In a regression model that best fits the data. Independent variables correlate highly with dependent variables but correlate, at most, minimally with each other.

Multi-collinearity can also be solved by deleting one of the highly correlated variables and re-computing the regression equation. The pilot data was tested for multicollinearity of the accepted variables and the results are presented in Table 4.4. The results show that all tolerances are above 0.2. If a variable has collinearity tolerance below 0.2 it implies that 80% of its variance is shared with some other independent variables. The Variance Inflation Factors (VIFs) are all below 5. The VIF is generally the inverse of the tolerance. Multicollinearity is associated with VIF above 5 and tolerance below 0.2. Kennedy (1992) recommended a VIF below 10 as acceptable.

This translates to an acceptable tolerance above 0.1. The study, however, adopted the recommendation of accepting VIFs below 5 and tolerance above 0.2. This is a more accurate measure of multi-collinearity since a higher VIF implies a higher collinearity amongst the variables. According to Rogerson (2001) a maximum VIF value of 5 is recommended. The accepted variables were therefore determined not to exhibit multicollinearity and acceptable for collection and analysis.

Table 4.4: Multicollinearity

Variables	Tolerance	VIF
Employees competence	0.559	1.789
Extent of adoption of technology	0.489	2.045
Structure of the organization	0.532	1.88
Characteristics of the owner	0.563	1.776

4.4 Demographic Information

The descriptive analysis covered aspects like; education level of the respondents, number of employees in the enterprises, and employee's competence of individual MSEs. Figure 4.1 shows the education levels for the respondents during the survey study. The results show that majority (73.0%) of the respondents had secondary and diploma education as the highest level of education. Ten percent (10%) of the respondents had post graduate degrees, while only four percent had primary school certificates as their highest academic qualification.

This indicates that most of the entrepreneurs studied in the industrial area of Nairobi County have attained secondary and diploma levels of education. Most of the employees in the MSEs are semi-skilled because they are school and college dropouts who may not have had a chance to gain experience or entrepreneurial activities to gain skills and experience of managing business. This explains why they did not seek business advisory services. Lack of skills and experience in business management influences the level at which an individual would seek new information regarding product development, production methods and new markets.

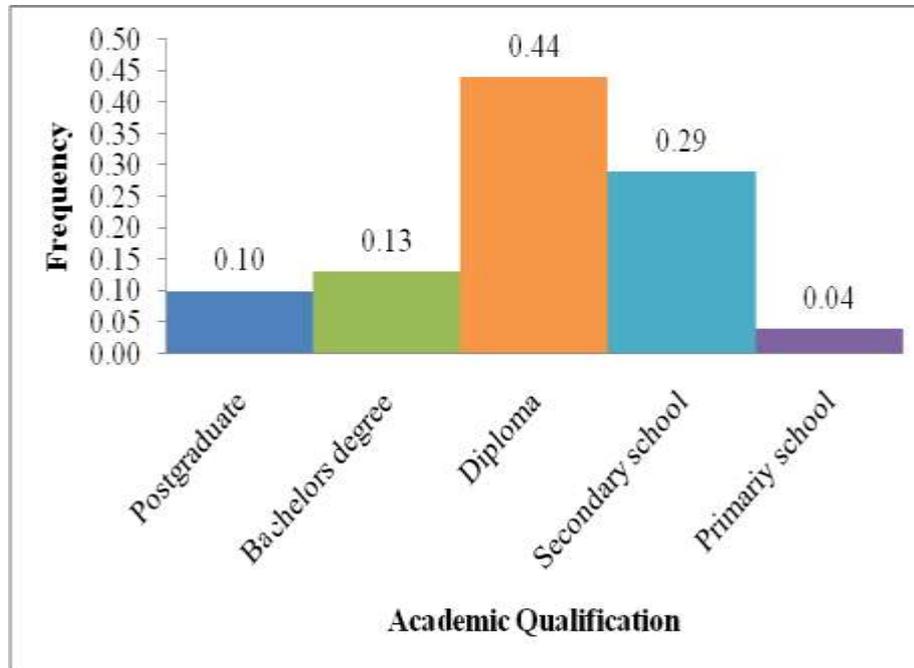


Figure 4.1: Education level of the respondents.

Figure 4.2, on the other hand, shows the results of the number of employees in the enterprises studied and it indicate that 65.0% of them had 11 to 50 employees while 35.0% had less than 10 employees. Therefore, most of the MSEs in Industrial area, Nairobi Kenya employ between 11-50 people.

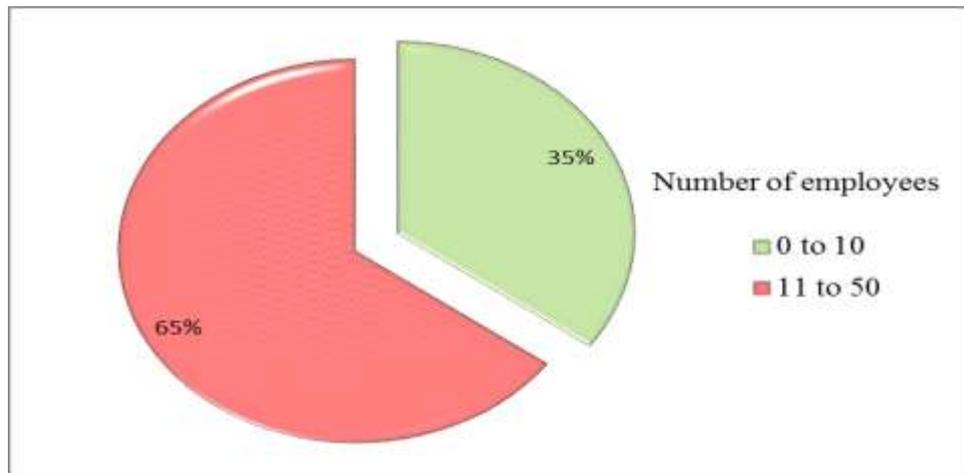


Figure 4.2: Number of employees.

The indicators of variables were measured categorically on an ordinal scale, most of which were measured on an ordinal scale of 5. The various variables were analyzed and results for the descriptive analysis presented in frequency tables and graphs. The employees' competence was studied as the first independent variable. The study sought to determine the influence that employees' competence has on the use of business advisory services. The descriptive analysis of the independent variable only looks at the non-inferential statistics of the variable. Here the statistics are about the performance of the MSEs with regard to independent variable employees' competence. Twelve indicators were used to measure the variable and the study sought to determine the mode (modal class) as a measure of central tendency for each indicator measured.

4.4.1 Employee Competence

The study sought to measure the employees' competence of individual micro and small enterprises as one of the independent variables. This was achieved by the measures of the various indicators that were accepted as reliable to measure this variable. The number of on job trainings given to employees across three years (2012-2014) was a sub-variable used to measure the employee competence of the MSEs (see Table 4.5). In 2012 it was noted that 25% of the MSEs had given no on-

job trainings to their employees, 37% were trained once, 17% were trained twice, 11% had given 3 trainings and 10% of the MSEs had given 4 on-job trainings. The modal class was 2 implying that on average, most of the MSEs gave 1 on-job training to their employees in the year 2012. The results also show that in 2013, 19% of the MSEs had given no on-job trainings to their employees, employees in 35% of the MSEs had trained only once, 19% had given 2 trainings, 13% had given 3 trainings and 13% of the MSEs had given 4 on-job trainings to their employees.

The modal class was 2 implying that on average, most of the MSEs had only trained their employees once in the year 2013. In 2014, 10% of the MSEs did not give any on-job trainings to their employees, 39% of the MSEs had trained their employees only once, 21% had given 2 trainings, 15% had given 3 trainings and 15% of the MSEs had given 4 trainings. The modal class was 2 implying that in the year 2014, the MSEs also gave an average of only 1 on-job training to their employees. This implies that MSEs invest only a little on their employees when it comes to offering on job training. Most of the MSEs have only been offering one on job training each year through from the year 2012 to 2014.

Table 4.5: Number of on-job trainings given to employees

Year	0	1	2	3	4	Modal Class
Percent						
2012	25	37	17	11	10	2
2013	19	35	19	13	14	2
2014	10	39	21	15	15	2

The subsequent sub-variable also used to measure employee competence of the MSEs was the levels of education each individual MSE considers when hiring new

employees (see Table 4.6). The study found that 2.2% of the sampled MSEs considers as low as primary school leavers when hiring, 17.4% of the MSEs consider as low as secondary school leavers, 37% consider at least persons with post-secondary school training. Another 37% of the MSEs also consider those who have at least gone through college and 6.5% of the MSEs only considers university graduates and above when hiring new employees. The modal class was found to be 4 which imply that most of the MSEs consider persons who have at least attended college when hiring new employees. This shows that most entrepreneurs studied in the industrial area of Nairobi County hire employees that have gone through secondary school or attended a tertiary institution like college. They do not give importance to University education when hiring.

Table 4.6: Level of education considered when hiring

Level of education	Number	Percentage
Primary	1	2.2
Secondary	8	17.4
Post-secondary	17	37.0
Tertiary	17	37.0
University	3	6.5
Total	46	100.0

Of the 12 indicators used in measuring employee competence, formal skills, access to information and labor productivity are presented in Table 4.7. Regarding formal skills, 10% of the MSEs stated that only 0-9% of their employees have formal skills, 15% of the MSEs had 10-19% employees with formal skills. More than seventy five percent (70%) of the respondents had 20% and above of employees with formal skills. The modal class was 4, thus it was deduced that on average, MSEs have between 30-39% of employees possessing formal skills. The study results also showed that 12% of the sampled MSEs had as low as 0-9% of employees with access to information. This was measuring access to information regarding products,

markets and general business information in the industry. Seventy three percent (73.0%) of the MSEs had 20% and above of their employees with access to information. The mode was found to be 3 implying that regarding employees with access to products information, markets and general business information in the industry, MSEs on average have 20-29% of their employees with information access.

This shows that most employees and entrepreneurs of the industrial area of Nairobi County MSEs do not give importance to the need and the access to products information, markets and general business information in the industry. Labor productivity was measured for the three years 2012, 2013 and 2014. In all the three years, the lowest productivity by the MSEs employees was 10% as none of the MSEs had labor productivity as low as 0-9%.

In the year 2012, it was noted that 19% of the MSEs had between 10-19% labor productivity which was the lowest category of labor productivity. The rest of the MSEs had up to 20% and above labor productivity. The modal class of 3 implies that the MSEs on average recorded between 20-29% labor productivity in the year 2012. In 2013 14% of the MSEs had between 10-19% labor productivity, 40% had 20-29% productivity, 27% had 30-39% and only 10% of the MSEs had up to 40% and above labor productivity records.

The modal class was also 3 in that year implying that on average that the MSEs also recorded between 20-29% labor productivity in the year 2013. In 2014 13% of the MSEs had between 10-19% labor productivity, 39% of the MSEs had 20-29% productivity, 28% had 30-39% and 20% of the MSEs had 40% and above labor productivity. On average the MSEs also recorded between 20-29% labor productivity in the year 2014 this is confirmed by the modal class which was 3. Across the three years, the labor productivity was noted to have constantly been measured at 20-29% for the MSEs in the industrial area of Nairobi County. This shows that the MSEs have not been recording improvement in labor productivity despite the room for improvement.

Table 4.7: Formal skills, access to information and labor productivity

	0- 9 %	10- 19 %	20- 29 %	30- 39 %	>= 40 %	Modal Class
	Percent					
Percentage of your employees' possess formal skills	10	15	19	35	21	4
Employees level of access to information regarding products, markets and general business information in the industry.	12	15	37	23	13	3
your level of labor productivity been in the year 2012	0	19	46	21	14	3
your level of labor productivity been in the year 2013	0	14	40	27	19	3
your level of labor productivity been in the year 2014	0	13	39	28	20	3

Another indicator used to measure employee competence was the employees' engagement to attend business forums in the years 2012 to 2014 (see Table 4.8). In 2012 it was noted that 15% of the MSEs did not engage their employees at all to attend business forums. 31% of the MSEs engaged their employees once to attend business forums and 25% of the MSEs engaged their employees twice. Less than 30% had engaged their employees 3 times and above. 15% engaged them 3 times and 14% of the MSEs engaged their employees up to 4 times. The modal class was 2 which imply that on average the enterprises engaged their employees only once to attend business forums in the year 2012.

In the year 2013, 17% of the MSEs did not engage their employees at all to attend business forums. 21% of the MSEs engaged their employees once to attend business forums, 37% of the MSEs engaged their employees twice, 6% engaged them 3 times and 19% of the MSEs engaged their employees up to 4 times to attend business forums. Most of the respondents replied with a 3 for this indicator. This implies that on average the enterprises engaged their employees twice to attend business forums in the year 2013. In the year 2014, 33% of the employees had engaged their employees to at least 3 times to attend business forums. 12% of the MSEs did not engage their employees at all to attend business forums, 31% of the MSEs engaged their employees once to attend business forums and 25% of the MSEs engaged their employees twice. The modal class was 2 implying that in the year 2014, the enterprises engaged their employees only once to attend business forums averagely.

Table 4.8: Employees engagement to attend business forums

	0	1	2	3	4	Modal class
	Percent					
2012	15	31	25	15	14	2
2013	17	21	37	6	19	3
2014	12	31	25	13	19	2

McKenzie (2009) asserts that skills possessed by employees and the business training plans for employees in an MSE has a direct influence on whether the firm is able to seek external business advice or not. Gupta and Guha (2013) asserts that firms that hire employees with limited skills, knowledge, capabilities and training have a higher chance of failure than firms that hire employees with higher skills, knowledge capabilities and training. From the research findings the average on job training given to employees on the MSE's studied was only one across the three years under study. This implies that inadequate job on training given to employees is a factor to low seeking of business advisory services which in turn leads to low performance of MSEs in the Nairobi country in Kenya.

This is unlike in German where Baron (2006) conducted a study which revealed that the government ensured that small enterprises had competent employees by putting in place a vocational training act which required that all companies, including one person companies had to be accredited for apprenticeship by the relevant chambers. The chambers are supervisors and coordinating bodies responsible for apprenticeships. They verify the suitability of premises and trainers in the company organize final examinations in occupations supervise and advise companies and train Njaramba and Ngugi (2014) in their study on factors affecting adoption of financial advisory series in small and medium enterprises, a case of water bottling companies, discovered that the extent of personnel competence and skills affects the adoption of financial advisory services in the companies they studied.

Majority of the respondents strongly agreed that for firms to grow they need expert knowledge from external advice providers and then embed the knowledge into their firms. From the research findings on average MSEs in industrial area in Nairobi County have only between 30 and 39% employees possessing formal skills.

This is inadequate and may not help individual MSEs to perform adequately. This finding concurs with Tan (2006) whose study revealed that in Africa inadequate formal skills is one of the main obstacles that prevents MSEs from taking systematic approaches to training and competence development in their business. The findings from his study revealed that most MSEs rely on spontaneous and intuitive actions and use in house training as an option rather than drawing up competence development plans. Various stakeholders of business development such as state, public agencies, chambers trade unions, association of MSEs, public and private training providers also come to provide support to MSEs in developing systematic approaches to their work forces but also fail to encourage many MSEs to seek business advisory services, because their training programmers' lack adequate acquisition of skills that would encourage business owners to seek business advisory services.

Access to information regarding new products, new markets and general business information in the industry was considered in this study as a measure of knowledge and skills necessary for competence hence labor products required to develop a business. The finding from this study indicates that on average 20-29% of employees have accesses to this information either through business meetings or business forums. This level is inadequate for high level of performance for any MSEs. Findings also indicated that on the average most MSEs record 20-29% of labor productivity. This too is an indicator of inadequate performance by most MSEs.

This finding concurs with Gupta and Guha (2013) view that firms that have limited skilled, knowledge and inexperienced employees have a greater chance of failure since they develop their own approach to work methods and procedures of trial and error. As a result their working styles is likely to be more intuitive than analytical, more concern with day to day operations than long term issues and more opportunistic than strategies.

The extent of adoption of technology was also studied as an independent variable. Here, the study also sought to determine the influence that this variable extent of adoption of technology has on the use of business advisory services. The descriptive analysis of this independent variable only looks at the non-inferential statistics of the variable which are measurements to determine the performance of the MSEs with regard to the extent of adoption of technology. Ten indicators were used to measure the variable and the study sought to determine the mode (modal class) as a measure of central tendency for each indicator measured.

4.4.2 Extent of adoption of technology

The variable adoption of technology was measured using various indicators including new products, services, markets and research collaboration (see table 4.9). The study showed that over 70% of the MSEs had only introduced at most 1 new product in the market in the last three years. Forty six percent of them had introduced no new products and 27% of the MSEs introduced 1 new product each. Only twenty

seven percent of the MSEs had each introduced 2 or more new products in the market in the three years. The modal class was 1 implying that on average, none of the enterprises introduced any new product in the three years. It was noted that at least all the MSEs provide services to the customers. No MSEs was found to provide 0 services to the customers and 19% of the MSEs provide at least 1 service.

Over eighty percent of the MSEs provide at least 2 services to their customers. The modal class was 3 implying that on average the enterprises provide at least two services to their customers. The enterprises were better thus better at providing services than introduction of new products. The enterprises also stood good chances at capturing new markets.

Over sixty percent of the MSEs had captured 2 or more new markets with only 37% of the MSEs capturing 1 or no new markets the last three years. From the modal class 3 which was the measure of central tendency of choice, it was deduced that on average, an enterprise captured two new markets in the three years 2012 to 2014. The results from the study shows that the MSEs in the industrial area of Nairobi County are keener on capturing new markets and offering more services to their clients compared to introduction of new products. Most of them had captured 3 new markets and introduced only one new product into the markets.

The extent of collaboration with research institutions was also used as a measure for extent of adoption of technology (Table 4.9) The MSEs were noted to score poorly on collaboration with research institutions. Over 50% of the MSEs collaborated with no research institution at all or at most one institution since start of business. Only forty three of the institutions collaborated with 2 or more research institutions since the business started. On average an enterprise collaborated with one research institution. This is implied by the modal class being 2. Collaboration with research institutions for product development between the years 2012 to 2013 was noted to be very poor but improving over the period. In 2012, 25% of the MSEs did not collaborate with any research institutions on product development and 58% of the MSEs collaborated with only 1 research institution on product development. Eighty

three percent (83%) of the MSEs collaborated with at most one or no research institutions in 2012. Only 17% collaborated with 2 or more institutions.

However no institution collaborated with 4 or more institutions for research on product development. The modal class was 2. On average, an enterprise among those in study collaborated with one institution on matters regarding product development in the year 2012.

In 2013, 81% of the MSEs collaborated with at most one research institution on for product development, while 25% of them did not have any collaboration at all. Only the remaining 19% had collaboration with at least 2 institutions for research on product development. Averagely, the study shows that an enterprise among those in study collaborated with at least one institution on matters regarding product development in the year 2013.

In 2014, 60% of the MSEs did not collaborate or at most collaborated with only one institution for research on product development. 40% of the MSEs collaborated with 2 or more institutions. This shows an improvement compared to the very low percentages below 20% in the years 2012 and 2013. Ndiege (2014), asserts the need for collaboration of small enterprises with larger enterprises and research organization including the importance of technology adoption for the growth of MSEs The findings from this research study indicate that very few MSEs collaborate with other organizations, an indication for their low access to business advisory services.

Table 4.9: New products, services, markets and research collaboration

	0	1	2	3	4	Modal class
	Percent					
Number of new products have introduced in the market in the last three years	46	27	8	13	6	1
Number of services the business provides to the customers.	0	19	31	29	21	3
Number of new markets captured in the last three years	16	21	40	15	8	3
Number of research institutions collaborated with since start of business	19	38	23	12	8	2
Number of research institutions collaborated with on product development in the year 2012	25	58	13	4	0	2
Number of research institutions collaborated with on product development in the year 2013	25	56	13	4	2	2
Number of research institutions collaborated with on product development in the year 2014	23	36	29	8	4	2

Levels of adoption of new production processes in the industry, level of employees' embracement of new technology and levels of economies of scale on production were also indicators used to measure extent of adoption of technology (see Table 4.10). It was noted that 12% of the MSEs have adopted only 0-9% of the new production processes in the industry.

Twelve MSEs have adopted between 10-19% new production processes, 23% have adopted 20-29%, of the processes 15% of the MSEs have adopted 30-39% and 15% of the MSEs have adopted up to 40% and above and above new production

processes. The modal class was 3 showing that on average, the MSEs adopted 20% to 29% of the new production processes in the industry. Nineteen percent MSEs have only 0-9% embracement of the firms technology by employees, 27% of the MSEs have employees who have embraced 10-19% of the firms technology, 19% of the MSEs employees have embraced 20-29%.

The results showed that 21% of the MSEs have employees who have embraced 30-39% and 14% of the MSEs have employees who have embraced up to 40% and above of the firms technology. The modal class was 2. On average, the MSEs employees have only embraced between 10-19% of the firms technology averagely. Sixteen percent of the MSEs have only 0-9% levels of economies of scale in production, 21% of the MSEs have between 10-19% levels of economies of scale, 23% have between 20-29%, levels of economies of scale in production 19% of the MSEs have 30-39% and 4 MSEs have up to 40% and above levels of economies of scale in production.

The modal class was 3. This implies that on average, an MSE under study has achieved between 20 to 29% levels of economies of scale. The findings show that MSEs in industrial area in Nairobi County have not realized high levels of adoption of new production processes and have medium level economies of scale in business production. This could be due to the noted reluctance of employees to embrace the technologies introduced to the firms.

Table 4.10: Level of Adoption of technology

	0-9%	10-19%	20-29%	30-39%	40% and above	Modal Class
	Percent					
Level of adoption of new production processes in the industry for your business in the last three years	12	23	35	15	15	3
Level to which employees embrace the firm's technology	19	27	19	21	14	2
Level of economies of scale in production in your business	16	21	23	21	19	3

The research findings indicated that 38 MSEs did not collaborate with any research institution on product development across the 3 years. Collaboration of an individual MSE with a research institution was considered as a measure for the extent of adoption of technology on product development.

The results indicated that most of the MSEs did not collaborate with research institutions on product development. Similarly only 4 MSEs out of the 52 MSEs studied on, had adopted up to 40% and above on new production processes. The research findings also indicated that only 4 MSEs have employees who have embraced up to 40% and above of the firms technology. This confirms millers (2010) findings that many micro and small enterprises in developing nations encounter challenge when it comes to adoption of new technology due to limited financial resources, because the cost of acquiring new technology is normally very high. This is contrast to developed nations such as UK, USA Canada, China and Japan, where many micro enterprises have been able to adopt new technologies due to financial resources and therefore are able to access business advisory services.

Miguel (2008) concurs that adoption of new technology is a critical challenge that affects the growth of micro enterprise in Africa since it hinders enterprise capacity to access various business advisory services that are normally offered using ICT platforms like, internet. His study indicated that micro enterprises have much to gain by adopting new technologies since it helps in new knowledge absorption by far reaching a wide range of business advisory services. The study further indicated that many micro enterprises in Africa fail to offer new products and reach global market due to limited access to ICT.

The study further indicated that only 4MSEs out of the 52MSEs studied had up to 40% and above levels of economies of scale in production. This implies that most of the MSEs have inadequate level of economies of scale in production. Lim (2007) advocates that MSEs need to adopt technologies that match day to day production processes to enable them enter new markets, access information; improve production methods, products and markets. Relevant technology will enable MSEs to adopt economies of scale in production.

Freel (2000) asserts that the most innovative firms are involved in extensive business links (advice) with a variety of external sources of knowledge and expertise.

4.4.3 Structure of the Organisation

The structure of the organization was also an independent variable in the study. The study sought to determine the influence that the variable structure of the organization has on the use of business advisory services. Non-inferential statistics of the variable were determined to show the performance of the MSEs with regard to the structure of the organization. Six indicators were used to measure the variable and the descriptive study sought to determine the mode (modal class) as a measure of central tendency for each indicator measured.

The first indicator to measure the variable; structure of the organization was the number of department in the organization (Figure 4.3). It was noted that 11% of the MSEs have no department separations, 48% have 1 department, 19% have 2 departments, 12% of the MSEs have 3 and 10% of the MSEs have 4 departments or more. More than sixty (60) of the MSEs have at most one department each. The modal class was noted to be 2. This implies that on average, the MSEs under study had 1 department each. The findings showed that the MSEs in the industrial area of Nairobi County do not have differentiated departments but have all employees work under one department. This could cause little differentiation in employees' job description that could be a cause of the noted, non-improvement in labor productivity.

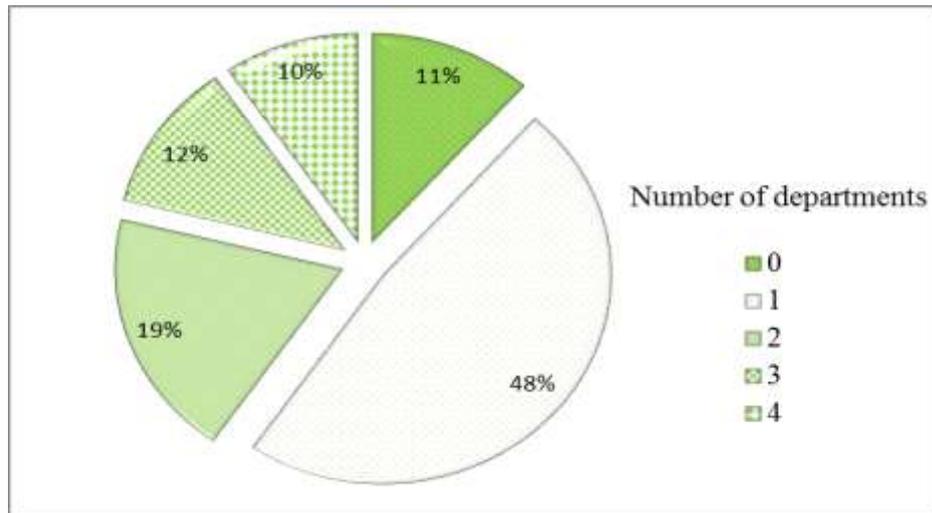


Figure 4.3: Number of departments in the organization.

The average number of employees in each department was also used as a measure of the organizations structure (Figure 4.4). It was noted that all the MSEs had at least two or more employees in each of the departments. No MSE had less than two employees in a department.

Thirteen percent of the MSEs have 2-3 employees in each department, while most of the MSEs had an average of 4 to 5 employees in a department. Sixty percent of them had 4 to 5 employees in each department, 15% have 6 to 7 and only 12% MSEs have up to 8 to 10 employees in each department. The modal class was 3. On average, the MSEs have 4 to 5 employees in each department.

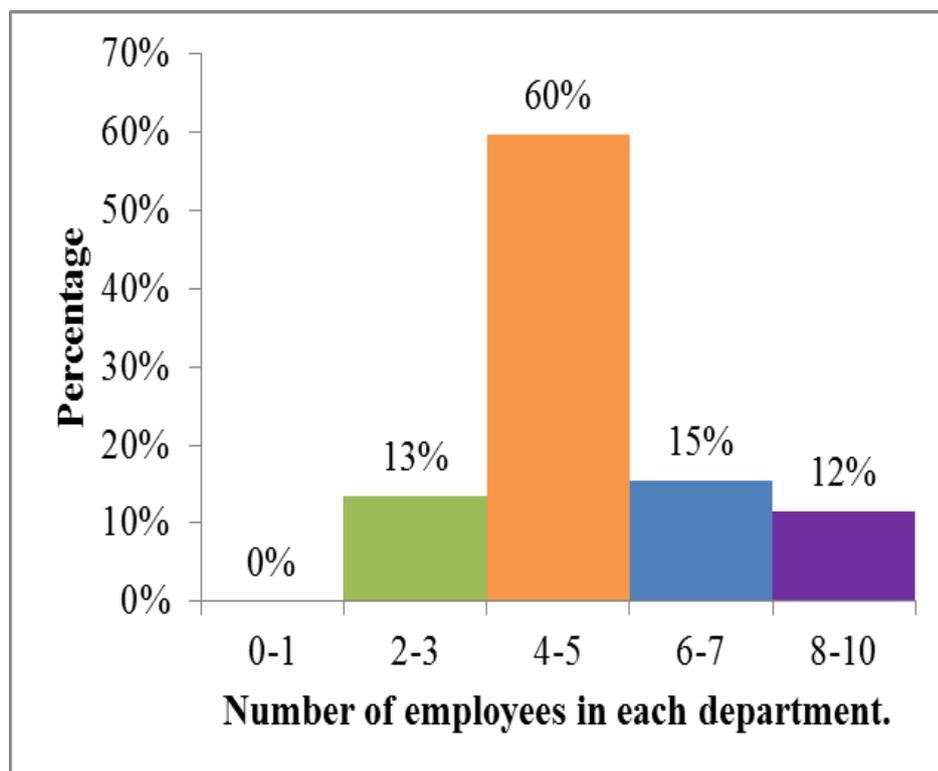


Figure 4.4: Number of employees in each department.

To further measure the MSEs organizations structures, the markets they served was also measured as an indicator of the variable (Figure 4.5). It was noted from the study that the MSEs in the industrial area of Nairobi County mostly serve the markets in Nairobi and its environments. Seventy five percent of the Respondents serve markets within Nairobi, its sub counties and at most its surrounding towns.

The figure shows that, 9 MSEs that 17% serve market areas just within Nairobi only, 25% of them serve market areas within Nairobi and its sub- counties. Thirty three percent of the MSEs serve market areas within Nairobi and surrounding towns, 15% serve market areas within other counties and 10% of the MSEs serve market areas within international markets. The mode shows that on average, the MSEs that were studied serve markets in Nairobi and its surrounding towns which were noted to be 25%.

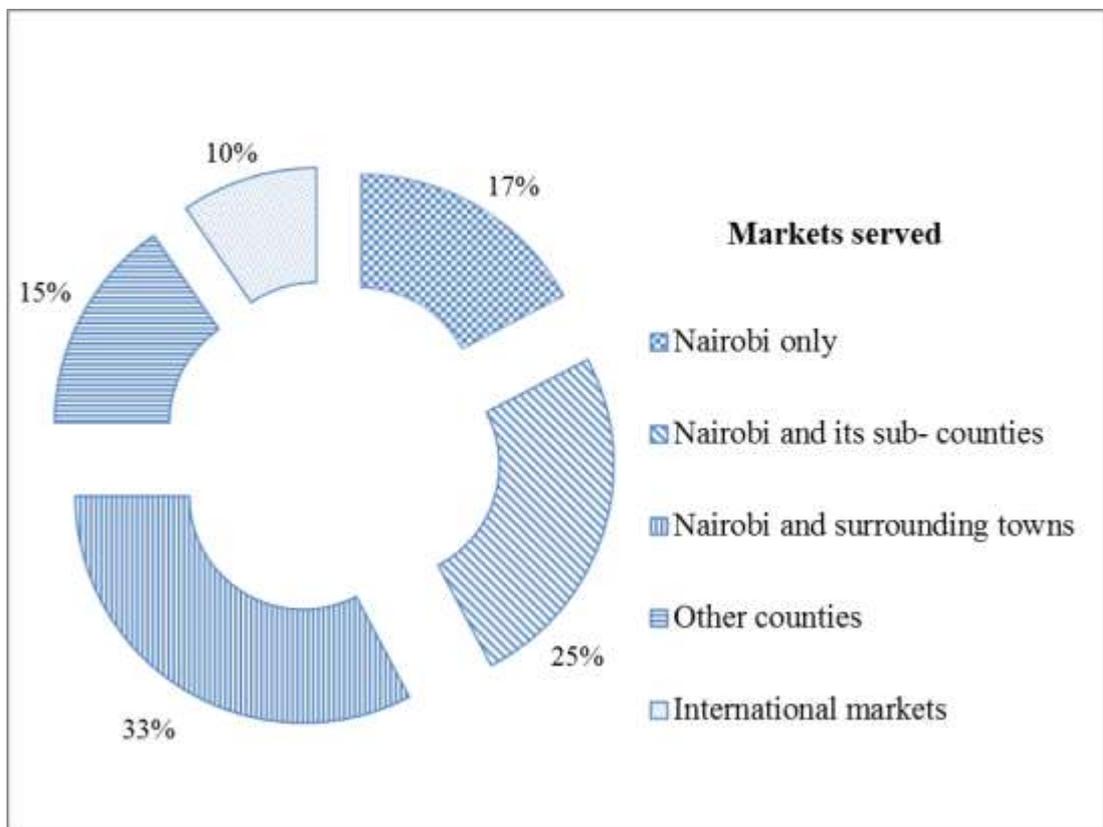


Figure 4.5: Markets served.

The study further measured the independent variable structure of the organization by the indicators, levels of market share, levels of communication and levels of solution of employees' problems (Table 4. 11).

It was noted that most of the MSEs had low market share for their products. Over sixty five percent (65%) of the MSEs had below 20% market share for their products while only 33% had market share of 20% and above. Thirty six percent of the MSEs had as low as 0-9% market share of products in comparison with other competitors, 31% had 10-19% while only 8% of the MSEs had 40% and above market share of products in comparison with other competitors. The modal class was 1 which showed that on average the MSEs only had market shares of 10 to 19% for their products. It was also noted that the MSEs performed better on communication compared to the indicator market share. Seventy one percent of the MSEs had levels of direct employee communication of 20% or more. Most of the MSEs had 30 to 39 levels of direct communication. Ten percent (10%) of the MSEs had as low as 0-9% direct communication with employees, while 21% of the MSEs had 40% and above direct communication with employees.

The modal class was 4 which imply that on average the MSEs show 30-39% levels of direct communication to their employees. The management's solution of employees problems had an averagely low performance across the MSEs 52% of the MSEs solve 20% or more of employees problems regarding business operations. Seventeen percent of the MSEs had as low as 0-9% of employees' problems solved regarding business operations, while only 8% MSEs had 40% and above of employees' problems solved regarding business operations.

The modal class was 2 implying that regarding business operations problems, the MSEs averagely solve only 10-19% of business operations problems effectively. The results of this analysis show that the MSEs in the industrial area of Nairobi County have low market share. The enterprises however score well in the level of direct communication with employees.

Table 4.11: Levels of market share

	0 - 9%	10 - 19%	20 - 29%	30 - 39%	40% - and above	Modal class
	Percent					
Level of your market share of products in comparison with other competitors	36	31	13	12	8	1
Percentage of direct communication with employees.	10	19	21	29	21	4
Percentage of employees' problems solved regarding business operations	17	31	23	21	8	2

From the research findings 25 MSEs have 2 departments. This implies that majority of MSEs studied had only 2 departments and no MSE has 0-1 employee in each department; they all have at least more than one employee in each department. The study findings also indicated that 17 MSEs serve market areas within Nairobi and surrounding towns. The above finding indicates that most MSEs have 2 departments and have at least one employee in each and every department. This is a clear indication that most MSEs structures are small with very few departments and very few employees.

Xu (2009), in his study cited structure of an organization as a significant role in determining the firm's ability to seek external advice hence better performance of a firm. Zengwana and Zhangu (2004) suggested that the use of external advice by an MSE is positively associated with the firm structure. Salavon (2004) in his study also indicated that the characteristic of a company's organization structure had a great impact on planning and the type a geographical markets it serves.

4.4.4 Characteristics of the owner of the firm

The characteristic of the owner of the firm was the last independent variable in the study. The study sought to determine the influence that the variable; characteristics of the owner of the firm has on the use of business advisory services. Non-inferential statistics of the variable were determined, which are measurements to show the performance of the MSEs with regard to the characteristics of the owner of the firm. Three (3) indicators were used to measure the variable and the study sought to determine the mode (modal class) as a measure of central tendency for each indicator measured. The first indicator used to measure this variable was the owners perception on the education land required to start and succeed in a business (Figure 4.6).

It was noted that most of the owners believe that to start a business, one requires as low education as possible if not none at all. Sixty percent (60%) of the owners believe that one need to acquire at most primary level of education.

Twelve percent of the MSEs respondents believe that one needs to acquire No education to start and succeed in a business 48% respondents believe that one needs to acquire Primary education to start and succeed in a business, 37% of the MSE owners believe that one needs to acquire secondary education, and only 4% of the owners believe that one needs to acquire College education in order to start and succeed in a business. The modal class was 2 implying that on average, the respondents believe that one only needs to acquire primary education to be successful in business.

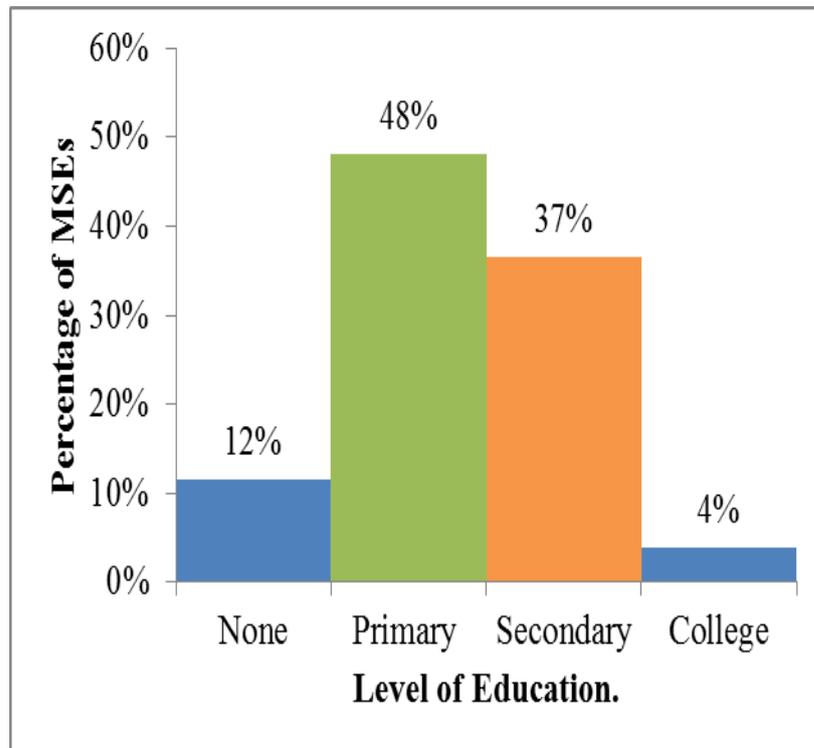


Figure 4.6: Level of education required to start and succeed in a business.

he variable characteristic of the owner of the firm was also measured by the owner's years of experience when they started the business (Figure 4.7). It was noted that Most of the owners had very few years of experience when they were starting the businesses. Over sixty percent of the respondents had at most 2 years of experience when starting their businesses.

Thirty one percent of the MSE owners had only 1 year of experience when starting business, 38% of the MSE owners had 2 years of experience when starting business, 14% of them had 3 years of experience, 15% had 4 years of experience and only 2% of the MSE owners had 5 years of experience when starting business. The modal class was 2, on average; the owners of the MSEs studied had only two years of experience when starting their businesses.

Madatta (2011) cites education and training as factors influencing growth and development of the business. Similarly Gupta and Guha (2013), cites lack of training and experience as limiting drives to seeking business advisory services.

The finding of this variable on the study clearly indicates that inadequate training, education and experience are contributing factors that limit the use of business advisory services.

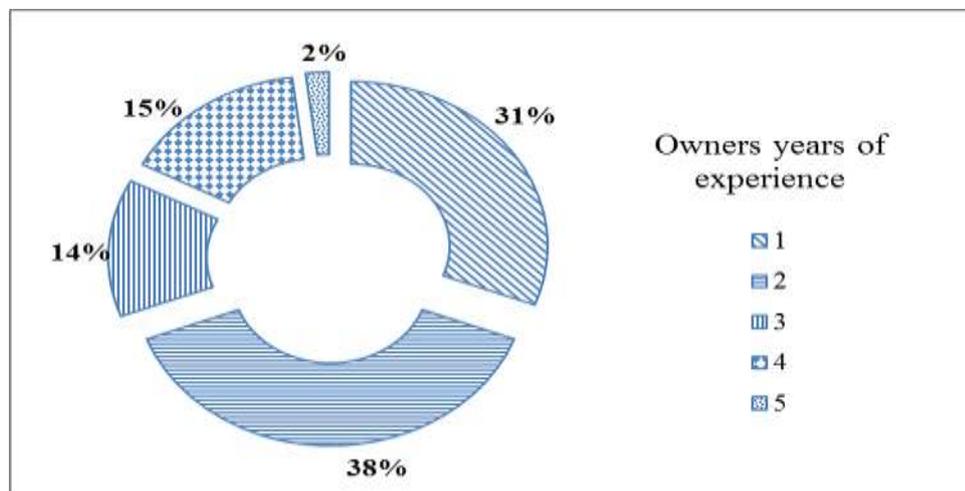


Figure 4.7: Owners years of experience.

The owners perception of the competence level required to succeed in business was also used to measure characteristics of the owner of the firm (Table 4.12). The study showed that most respondents perceive competence as an important requirement to succeed in business. Sixty nine percent (69%) of the respondents believe that one needs at least medium level of competence if not high to succeed in business. Eight percent of the MSEs respondents believe that one needs no level of competence in order to succeed in a business, 23% of the respondents believe that one needs low level of competence in order to succeed in a business.

Twelve percent of the MSEs respondents believe that one needs medium level of competence, 50% believe that one needs high level of competence and 8% of the

MSEs respondents believe that one needs college level of competence in order to succeed in a business. The modal class was 4. This implies that regarding level of competence for success in business; on average the respondents believe that one needs competence equivalent to college for success in business. This shows that the entrepreneurs in industrial area, Nairobi County believe in the need of one to have high levels of entrepreneurial competence in order to succeed in business.

Table 4.12: Entrepreneurial level of competence

	No level	Low level	Medium	High	College	Modal
	Percent					
The entrepreneurial level of competence one needs in order to succeed in a business	8	23	11	50	8	4

From the research findings, most of the owners of MSEs believe that one needs to acquire at least primary education in order to start and succeed in doing a business. Out of fifty two respondents 25 MSE owners had two years of experience before they started their own business. Most owners of MSEs believe that one needs high level of competence in order to succeed in a business.

This finding concurs with Dollinger (2008) who cited need for achievement, locus of control and risk propensity as some of the characteristics that one needs to possess in order to become an entrepreneur. Usman (2008) cites the influence of the characteristic of owner of the business on the success of the firm. Mohamad (2011) in his study he examined the effects of characteristics of entrepreneur and characteristics of the firm on the business success in small firm in Bangladesh and the result of his study revealed that the characteristics of an entrepreneur has a significant role for business success in Bangladesh.

Use of business advisory services was the dependent variable. The study sought to determine the influence that all the other factors (independent variables) have on the use of business advisory services, among MSEs in industrial area, Nairobi this variable was also measured by categorical indicators on an ordinal scale of 5. Twelve indicators were used to measure the variable and non-inferential statistics determined for each indicator. The mode (modal class) as a measure of central tendency for each indicator measured because of their categorical nature.

The first indicators to measure the use of business advisory services were; how many organizations and MSEs sought help from in the years 2012 to 2014 and how many times they sought the help in each of those years (Table4.13). It was noted that the MSEs have low levels of use of business advisory services in the previous years according to these indicators but it improves with time as more MSEs sought advice from organizations as years went by. In 2012, 67% of the sampled MSEs sought advice from at most one organization while only 33% sought help from two or more. Compared to the year 2014, only 44% sought help from at most one organization while the rest of the 56% sought help from 2 or more organizations. In 2012, the modal class was 2 implying that on average the MSEs under study each sought help from 1 organization.

In 2013, the modal class was 2 to imply that on average the MSEs under study each sought help from 1 organization. In 2014, the modal class was 3. This implied that on average the MSEs under study each sought help from 2 organizations in the year 2014. The number of times the MSEs sought for advice also improved across the period of 3 years. In 2012, 65% of the MSEs sought for help at most once while only the remaining 35% sought help twice or more than 2 times. In 2013 the statistics improved to 46% seeking help at most once with the remaining 54% seeking help at least twice.

The year 2014 also saw an improvement to the statistics with only 42% of the MSEs seeking help only once, while the remaining 58% twice. The entrepreneurs of industrial are in Nairobi County do not often seek for advisory services with a variety

of business advisory service providers. On average, they seek advisory from one organisation. In many cases, they only seek advisory services once a year according to the analysis from 2012 through to 2014. In 2013 most of the entrepreneurs however, sought business advisory services twice.

Table 4.13: Advisory organizations used

	0	1	2	3	4	Modal class
	Percent					
How many organizations did you seek help from in the year 2012?	29	38	10	11	12	2
How many organizations did you seek help from in the year 2013?	23	25	25	27	0	2
How many organizations did you seek help from in the year 2014?	15	29	29	22	5	3
How many times did you ask for help in the year 2012?	27	38	15	11	0	2
How many times did you ask for help in the year 2013?	23	33	25	17	2	3
How many times did you ask for help in the year 2014?	15	27	25	28	5	2

The variable uses of business advisory services were also measured by other indicators on levels at which the respondents require help in different areas such as training, management, production, marketing and finance (Table 4.14). It was noted that most of the respondents believed that the help they have so far received did not really contribute to their achievement of business targets as most of them believed that only a small percentage of the help they have received has enabled them achieve business targets.

The study showed that 60% of the respondents believe that at most 19% of the help received have been key in achieving targets with only 40% accepting that 20% or more of the help they have received has been key to that effect. Thirty seven percent of the MSEs believed that only 0-9% of the help they have received has actually helped in achieving business targets and all believed that at most only 39% of the help received has been key in achieving business targets. On average, the respondents believed that only 0 to 9% of the help they have received have enabled them achieve business targets. This is implied by the modal class of 1. As much as the respondents have low perception on the help they have so far been receiving, they acknowledged that they needed help and advice in different areas with most help required being in marketing and finance.

Eighty percent (80%) of the respondents acknowledged that they needed at least 20% of help in training in order for their businesses to grow. Only 4% of the MSEs needed as low as 0-9% of help in training while 21% of the MSEs needed 40% and above of help in training in order for their business to grow. The modal class was 4 implying that on average, the MSEs needed up to 30 to 39% of help in training. The study also found that 73% of the respondents acknowledged that they needed at least 20% of help in management in order for their businesses to grow.

Only 6% of the MSEs needed as low as 0-9% of help in management while 25% of the MSEs needed 40% and above of help in management in order for their business to grow. The modal class was 3 implying that on average, the MSEs needed up to 20 to 29% of help in management. Eighty six percent (86%) of the respondents acknowledge that they needed at least 20% of help in production in order for their businesses to grow. Only 4% of the MSEs needed as low as 0-9% of help in production while 37% of the MSEs need 40% and above of help in production in order for their business to grow.

The modal class was 5 implying that on average, MSEs needed up to 40% or more of help in production for their businesses to grow. Eighty eight percent of the respondents acknowledged that they need at least 20% of help in marketing in order

for their businesses to grow. All MSEs needed as at least 10% of help in marketing while 40% of the MSEs needed 40% and above of help in marketing in order for their business to grow. The modal class was 5 implying that on average, the MSEs needed up to 40% or more of help in marketing for their businesses to grow.

Eight percent of the respondents acknowledged that they needed at least 20% of help in finance in order for their businesses to grow. Only 2% MSE acknowledged that they need as low as 0-9% of help in finance while 48% MSEs needed 40% and above of help in finance in order for their business to grow. The modal class was also 5 implying that on average, the MSEs needed up to 40% and above of help in finance in order for their businesses to grow.

Table 4.14: Levels of advisory help needed

	0 - 9 %	10 - 19 %	20 - 29 %	30 - 39 %	40% and above	Modal Class
	Percent					
By what percentage did this help enable you to achieve your business target?	37	23	19	21	0	1
What percentage of help do you need in training in order for your business to grow?	4	19	23	33	21	4
What percentage of help do you need in management in order for your business to grow?	6	21	25	23	25	3
What percentage of help do you need in production in order for your business to grow?	4	10	17	33	37	5
What percentage of help do you need in marketing in order for your business to grow?	0	12	17	31	40	5
What percentage of help do you need in finance for your business to grow?	2	10	11	29	48	5

The study revealed that most of the MSEs do not seek business advisory services from the providers and majority of those that seek help need only as low as 0-9%.of the advice. Seventeen out of 52 business organizations studied needed help in training in order for their business to grow. Most of the MSEs studied needed training in production in order for their businesses to grow. Need for training in marketing of the products of the business also ranked very high in the study.

The above findings indicate that most MSEs recognize training as an important phenomenon in the success of their businesses. The most important types of training they need include management, marketing and production. Wanjohi and Mugure (2008) concur with this research finding.

In their research in the rural areas in Kenya on challenges affecting MSEs, they cited lack of managerial training, experience, inadequate education, and lack of skills, lack of credit, national policy and regulatory enrolment as some of the factors affecting growth of MSEs. Training is considered as part of collaboration with service providers (advice providers). Inadequate training in this study is considered as inadequate collaboration with advice providers therefore a cause of inadequate performance of MSEs. Kubr (2002) cites the importance of business advisory services and clearly states that it brings in new and fresh ideas into the business organization, which helps an organization, perform better.

4.5 Inferential Analysis

From factor analysis, factor scores were computed and in turn used to compute total scores of the variables from the sub variable data. The scores computed formed the latent variables used in this part of analysis to determine the relationship between the independent variables and the dependent variable and the level of influence that the independent variables have on the dependent variable.

To achieve this, correlation analysis was done to determine with significance the strength and direction of relationship between the dependent variable and the independent variables.

4.5.1 Correlation analysis

A correlational analysis was conducted to determine the relationship between the independent variables and the dependent variables. A pairwise Pearson correlation coefficient was calculated between each variable and use of business advisory services with significance. The p-value was used to determine whether the relationship was significant and the correlation value used to determine the strength of the relationship.

Table 4. shows the correlation coefficients between each variable and use of business advisory services. All the three variables Employee competence, extent of adoption of technology and characteristics of the owner have significant and strong correlation coefficients of 0.594, 0.583 and 0.617 respectively. The correlation coefficients are significant with p-values all of 0.000 which are all less than 0.05. The variable structure of the organization was found to be significant but weak correlation coefficient of 0.345 with a p-value of 0.0123 which is less than 0.05.

Table 4. 15: Correlation analysis

	Use of business advisory services	
	Correlation coefficient	P-value
Employees Competence	0.594	0.0000
Extent of Adoption of Technology	0.583	0.0000
Structure of the organization	0.345	0.0123
Characteristics of the owner of the firm	0.617	0.0000

Further to the correlation analysis, the influences that the independent variables have on the dependent variables were determined by fitting linear regression models for the data. Bivariate regression analysis was done for each independent variable with the dependent variable use of business advisory services by MSEs.

4.5.2 Employees Competence and Use of Business Advisory Services

Table 4.15 presents the results of bivariate regression analysis relating employees' competence and use of business advisory services. The R value of 0.594 shows a positive linear relationship between employees' competence and use of business advisory services. The R^2 is the coefficient of determination which indicates that explanatory power of the independent variables is 0.353.

This means that 35.3% of the variation in the variable use of business advisory services is explained by the variation of the variable employee competence in the model $Y = \beta_0 + \beta_1 X_1$. The remaining 64.7% of the variation in the dependent variable unexplained by this one predictor model but by other factors.

Table 4.16: Bivariate results for employees' competence and use of business advisory services

R	R^2	Adjusted R^2	Std. error of the estimate
.594a	0.353	0.348	7.51436

ANOVA results for business advisory services and employees competence of an MSE are shown in Table 4.16. The results revealed that employees competence of an MSE have significant effect ($p = 0.000$) on the MSEs use of business advisory services. This implies goodness of fit of the model, thus the variables can be carried on for further analysis to determine with significance the level of its influence. The findings of the analysis confirm Gupta and Guha (2013) view that firms that hire employees with limited skills, knowledge, capabilities and training have a greater

chance of failure than firms that hire employees with high skills, knowledge, capabilities and training (competence).

The finding of the analysis also confirmed Man (2002) findings in a study conducted in India on the competence of employees on performance of the individual MSEs. His study revealed that entrepreneurial competence really affects the performance of newly founded enterprises. The findings also affirmed Madatta (2011) research findings on a study conducted in Tanzania to examine the relationship between entrepreneurial competencies and business success in MSEs. The results of his study indicated entrepreneurial competencies and business success in MSEs. The result of his study indicated that entrepreneurial competencies are a mechanism that enhances the likelihood of achieving business success.

Table 4.17: ANOVA results for employees competence and use of business advisory services

	Sum of Squares	df	Mean Square	F	Sig.
Regression	3395.136	1	3395.136	27.27975	.000 ^b
Residual	6222.813	50	124.4563		
Total	9617.949	51			

The study further determined the beta coefficients of employee competence (Table 4.17). The results showed that the beta coefficient of employee competence was 0.982 which helps to generate the model $Y=0.000+0.982X_1$ for business advisory services versus employees competence of an MSE. This model implies that every unit increase in the measure of employee competence of an MSE leads to a 0.982 increase in the level of the MSEs use of business advisory services.

The findings of the analysis are also in line with the core competence theory which asserts that availability of competent employees helps firms to improve on competencies and attain competitive advantage and sustainable strategic advantage. The theory further asserted that competent employees are able to seek business advisory services in order to configure around the core competencies and build a business model that complements the competencies.

Table 4.18: Beta coefficients for employees' competence and use of business advisory services

	Coefficients	Std. Error	T	Sig.
(Constant)	-3.955E-17	0.027	0.000	1
Employees competence of an MSE	0.982	0.027	36.294	0.000

4.5.3 Extent of Adoption of Technology and Use of Business Advisory Services

Table 4.18 presents a summary of regression model results based on the bivariate analysis. The R value of 0.583 shows that there is a positive linear relationship between the extent of adoption of technology and use of business advisory services.

The R^2 which is the coefficient of determination indicates that explanatory power of the independent variable is 0.339. This means that 33.9% of the variation in the variable use of business advisory services is explained by the variation in the variable concerning the extent of adoption of technology.

Table 4.19: Bivariate results for extent of adoption of technology and use of business advisory services

R	R²	Adjusted R²	Std. Error of the Estimate
.583a	0.339	0.33341	7.59532

The analysis of variance (ANOVA) results for business advisory services and extent of adoption of technology are presented in Table 4.19. The test indicated that the use of business advisory services by MSEs is significantly influenced by the extent of adoption of technology with a p-value of 0.000 which is less than 5% level of significance.

The findings of this analysis are similar to Miguel (2008) view that adoption of new technology is critical because it helps in new knowledge absorption by reaching a wide range of business advisory services. The study is also in line with Diabete (2014) findings in his study on factors influencing small and medium enterprises in adoption and use of technology in Cote d'Ivoire. The findings of his study revealed that there is a high level of importance of adoption of technology in management, production, processes, accessing information, new products, markets and economies of scale. All the above are easily accessed through business advisory services.

Table 4.20: ANOVA results for extent of adoption of technology and use of business advisory services

	Sum of Squares	df	Mean Square	F	Sig.
Regression	3260.57	1	3260.57	25.69106	.000b
Residual	6345.729	50	126.9146		
Total	9606.299	51			

Further to the ANOVA, the beta coefficients of extent of adoption of technology were determined and presented on Table 4.20. The results indicated that the coefficient for the extent of adoption of technology in the model is 0.978. From this an equation $Y=0.000+0.978X_1$ was generated for the business advisory services versus extent of adoption of technology model. From this model it can be concluded that implies that every unit increase in the measure of Extent of adoption of technology of an MSE leads to a 0.978 increase in the level of the MSEs use of business advisory services.

This implies goodness of fit of the model, thus the variables can be carried on for further analysis to determine significance level of the influence. Extent of adoption of technology has a high significant influence on the use of business advisory services. Freed (2000) view supports the result of this analysis. He affirms that the most innovative firms are involved in extensive and diverse links with a variety of external services of knowledge and expertise which is accessed by adopting technology.

Table 4.21: Beta coefficients for the extent of adoption of technology and use of business advisory services

	Coefficients	Std. Error	T	Sig.
(Constant)	-2.476E-16	0.02951	0.000	1
Extent of adoption of technology	0.978	0.0298	32.809	0.000

The findings of this analysis also confirms the Technology adoption theory (model (Venkates , Morris, Davis & Davis, 2003) which asserts that adoption of technology in an organization leads to innovation on methods of production, development of new products, services provided in an organization, marketing systems accessing information on new products and better methods of production. This information can be accessed through business advisory service providers.

4.5.4 Structure of the organization and use of business advisory services

Table 4.21, is a summary for the regression model results based on the bivariate analysis for structure of the organization and use of business advisory services. The R statistic which is equivalent to the correlation coefficient between the two variables was found to be 0.345. This shows that there is a positive linear relationship between Structure of the organization and use of business advisory services. The coefficient of determination R^2 which is explanatory power of the independent variables was found to be 0.119. This means that, 11.9% of the variation in the variable; use of business advisory services is explained by the variation of the variable; Structure of the organization in the model model $Y = \beta_0 + \beta_1 X_1$. A 4.7% of the variation in the dependent variable remains unexplained by this one predictor model but by other factors.

Table 4.22: Bivariate results for the structure of the organization and use of business advisory services

R	R²	Adjusted R²	Std. Error of the Estimate
.345 ^a	0.119	0.115	7.65437

An ANOVA for use of business advisory services versus Structure of the organization was done and the results presented on Table 4.22. A p-value of 0.012 which is less than 5% level of significance implies that the Structure of the organization has significant effect on the MSEs use of business advisory services.

Table 4.23: ANOVA results for the structure of the firm and business advisory services

	Sum of Squares	Df	Mean Square	F	Sig.
Regression	3161.52	1	3161.52	6.760776	.0012b
Residual	23381.34	50	467.6268		
Total	26542.86	51			

The beta coefficients to determine the level of influence that the structure of the organization has on the use of business advisory services is presented on Table 4.23, of the coefficient of structure of the organization in the model was found to be as 0.967 with a p value of 0.000. $Y=0.000+0.916X_1$ is an equation generated from the one predictor model of business advisory services versus Structure of the organization.

In this bivariate model, the structure of the organization is found to have an influence of 0.967 on the use of business advisory services. A unit increase in the measure of Structure of the organization of an MSE leads to a 0.976 increase in the level of the MSEs use of business advisory services. When considered as the only factor, structure of the organization has a high significant influence on the use of business advisory services.

Table 4.24: Beta coefficients for the structure of the organization and use of business advisory services

	Coefficients	Std. Error	T	Sig.
(Constant)	-2.225E-16	0.030	0.000	1
Structure of the organization.	0.976	0.031	31.784	0.000

The bivariate regression analysis on the use of business advisory services versus structure of the organization reveals that the structure of an organization has a significant effect on the MSEs use of business advisory services, however when the variables were further analyzed by determining the beta coefficients of structure of the organization and use of business advisory services, the results revealed that there is no significant effect on the MSEs use of business advisory services and the structure of the organization. This finding is contrary to Xu (2009) who affirmed that MSEs have lower labor productivity than larger enterprises. These differences in labor productivity is explained by differences in sectorial orientation, capital intensity and economies of scale, as well as differences in the gratifications and skill levels of the personnel of MSEs.

Suppliers of commercial and advice services may have an incentive to focus their attention on more lucrative markets among the medium to large scale business a public sector organization than small organizations. Similarly this finding is

contradicting Salavou (2004) study in Brazil on the second largest furniture cluster, to evaluate the logistic strategies developed in small and medium enterprises as a response to their organizational structure, and the impact this has on planning and seeking information from other providers. In the same way the findings contradicts Chang (2007) findings in the study of pharmaceutical industry in china, on how process-based simulation can be applied to the quantitative studies on the organizational structure reformation.

The findings of the study revealed that a well-defined organization structure is important because it can help to improve specialization and also helps to identify deficit of professional specialization that can be outsourced. From the findings of this study it can be concluded that on organization structure has a significant effect on the use of business advisory services however in the case of MSEs in the industrial area of Nairobi county it has no significant effect.

4.5.5 Characteristics of the owner of the firm and use of business advisory services

The Model summary of regression model results, based on bivariate analysis for characteristics of the owner of the firm and use of business advisory services is presented on table 4.24. The value of R and R^2 are .617 and 0.380, respectively. The R statistic of a bivariate regression is also the correlation coefficient for the 2 variables.

The R for this model shows that there is a positive linear relationship between characteristics of the owner of the firm and use of business advisory services. The R^2 is the coefficient of determination which indicates that explanatory power of the independent variables is 0.380. This means that 38.0% of the variation in the variable use of business advisory services is explained by the variation of the variable Characteristics of the owner of the enterprise in the one predictor model. There is however, a 61.9% of the variation in the dependent variable remaining unexplained by this model. This 61.9% variation is explained by other factors not considered in

this model. The characteristics traits of the owner of the firm also have a high significant influence on the use of business advisory services. This is when the characteristics of the owner of the firm are considered as the only factor influencing the use of business advisory services.

Table 4.25: Bivariate results for characteristics of the owner of the firm and use of business advisory services

R	R²	Adjusted R²	Std. Error of the Estimate
.617a	0.380	0.37484	7.35553

An ANOVA was carried out to confirm with statistical significance whether characteristics of the owner have an effect on the MSEs use of business advisory services using this model. The ANOVA result is presented in Table 4.25. The p-value is 0.000 which is less than 5% level of significance, implying that the coefficient of characteristics of the owner is at least not equal to zero. In addition, characteristics of the owner such as, level of education, need for achievement, and locus of control, risk taking propensity, and experience in the business have significant effect on the MSEs use of business advisory services. This implies goodness of fit of the model.

Table 4.26: ANOVA results for characteristics of the owner of the firm and use of business advisory services

	Sum of Squares	Df	Mean Square	F	Sig.
Regression	3654.93	1	3654.93	30.70634	.000 ^b
Residual	5951.425	50	119.0285		
Total	9606.355	51			

The study further determined the beta coefficients of characteristics of the owner. The coefficients show the level of influence that the characteristics of the owner of the firm has on the use of business advisory services. Table 4.26 shows the results of beta coefficient of characteristics of the owner as 0.967. This coefficient has a p value of 0.000 implying that every unit increase in the measure of characteristics of the owner of an MSE leads to a significant 0.967 increase in the level of the MSEs use of business advisory services.

An equation $Y=0.000+0.967X_1$ is generated from the model coefficient.

Table 4.27: Beta coefficients for structure of the organization and use of business advisory services

	Coefficients	Std. Error	t	Sig.
(Constant)	-2.714E-16	0.036	0.000	1
Characteristics of the owner	0.967	0.036	26.697	0.000

The regression analysis results on the variables use of business advisory services versus characteristics of the owner of MSEs showed that characteristics of the owner of the business has a significant effect on the MSEs use of business advisory services. The findings of this study concurred with Blid (2000), who observed that most successful business organizations are started by talented and well educated individuals with management experiences. These individuals are ready and continuously receive new ideas and turn these ideas into business opportunities.

The findings also concurred with Scott (2007) on his study on linkages between the use of external advice and access to finance for small and medium sized enterprises in the U.K. His study revealed that there is a correlation between the provision of external advice and the ability to raise bank finance.

Similar findings were shared by Usman (2008) study on owner characteristics and health of MSEs in Pakistan. The results of the study showed that education generation setting up of the business and the number of partners a business has, has a significant relationship with the health of MSEs. Health of the firm is also dependent on the owner's habits like watching television, reading newspapers and using computers for office work. Mohamad (2011) also got similar findings in his study to examine the effects of characteristics of owner of the firm. The results of the study revealed that the characteristic of the owner of the enterprise has a significant effect on the success of the MSEs in Bangladesh.

4.6 Development of Multiple Regression Model

A multiple regression analysis was conducted to develop a model relating the dependent and independent variables presented in equation (3.2). The analysis focused on assessment of whether the multiple regression equation can be used to explain the nature of the relationship that exists between the independent variables and the dependent variable.

4.6.1 Test for Normality

The regression model is fit based on the assumptions that the residuals follow a normal distribution. Figure 4.8 clearly shows a normal distribution curve. The curve is not skewed to either side of the plot implying a normal distribution with a mean of 0.000 and a standard deviation of 0.960. For further normality test, Table 4.27 presents key statistics for this test. The Shapiro-Wilk normality test for the standardized residuals is significant with a significance of 0.933 which is greater than $\alpha=0.05$. This implies that the residuals follow a normal distribution as required for a linear regression.

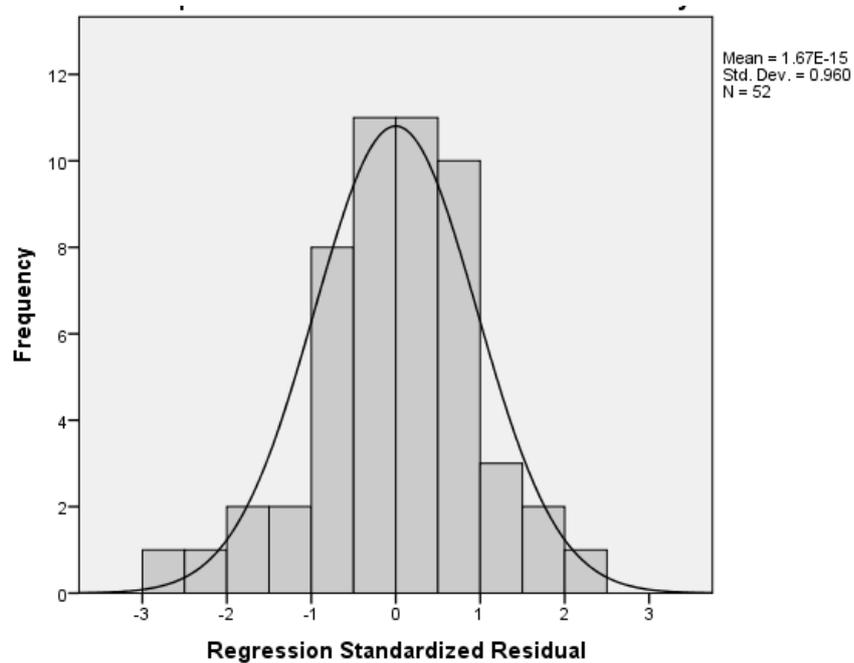


Figure 4.8: Normality histogram.

Table 4.28: Normality test

	Shapiro-Wilk Statistic	df	Sig.
Standardized Residual	0.98979	52	0.93335
Student zed Residual	0.98678	52	0.82906

4.6.2 Test for Auto correlation

It is also required that the residuals should not be auto correlated. Auto correlation implies that adjacent observations are correlated. If the regression model violates the assumption of no autocorrelation then the predictors may be significant even though the model will have underestimated the standard errors of the predictors. The Durbin Watson value is 1.045, the upper limit for 5 predictors including the constant the lower limit is 1.623. 1.045 is higher than the upper limit so we conclude that the residuals are not auto correlated.

4.6.3 Combined effect model

The multiple linear regression analysis was carried out to determine the combined effect of the independent variables (i.e., employees competence, extent of adoption of technology, structure of the organization, characteristics of the owner) on the dependent variable (use of business advisory services). As can be observed in Table 4.28, the regression model's R^2 was 0.983 and R was 0.966. The coefficient of determination R^2 indicated that 96.6% of the variation in the variable use of business advisory services is explained by the variation of the variable extent of adoption of technology in the model $Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4$. This means that the variation in the variable use of business advisory services is explained by the joint variation in all the independent variables. The remaining 3.4% of variation in effective use of business advisory services can be explained by other variables not included in this model.

This shows that the model has a good fit since the value is above 80%. The R^2 is always between 0 and 100%: zero percent indicates that the model explains none of the variability of the response data around its mean, while 100% indicates that the model explains the variability of the response data around its mean. In general, the higher the R^2 , the better the model fits the data. The adjusted R^2 is lower than the R square which implies that the regression model may be over fitted by including too many independent variables. A large difference between the adjusted R^2 and the R^2 implies that more irrelevant factors have been included in the model. Dropping one independent variable will reduce the R square to the value closer to the adjusted R -square.

Table 4.29: Model Summary; Combined Model

R	R^2	Adjusted R^2	Std. error of the estimate
.983a	0.966	0.952	5.953038

The ANOVA for a multiple regression tests to confirm that the coefficients of regression are jointly not equal to zero. The model remains significant if at least one of the coefficients is not equal to zero. Table 4.29 shows the results of the ANOVA for the multiple regression with the dependent variable; use of business advisory services and all the independent variables jointly. The test revealed that at least one of the independent variables have a significant effect on the MSEs use of business advisory services. The p-value is actually 0.000 which is less than 5% level of significance, implying that at least one of the coefficients of the independent variables is not equal to zero. This implies goodness of fit of the model, thus the variables can be carried on for further analysis to determine with significance the level of influence.

Table 4.30: ANOVA results for the multiple regression analysis

	Sum of Squares	Df	Mean Square	F	Sig.
Regression	108205	4	27051.37	333.8382	.000 ^b
Residual	3808.474	47	81.03137		
Total	112014	51			

The beta coefficients of the independent variables in the multiple regression model were determined. Table 4.30 shows the results of these beta coefficients. The coefficients of X_1 , X_2 and X_4 are significant according to the analysis. The values of the coefficients are 0.605, 0.232 and 0.325 respectively and their respective calculated t-statistics for the coefficients are 8.297, 2.033 and 5.031 with p-values of 0.000, 0.048 and 0.000, respectively.

These p-values are all less than 0.05 implying significance of the coefficients of employees competence, extent of adoption of technology, characteristics of the owner of the business, at 5% level of significance. The coefficient of structure of the organization, X_2 is (-0.152) with a t-statistic of -1.270 and p-value of 0.210. This p-value is greater than 0.05, which implies that the coefficient of financial services is not significant at 5% level of significance.

The value of the constant term is 1.345×10^{-15} , this value tends to zero and has a t-statistic of -0.828 with a p-value of 1. Since the p-value is also greater than 0.05, it implies that the constant term is insignificant and the optimal model for factors that influence the use of business advisory services is a regression line that passes through the origin.

The equation generated from this model that passes through the origin is $Y = 0 + 0.605X_1 + 0.232X_2 - 0.152X_3 + 0.325X_4$. The findings show the levels of influences of the factors influencing business advisory services when considered to be acting together. Employee competence has a relatively high and significant influence on business advisory services. The extent of adoption of technology has a low but significant influence on business advisory services while the characteristics of the employee had a moderate significant influence on the use of business advisory services. The structure of the organization was found not to have any significant influence on the use of business advisory services at all.

Table 4.31: Beta coefficients results for multiple regression

	Coefficients	Std. Error	T	Sig.
Constant	0.000	0.016	-0.828	1.000
Employees competence	0.605	0.073	8.297	0.000
Extent of adoption of technology	0.232	0.114	2.033	0.048
Structure of the organization	-0.152	0.119	-1.270	0.210
Characteristics of the owner	0.325	0.065	5.031	0.000

4.6.4 Hypothesis Testing

The null hypotheses stated in Section 1.4 were test using Students-test at 5% level of significance in order to either accepted or reject them. If the calculated t-value was greater than the critical value, then the alternative hypothesis was accepted. The hypotheses were tested from the results of the combined effect model since this shows the true picture of the model. The multiple regression model considers all the hypothesized factors.

H₀₁: Employees competence has no significant influence on the use of business advisory services in micro and small enterprises in Kenya.

The p-value of the t-test for this variable is 0.000. Since the p-value 0.000 is below 0.05, the null hypothesis is rejected and accept the alternative hypothesis (i.e., employees' competence has a significant influence on the use of business advisory services in micro and small enterprises in Kenya.) is accepted

H₀₂: Level of technology adoption in use has no significant influence on the use of business advisory services in micro and small enterprises in Kenya.

The p-value of the t-statistic for the variable financial services is 0.048. Since the p-value 0.048 is less than 0.05, the null hypothesis is rejected and the alternative hypothesis accepted. This means that level of technology adoption in use has a significant influence on the use of business advisory services in micro and small enterprises in Kenya.

H₀₃: The structure of micro and small enterprises has no significant influence on the use of business advisory services in Kenya.

The p-value 0.210 of the t-statistic is above 0.05 implying that the null hypothesis H₀₃ is accepted. Hence, the structure of micro and small enterprises has no significant influence on the use of business advisory services in Kenya.

H₀₄: The characteristics of the owner of the micro and small enterprises have no significant effect on the use of business advisory services in Kenya.

The p-value of the t-statistic for the variable "characteristics of the owner of the enterprise is 0.000. The p-value 0.000 is less than 0.05 and, thus the null hypothesis is rejected while the alternative one accepted. Therefore, characteristic of the owner of the micro and small enterprises have a significant effect on the use of business advisory services in Kenya.

4.7 Optimal model

Since one independent variable was found to have no significant influence on the use of business advisory services, another model was fitted to determine the optimal model of the factors that influence the use of business advisory services among MSEs in Kenya. The constant term was also found to be insignificant thus the optimal model fitted to pass through the origin and without considering the insignificant variable which was structure of the micro and small enterprises.

The optimal model, as presented in Table 4.31 has an R value of 0.974 and R^2 value of 0.947. The R^2 value indicates that 94.7% of the variation in the variable; use of business advisory services is explained by the variation of the variable; extent of adoption of technology in the model $Y = \beta_0 + \beta_1X_1 + \beta_3X_3 + \beta_4X_4$. This means that the variation in the variable; use of business advisory services is explained by the joint variation in the independent variables. The remaining 0.13% of variation in effective use of business advisory services can be explained by other variables not included in this model. This shows that the model has a good fit since the value is above 80%.

The R^2 value is always between 0 and 100%. Zero percent indicates that the model explains none of the variability of the response data around its mean and 100% indicates that the model explains the variability of the response data around its mean. In general, the higher the R^2 , the better the model fits the data. The adjusted R^2 for the optimal model was found to be equal to the R square value which implies that the regression model is a perfect fit. No other variable needs to be dropped or added to improve the goodness of fit of the optimal model.

Table 4.32; Optimal Model Summary

R	R Square	Adjusted R Square	Std. Error of the Estimate
.974a	0.947	0.947	7.156

The ANOVA for the optimal model also tests that the retained independent variables jointly and significantly influence the dependent variable. Table 4.32 shows the results of the Analysis of Variance ANOVA for the optimal model. The ANOVA test reveals that the retained variables have joint significant influence on the MSEs use of business advisory services. The P value is actually 0.000 which is less than 5% level of significance implying, that the coefficients of retained variables are jointly not equal to zero implying joint significant influence. This implies goodness of fit of the model, thus the variables can be carried on for further analysis to determine with significance the level of influence.

Table 4.33: ANOVA table for the Optimal Model

	Sum of Squares	Df	Mean Square	F	Sig.
Regression	6234.43	3	2078.144	290.6133	.000 ^c
Residual	343.2428	48	7.150892		
Total	6577.675	51			

The study further determined the beta coefficients corresponding to the independent variables of X_1 = employees competence, X_2 = extent of adoption of technology, X_4 = characteristics of the owner of the firm (See table 4.33). The results showed that the results of coefficients of all the 3 retained variables; X_1 , X_2 and X_4 are all significant. The respective calculated t-statistics for the coefficients are 9.568, 2.141 and 5.092

with P-values of 0.000, 0.037 and 0.000. These p-values are all less than 0.05 implying significance of the coefficients of employees competence, extent of adoption of technology and characteristics of the owner of the firm.

The model generated therefore takes the form; $Y = 0.548X_1 + 0.215X_2 + 0.328X_4$. This model implies that, a unit increase in the measure of employees competence of an MSE leads to a 0.548 increase in the level of the MSEs use of business advisory services. A unit increase in the measure of extent of adoption of technology of an MSE leads to a 0.215 increase in the level of the MSEs use of business advisory services.

A unit increase in the measure of characteristics of the owner of an MSE leads to a 0.328 increase in the level of the MSEs use of business advisory services. The optimal model confirms that on optimal levels, employee competence has a relatively high and significant influence on business advisory services. The extent of adoption of technology has a low but significant influence on business advisory services while the characteristics of the employee had a moderate significant influence on the use of business advisory services.

Table 4.34: Beta coefficients results for the optimal model

Variable	Coefficients	Std. Error	T	Sig.
Employees competence	0.548	0.057	9.568	0.000
Extent of adoption of technology	0.242	0.113	2.141	0.037
Characteristics of the owner	0.328	0.064	5.092	0.000

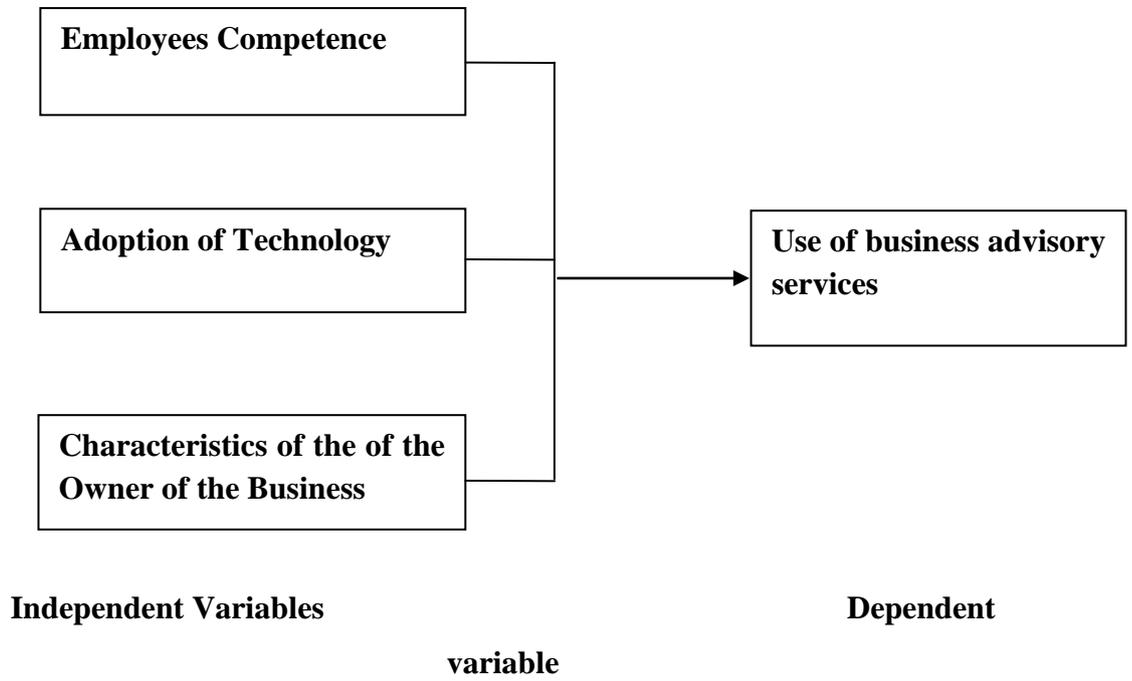


Figure 4.9: Optimal model framework.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

The chapter summarizes the data collected and the statistical analysis discussions done with reference to the objectives and hypotheses of the study. Data was interpreted and the results of the findings were correlated with both empirical and theoretical literature available. The conclusion relates directly to the research hypotheses and the recommendations were derived from conclusion and discussion of the findings.

5.2 Summary of the Findings

The study targeted micro and small enterprises in the industrial area of Nairobi County, Kenya in businesses within Nairobi. A population of 58 micro and small enterprises in the industrial area of Nairobi County was targeted which were all selected for a census. Summary and discussions of the study findings followed the research hypotheses formulated in chapter one. These research hypotheses guided the arrangement of the findings as discussed below.

5.2.1 Specific Objective 1: Influence of employees competence of individual micro and small enterprise on the use of business advisory services in Kenya

The study sought to investigate the influence of employees' competence on the use of business advisory services in the micro and small enterprises in Kenya. It was found that employee competence have a significant positive relationship with the use of business advisory services, in MSEs in the industrial area of Nairobi county in Kenya. Competence in this aspect refers to the technical skills possessed by the employees of an individual enterprise, ability to seize the business opportunity

available and the ability to strategize on how to achieve business goals. Competence is got through training in various business skills.

The more competent the employees of an enterprise are the higher the chances that they will seek business advisory services for their business. A business advisory service is a resource which brings in new and fresh ideas into the business organization. It is a catalyst for change in the organization which brings growth and success to the business organization.

Firms that hire employees with limited skills, knowledge, capabilities and training have a greater chance of failure than firms that hire employees with higher skills, knowledge, capabilities and training. This is because employees with higher skills, knowledge, capabilities and training are more capable of seeking more knowledge and information on business success factors of which business advisory service is included.

Employees with higher skills, knowledge, capabilities and training form effective work teams in organizations, such teams are likely to seek new information, knowledge and methods that can make them work effectively and efficiently, hence achieve their business goals. The information they are likely to seek would be related to advice on finance, human resources, production and marketing management.

Business organization that have employees with limited skills and experience develop their own approach to work methods and procedures. They rely on trial and errors in their work approach. Their working styles are more likely to be intuitive rather than analytical. Such employees are more concerned with day to day operations rather than long term issues. They are more opportunistic than strategic in their concept about work methods. This is in contrast to employees who are highly skilled who will seek new methods and advices on better working methods which can make their business grow.

Entrepreneurial know how it is one of the main sources of innovative capabilities, innovative capabilities enables employees to acquire technologies competence from the external world (external) of which business advisory services are included.

Technologies competences enable employees in a business to implement new methods of production and new products in the market and this leads to growth and success of a business.

This study found out that employees competences of individual MSEs has a great influence on the use of business advisory services, among the MSEs studied in industrial area, Nairobi County.

5.2.2 Specific Objective 2: Influence of the extent of adoption of technology on the use of Business advisory services in Kenya

The study sought to find out the level of influence of adoption of technology on the use of business advisory services. The research findings indicated that most of the MSEs have not adopted technology in product development, new markets information, new methods of production and new methods of advertising their products. However, the few MSEs that adopted technology realized growth in their business. The study, therefore, concluded that the extent of adoption of technology has a positive relationship with the use of business advisory services in MSEs in the industrial area of Nairobi County. Adaption of new technology is a critical success factor because it enhances the growth of micro enterprises. It enhances enterprises to access various information related to new markets, new methods of production new products and various business advises that enables a business to grow.

Adoption of new technology forms a base on which entrepreneurs gain know how, which is the main source of innovative capabilities of MSEs. Management's characteristic of a firm affects the firm's perception of technology adoption, and Information technology adoption. Information technology resources such as capital, skills and literacy level have great influence on the rate and pace at which a firm will

adopt new technology. Adoption of new technology is a critical success factor which influences the growth of micro and small enterprise. It enhances enterprises capacity to access various business advisory services that are normally offered using ICT platforms like the internet.

Micro and small enterprises have a lot to gain by adopting new technology because it helps them in accessing new business related knowledge, including a wide range of business advisory services. Limited access to ICT make many micro and small enterprises fail because they do not access information regarding new products, new markets, new production processes, including business advisory services that can act as their platform for growth. The most innovative firms are firms which are involved in extensive and diverse link with a variety of sources of knowledge and expertise.

irms which have a high absorptive capacity of ICT adoption strategies employs the use of more superior information technology, which helps them to access more information related to new products, new markets, new methods of production, including business advisory services. Adoption of new technology plays a significant role in the performance of micro and small enterprises. This study concluded that extent of technology adoption has a great influence on the use of the business advisory services in the MSES studied in the industrial area in Nairobi County.

5.2.3 Specific Objective 3: Influence of the structure of the organization on the use of business advisory services in Kenya

The study sought to find out the level of influence of the structure of the organization has on the use of business advisory services.

The study found that the structure of the organization has no significant influence on the use of business services on the MSEs in the industrial area of Nairobi County, Kenya. Structure of an organization was used in this study to refer to the total number of employees in the organization and the departmental units in the organization. It was also used to refer to the internal characteristics of the

organization, level of control and authority practices within the organization and communication linkages within the organization. The study, therefore, concluded that there is no direct influence between the structure of the organization and the level at which an organization would seek business advisory services.

This study, therefore, concluded that the structure of the firm, has insignificant influence on the use of business advisory services among the MSEs studied in Industrial area Nairobi County. Structural categorization of organizations can be classified as micro, small, medium and large. Micro organizations employ 1 to 9 employees, medium employs 50 to 199 employees then large organizations employ 200 and above workers. The larger the organization the more the number of departmental units, while the smaller the structure the fewer, the number of departmental units.

It is important to note that this conclusion applied only to MSES in industrial area, Nairobi County, but not in all other similar studies done in other regions. Other Studies done in other areas indicate that structural factor in an organization plays a significant role in determining the firm's ability to seek external advice. These studies indicate that the use of external advice by MSES is positively associated with the firm's structure. Many studies carried out in other places indicate that smaller and younger businesses are likely to have more limited internal resources than larger firms. Smaller firms are likely to serve local markets; and they are likely to operate largely on the basis of internal resources and may therefore seek limited external support.

This is in contrast to larger firms which operate in wider geographical markets and specifically export markets, which requires considerable knowledge and results. Other studies on the same indicated that suppliers of commercial advice services had an incentive to focus their attention on more lucrative markets (larger firms) public sector organizations, therefore ignore small firms. In addition to this, larger organizations are highly complex and so may require a higher level of external approach (advice) than smaller less complex firms.

5.2.4 Specific Objective 4: Influence of the characteristics of the owner of the firm on the use of business advisory services in Kenya

The study also showed that characteristics of the owner of the firm had a positive relationship with the use of business advisory services. Characteristics of the owner of the firm in this study referred to the general characteristics of the individual owner of the business such as risk taking propensity, talent, need for achievement, education level, focus of control and experience in the business. Most successful business organizations are started in high growth areas by talented and well education individuals with management experience, such people are likely to seek new knowledge, new business information and business advisory services which can enable their businesses grow.

The study results showed that the characteristics of the owner of the firm had a positive relationship with use of business advisory services. Characteristics of owner of the business refer to the personality characteristics of the individual owner of the MSES. These characteristics differentiate entrepreneurs from other ordinary business men. These characteristics include need for achievement, locus of control risk propensity, education levels and talents.

Studies have shown that most successful business organizations are started in high economic potential regions by talented individuals who continuously receive new ideas and turn these ideas into business opportunities. Similar studies by Wanjohi and Mugure (2008) also shown that there is a correlation between the provisions of external advice (Business advisory services) and the ability of such business to raise funds from the banks.

This is because raising money from the bank requires the owner of the business to posses' personality traits such as good communication skills, negotiation skills, human relation skills and conceptual skills that would enable the entrepreneur to convince the lenders to lend money to the business organization. It also requires well educated people who understand the importance of financial management in a

business and conditions of borrowing from financial providers. Such people are also likely to understand the importance of seeking business advisory services in matters relating to management of their businesses.

This study, therefore, concluded that entrepreneurial characteristics are critical success factors in the growth and development of a business. They are important when seeking expert's, knowledge, and information related to new markets available for their products, new methods of production, sources of finance available for businesses and new methods of advertisements available to the entrepreneurs.

5.3 Conclusion

The study of the combined effect of the independent variables on the use of business advisory showed that all the independent variables have significant positive combined influence on the use of business advisory services except the structure of the organization. The structure of the organization was found to have no significant influence on the use of the business advisory services. The model was also found to pass through the origin, implying that, the use of business advisory services totally depend on the independent variables. With all the variables at zero levels, the MSEs would also have no use of business advisory services. The study, therefore, concluded that the use of business advisory services is influenced by employees' competence, level of adoption of technology and characteristics of the owner of the enterprise.

The study drew conclusion that employees competence determines the strength of the of organization human resources that influences how micro enterprises develop and implement various business strategies. Lack of competent employees' leads to poor execution of firms business strategies and this makes it hamper the many micro enterprises to seek businesses advisory services (Amy, Hillman, Michael, Wither & Blackburn, 2013). According to core competency theory by Prahalad Gary (2000) organizations core competencies as a harmonized combination of multiple resources and skills that distinguish a firm in the marketplace. Core competencies fulfill three

criteria notably; Provides potential access to a wide variety of markets; make a significant contribution to the perceived customer benefits of the end product and helps to produce unique products that competitors find difficult to imitate (Prahalad & Gary, 2000). Employee's competency plays a key role in determining the strength of the overall organization core competencies in the market. Micro and small enterprises that have competent employees are able to identify their competence weaknesses and this influences them to seek business advisory services in order to strengthen their core competencies and achieve competitive advantage in the market place.

The study also concluded that adoption of technology affects how MSEs business advisory services in Nairobi City County. MSEs that have adopted new technology like ICT technology are able to integrate new technology in various business functions like production, management and marketing.

According to Technology Adoption Theory by Venkatesh, Morris, Davis, & Davis (2003) adaptation to technologies that match day-to-day production process enable sMSEs enters new markets, access information and improves production methods, enables them adopt economies of scale in production. Willingness to adopt technologies leads to new methods of production, product development and accessing new markets. Adoption of new technology enhances enterprises capacity to access various business advisory services that are normally offered using ICT platforms like the internet.

Micro and small enterprises have a lot to gain by adopting new technology because it helps them in accessing new business related knowledge, including a wide range of business advisory services. Limited access to ICT make many micro and small enterprises fail because they do not access information regarding new products, new markets, new production processes, including business advisory services that can act as their platform for growth. The most innovative firms are firms which are involved in extensive and diverse link with a variety of sources of knowledge and expertise.

The study further concluded that that structure of the organization has no significant influence on the use of business services on the MSEs in the industrial area of Nairobi County, Kenya. Structure of an organization refers to the total number of employees in the organization and the departmental units in the organization. Structure of an organization determines the internal characteristics of the organization, level of control and authority practices within the organization and communication linkages within the organization. These findings differed with Decision theory as discussed by Dickert, Fielder, Andreas and Nicklisch (2013) that structural factors play a significant role in determining the firm's ability to seek external advice.

The study finally concluded that the characteristics of the owner of the firm had a positive relationship with use of business advisory services. Characteristics of owner of the business refer to the personality characteristics of the individual owner of the MSEs. According to decision theory by Eisenhardt & Martin (2000) business owners characteristics determines how managers choose between alternative courses of action when the consequences resulting from this choice are imperfectly known.

In many MSEs managers or enterprises owners are faced with tasks of making Key decisions in the organization and this determines the nature of organizational structure that is employed by the MSEs and how MSEs managers make decision on how to seeks business advisory services. Study by Aliyu (2013) showed that most successful business organizations are started in high economic potential regions by talented individuals who continuously receive new ideas and turn these ideas into business opportunities. A study by Dollinger (2008) revealed that personality characteristics differentiate entrepreneurs from others. Among the characteristics, need for achievement, locus of control and risk taking propensity have been widely accepted as some of the characteristics that one needs to possess in order to become an entrepreneur.

5.4 Recommendations of The Study

Based on this study, it is recommended that:

5.4.1 Employees Competence

This study showed, that employee competence is one of the major factors that influence the use of business advisory services in MSEs hence helps the individual MSE to grow. All business organizations should seek business advisory services. The government of Kenya through the ministry of trade should make it possible for all owners of enterprises to access business advisory services.

Business advisory services bring in new and fresh ideas to a business organization and a being a catalyst for change in an organization which brings growth and success to the organization. The government should ensure that basic training and skills acquisitions are provided to the employees formally and informally in order for them to be competent in operating the business organization.

5.4.2 Adoption of Technology

The extent of adoption of technology has a great influence on the use of business advisory services in individual MSEs. The government should adopt technology transfer diffusion and adopt to changes in technology which would lead entrepreneurs to access more information on new markets for the products, product development and new markets. The government should also initiate training in new technologies and on sourcing for external business advice. All business organization should seek business advisory services in order for them to grow and compete effectively in markets.

5.4.3 Organization Structure

The structure of the firm has got no influence on the use of business advisory services. Whether a firm has a small structure or a big structure, there is no influence on its use of business advisory services. Structure of an organization refers to the total number of employees in the organization and the departmental units in the organization. Structure of an organization determines the internal characteristics of the organization, level of control and authority practices within the organization and communication linkages within the organization. The owners and managers of MSEs should design organizational structure that eases communication amongst the managers and the employees. The organizational structure should be flexible to support execution of various business functions when the organization is undergoing change or involved in different business activities.

The owners and managers of MSEs should also delegate various job tasks functions to junior employees to avoid delay in the execution of various business functions. Some decision making should not also be centered to owners and managers but should also be delegated to junior staff. When the number of staff is very small and face-to-face communication is frequent, formal structure may be unnecessary, but in a larger organization decisions have to be made about the delegation of various tasks. Procedures should be established to assign responsibilities for various functions.

5.4.4 Characteristics of the Owner

Characteristics of the owner of the firm have a great influence on the use of business advisory services. These characteristics differentiate entrepreneurs from other ordinary business men. These characteristics include need for achievement, locus of control risk propensity, education levels and talents. The owners and managers of MSEs should seek entrepreneurship training by attending various training seminars on business management. The training should focus on changing the attributes, qualities and traits that are exhibited by the enterprise owners.

MSEs Owners should adopt change by implementing modern business management best practices like use of ICT based technology. MSEs owners should leave the culture of using traditional business management practices like where the owner takes control of all business functions. They should hire competent staff who are able to advise on the type of business advisory services required to improve the organization productivity. Characteristics of a business owner greatly determine how the business is operated, since different characteristics leads to different methods of executing business functions. The owners and managers of MSEs should also improve on their relationship with the junior employees and some decision making should be left to junior employees.

5.5 Theoretical Implications

This study makes a major theoretical and empirical contribution in the literature of factors affecting the use of business advisory services of MSEs. The study findings provide an in-depth understanding to business managers, entrepreneurship consultants and owners of MSEs on the factors that influence the use of business advisory services. The outcome of the study will serve as a knowledge base for comprehensive guidance on how the MSEs Owners and managers should seek business advisory services. The study gives an insight to policy makers on the use of business advisory services in Kenya and this enables them to formulate and implement policies which should encourage MSEs to seek business advisory services and in turn enhance their performance. Further the findings of the study provides recent documented information on business advisory services in Kenya which future researchers can use for future reference.

5.6 Areas for Further Research

This study assessed the factors affecting the use of business advisory services of micro and small enterprises in Nairobi county in Kenya, which is specific to a certain region and sector of MSEs. The study narrowed its research undertakings into employees' competence, technology adoption, organizational structure and owners characteristics of the enterprise. Since Micro and Small Enterprises are different and face different challenges. The study recommends that similar studies should be done on other factors such as gender, infrastructure of an area, type of business organization and government's influence on the use of business advisory services among MSEs. The researcher recommends that similar studies be conducted in other towns in Kenya to establish the factors influencing the use of business advisory services in Micro and Small Enterprises.

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APPENDICES

Appendix I: Introduction letter

School of Entrepreneurship, Procurement and Management,

Department of Entrepreneurship and Technology, Leadership and Management,

Jomo Kenyatta University of Agriculture and Technology

P.O. Box 6200-00200

Nairobi, Kenya

Dear Sir/Madam,

I am Magdalene, A. Otengo, a postgraduate student at Jomo Kenyatta University of Agriculture and Technology, pursuing a PhD degree in Entrepreneurship in the School of Entrepreneurship, Procurement and Management. I am carrying out a research project on *factors influencing the use of business advisory services of micro and small enterprises in Nairobi City County, Kenya*.

The attached questionnaire has been developed to help gather data for this research. You have been selected as one of the respondents in this study. I am therefore kindly requesting you to facilitate the collection of necessary data by answering the questions indicated as precisely as possible. The information sought is purely for academic purposes and will be treated with utmost confidentiality. Your cooperation will be highly appreciated.

Yours faithfully,

Magdalene A. Otengo

Appendix II: Questionnaire

The purpose of this questionnaire is to help collect the data for a Doctor of Philosophy Degree, School of Entrepreneurship, Procurement and Management, Department of Entrepreneurship And Technology, Leadership and Management of Jomo Kenyatta University of Agriculture and Technology. All the respondents will be treated with confidence.

Where appropriate, kindly tick in the space provided (✓) the correct answer or supplies the required information.

Section A: Personal information

1. Location of the respondent.....

2. What is your highest educational qualification
 - a. Postgraduate degree () 1
 - b. Bachelors degree () 2
 - c. Diploma () 3
 - d. Secondary school education () 4
 - e. Primary school education () 5
 - f. Others
 - g. (Specify)

Section B: Information regarding the business

3. Name the enterprise:

4. Which sector of manufacturing does your business operate?

a) Food manufacturing ()1

b) Non-food manufacturing ()2

5. How long have your operated this business?

6. How many people does the business employ?

a) 0 – 10 ()1 b) 11 – 50 ()2

7. Does your business seek advisory services?

a) Yes ()1 b) No ()2

8. If yes, how often?

9. If no, please give the reasons for not seeking advisory services

.....

Section C: Employees competence of individual micro and small enterprise

10. How many on-job training have you given to your employees in the last three years?

Year	0	1	2	3	4
2012					
2013					
2014					

11. What level of education do you consider when you are hiring new employees?

Primary-1	Secondary-2	Post Secondary-3	College-4	University-5

12. What percentage of your employees' possess formal skills?

0 - 9%-1	10 - 19%-2	20 - 29%-3	30 - 39%-4	40% - and above-5

13. To what level of percentage do your employees access information regarding products, markets and general business information in the industry?

0 - 9%	10 - 19%	20 - 29%	30 - 39%	40% - and above

14. How many times did you engage your employees to attend business forums (meeting) in the last three years?

Year	0	1	2	3	4
2012					
2013					
2014					

15. What has your level of labor productivity been in the last three years?

0	1	2	3	4
2012				
2013				
2014				

Section D: Extent of adoption of technology

16. How many new products have you introduced in the market in the last three years??

0	1	2	3	4
2012				
2013				
2014				

17. Please indicate the number of services your business provides to the customers.

0	1	2	3	4

18. To what level have you adopted new production processes in the industry for your business in the last three years?

0 - 9%	10 – 19%	20 – 29%	30 - 39%	40% - and above
2012				
2013				
2014				

19. How many new markets have you been able to capture in the last three years?

20.

0	1	2	3	4
2012				
2013				
2014				

21. How many research institutions have you collaborated with since you started your business?

0	1	2	3	4

22. How many research institutions have you collaborated with on product development in the last three years?

0	1	2	3	4
2012				
2013				
2014				

23. To what level do your employees embrace the firm's technology?

0 - 9%	10 - 19%	20 - 29%	30 - 39%	40% - and above

24. Please indicate the level of economies of scale in production in your business.

0 - 9%	10 – 19%	20 – 29%	30 - 39%	40% - and above

Section E: Structure of the organization

25. How many departments does your organization have?

0	1	2	3	4

26. Indicate the average number of employees in each department in your organization.

0 – 1	2– 3	4 - 5	6 - 7	8 - 10

27. Indicate the market areas you serve in your business.

Nairobi only- 1	Nairobi and its sub- counties-2	Nairobi and the surrounding towns-3	Other counties-4	International markets-5

28. What is the level of your market share of your products in comparison with other competitors?

0 - 9%	10 – 19%	20 – 29%	30 - 39%	40% - and above

29. What percentage of your communication with employees is done directly?

0 - 9%	10 – 19%	20 – 29%	30 - 39%	40% - and above

30. What percentage of your employees' problems regarding business operations have you been able to solve?

0 - 9%	10 – 19%	20 – 29%	30 - 39%	40% - and above

Section F: Characteristics of the owner of the firm

31. What level of education do you think one needs to acquire to start and succeed in a business?

Non-1	Primary-2	Secondary-3	College-4

32. How many years of experience did you have when starting your business?

1	2	3	4	5

33. Indicate the entrepreneurial level of competence one needs in order to succeed in a business.

No level	Low level	Medium level	High level	College

Section G: Use of business advisory services

34. How many organizations did you seek help from in the last three years

Year	0	1	2	3	4
2012					
2013					
2014					

35. How many times did you ask for help in the last three years?

Year	0	1	2	3	4
2012					
2013					
2014					

36. By what percentage did this help enable you to achieve your business target?

0 - 9%	10 – 19%	20 – 29%	30 - 39%	40% - and above

37. In your opinion what percentage of help do you need in the following areas of business operation in order for your business to grow:

Areas	0 - 9%	10 – 19%	20 – 29%	30 - 39%	40% - and above
Training					
Management					
Production					
Marketing					
Finance					

Appendix III: Factor loadings Matrix

	1	2	3	4
			-	
Number of on-job trainings given to employees in 2012	0.739024 563	0.128196 336	0.3680 46717	0.5400 92388
				-
Number of on-job trainings given to employees in 2013	0.867110 938	0.393042 445	0.5039 6682	0.4299 70107
				-
Number of on-job trainings given to employees in 2014	0.918346 43	0.181169 577	0.1050 56042	0.1768 55561
				-
Level of education considered when you are hiring.	0.935304 869	0.163930 532	0.0180 58755	0.0504 07042
				-
Percentage of your employees' posses' formal skills	0.845326 895	0.419342 47	0.0379 4014	0.0267 45599
				-
Employees level of access to information regarding products, markets and general business information in the industry.	0.958697 355	0.090467 22	0.0254 81593	0.0361 08852
				-
your level of labor productivity been in the year 2012	0.976725 892	0.032624 199	0.0689 61693	0.0700 96991
				-
your level of labor productivity	0.970282		0.0038	-

been in the year 2013	437	0.006664	10543	0.0012
		793		794
		-		-
your level of labor productivity	0.935851	0.239961	0.0846	0.1416
been in the year 2014	634	041	656	2788
Number of times employees were engaged to attend business forums (meeting) in the year 2012	0.101182	0.952812	0.0115	0.0276
	062	235	19999	39588
Number of times employees were engaged to attend business forums (meeting) in the year 2013	-	0.948004	0.0473	0.0567
	0.065065	867	99897	44353
Number of times employees were engaged to attend business forums (meeting) in the year 2014	-	0.934774	0.0963	0.1251
	0.217479	26	27676	22517
Number of new products have introduced in the market in the last three years	-	0.925584	0.0459	-
	0.172924	679	83704	0.0686
	04			85499
Number of services the business provides to the customers.	-	0.962234	-	-
	0.116602	928	09711	0.0354
	883		21724	
Number of new markets captured in the last three years	0.016232	0.972620	0.0074	0.0673
	138	863	88874	80163
Number of research institutions collaborated with since start of	-	0.959294	-	0.0016
	0.011224	596	0.0432	77111

business	311		69899	
Number of research institutions collaborated with on product development in the year 2012	0.179139	0.958412	0.0676	0.0036
	388	341	84844	6314
Number of research institutions collaborated with on product development in the year 2013	0.264362	0.858895	0.1652	0.2990
	27	832	63602	40369
Number of research institutions collaborated with on product development in the year 2014	0.274258	0.867328	0.1551	0.2379
	422	218	56496	33321
Level of adoption of new production processes in the industry for your business in the last three years	0.224218	0.908730	0.1794	0.0964
	009	42	86946	86533
	-			-
Level to which employees embrace the firm's technology	0.058328	0.973376	0.0502	0.0602
	522	069	50122	68724
	-			-
Level of economies of scale in production in your business	0.070505	0.972225	0.0298	0.0279
	343	647	52618	36385
	-			-
Number of departments in the organization.	0.011187	0.191845	0.9451	0.0382
	345	234	87772	64756
Number of employees in each department.		0.141276	0.9133	0.0672
	-	487	22132	04478
	0.005673			

	597			
		-		-
	0.018916	0.036170	0.9729	0.0217
Market areas served	841	087	87414	54781
Level of your market share of products in comparison with other competitors	-			
	0.008076	0.191969	0.9429	0.0214
	39	615	95254	45962
	-	-		-
Percentage of direct communication with employees.	0.027604	0.247641	0.9440	0.0446
	724	701	54972	66074
Percentage of employees' problems solved regarding business operations		-		-
	0.005276	0.007216	0.9721	0.1156
	181	393	3656	41042
Level of education one needs to acquire to start and succeed in a business			-	
	0.035134	0.049408	0.1703	0.8752
	009	822	51119	72791
			-	
Owners years of experience when starting business	0.121539	0.193613	0.0412	0.9390
	411	136	662	54699
The entrepreneurial level of competence one needs in order to succeed in a business		-	-	
	0.069742	0.180690	0.1594	0.8862
	137	595	96445	55827

Appendix IV: Factor scores matrix

	1	2	3	4
			-	
Number of on-job trainings given to employees in 2012	0.014319 559	0.105873 312	0.7461 69599	0.700994 74
				-
Number of on-job trainings given to employees in 2013	0.015292 066	0.468359 044	0.5088 39271	0.558065 231
			-	-
Number of on-job trainings given to employees in 2014	0.035730 018	0.149622 242	0.1060 71744	0.229543 724
			-	-
Level of education considered when you are hiring.	0.036389 819	0.135385 058	0.0182 3335	0.065424 125
			-	-
Percentage of your employees' posses' formal skills	0.032889 054	0.346321 725	0.0383 06952	0.034713 55
			-	-
Employees level of access to information regarding products, markets and general business information in the industry.	0.037299 948	0.074714 025	0.0257 27954	0.046866 27
			-	-
your level of labor productivity been in the year 2012	0.038001 383	0.026943 297	0.0696 28429	0.090980 031
			-	-
your level of labor productivity	0.037750		0.0038	-

been in the year 2013	688	0.005504	47384	0.001660
		243		555
		-		-
your level of labor productivity	0.036411	0.198176	0.0854	0.183821
been in the year 2014	092	259	84164	14
Number of times employees were engaged to attend business forums (meeting) in the year 2012	0.037070	0.083563	0.0116	0.035873
	976	075	31377	873
Number of times employees were engaged to attend business forums (meeting) in the year 2013	0.036883	0.053735	0.0478	0.073649
	937	6	58168	424
Number of times employees were engaged to attend business forums (meeting) in the year 2014	0.036369	0.179609	0.0972	0.162398
	175	801	58991	56
Number of new products have introduced in the market in the last three years	0.036011	0.142812	0.0464	0.089148
	636	513	28284	032
		-	-	-
Number of services the business provides to the customers.	0.037437	0.096298	0.0079	0.045974
	584	645	86184	435
		-	-	-
Number of new markets captured in the last three years	0.037841	0.013405	0.0075	0.087453
	669	611	61278	815
Number of research institutions collaborated with since start of	0.037323	-	-	0.002176
	185	0.009269	0.0436	75

business		805	88241	
Number of research institutions collaborated with on product development in the year 2012	0.037288	0.147945	0.0683	0.004754
	859	572	39235	449
Number of research institutions collaborated with on product development in the year 2013	0.033416	0.218328	0.1668	0.388129
	98	464	61403	385
Number of research institutions collaborated with on product development in the year 2014	0.033745	0.226501	0.1566	0.308817
	058	384	5658	548
Level of adoption of new production processes in the industry for your business in the last three years	0.035355	0.185174	0.1812	0.125231
	889	585	22261	449
		-		-
Level to which employees embrace the firm's technology	0.037871	0.048171	0.0507	0.078223
	052	687	3595	762
		-	-	-
Level of economies of scale in production in your business	0.037826	0.058228	0.0301	0.036259
	292	14	41239	09
			-	-
Number of departments in the organization.	0.036774	0.158438	0.0112	0.049664
	332	93	95506	452
Number of employees in each	0.035534	0.116675	-	0.087225

department.	539	797	0.0057	791
			2845	
		-		-
	0.037855	0.029871	0.0190	0.028235
Market areas served	93	734	99733	886
Level of your market share of products in comparison with other competitors			-	
	0.036689	0.158541	0.0081	0.027835
	028	653	54474	064
		-	-	-
Percentage of direct communication with employees.	0.036730	0.204519	0.0278	0.057972
	258	473	71612	828
Percentage of employees' problems solved regarding business operations		-		-
	0.037822	0.005959	0.0053	0.150092
	826	791	27193	399
Level of education one needs to acquire to start and succeed in a business			-	
	0.034054	0.040805	0.1719	0.045601
	156	188	98107	004
			-	
Owners years of experience when starting business	0.036535	0.159898	0.0416	0.157747
	713	985	65169	989
The entrepreneurial level of competence one needs in order to succeed in a business		-		
	0.034481	0.149226	0.1610	0.090519
	472	666	38488	46

Appendix V: List of MSEs

- 1) Global Logistics Ltd
- 2) Anix Enterprises
- 3) Anspar Beverages Ltd
- 4) Aonek General Enterprises
- 5) Aquisana Ltd
- 6) Arahuka General Shop
- 7) Barnice communications
- 8) Classic Touch Investment Ltd
- 9) Cresta Investments Ltd
- 10) Cretum Properties Ltd
- 11) Eastern Light Investments
- 12) Egemeo Investments Ltd
- 13) Impact Chemicals Ltd
- 14) Investax Capital
- 15) Investeq Capital Ltd
- 16) Jambo Investments Ltd
- 17) Jatenac Investments
- 18) Jimana Ltd
- 19) Jimham logistics
- 20) Johan Investments Ltd
- 21) Josannah Properties
- 22) Kass Investments

- 23) Katoma Investments Agency
- 24) Kawama Investment Ltd
- 25) Kemta Manufacturers
- 26) Kensite International Ltd
- 27) Kianda Agrovvet Services
- 28) Kleenchem Adhesives
- 29) Labchem Ltd
- 30) Laser Chemicals International
- 31) Lizzol Chem Company
- 32) Lotommy Ltd
- 33) Lubanchem Ltd
- 34) Lynntech Chemicals & Equipment Ltd
- 35) Mabruk Mattress
- 36) Malago Investments
- 37) Manuchar (K) Ltd
- 38) Marathon Corporation Ltd
- 39) Marco Services & Supplies
- 40) Mawara Investments Ltd
- 41) Mekan (E.A) Ltd
- 42) Woodvale Grv ltd
- 43) Metoxide Africa Ltd
- 44) Millenium Chemicals Ltd
- 45) Moden Plus (K) Ltd

- 46) Nafis General Enterprises
- 47) Nairobi Ironmongers
- 48) Njerika Distributors
- 49) Njerika Distributors
- 50) Pan African Petroleum
- 51) Pantel Chemicals Ltd
- 52) Petrovlis Holland
- 53) Research link Ltd
- 54) Silentnight (K) Ltd
- 55) Smat solutions
- 56) Super Foam Ltd
- 57) Tuffoam Mattresses Ltd
- 58) Turea Ltd

Source: Ministry of Industrial Development, Kenya Department of Entrepreneurship
Development (2014)