

Entrepreneurial Motivation As A Factor Affecting Small and Medium Enterprises Performance in the coffee subsector in Kenya; A Case Study of Tropical Farm Management Kenya Limited

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ABSTRACT

Tropical Farm Management Kenya Limited has been in the management of coffee Small and Medium Enterprises (SMEs) since 1972. Sasini Tea and coffee, Coffee management services, and sustainable management services are other management companies involved in the management of coffee SMEs since 2000. NKG is the Global Holding Company of TFMKL with substantial global interests in coffee milling, marketing, trading, warehousing, trading and coffee SMEs management. Over the last decade coffee SMEs performance has been declining from a high of 0.37tons/ha to 0.242 tons/ha. Kenya's Sessional paper no 2 of 2005 indentified the SMEs sector in general as engine of economic growth. The coffee SMEs sector directly supports over 700000families in SMEs. In the last decade the sector earned the country over Ksh 100 billion. It is this immense contribution of the sector to the national economy and with the observed declining performance of the sector which acted as a catalyst to the researcher to explore what could be ailing the sector.

The general objective of the project was to explore entrepreneurial motivation factors affecting coffee SMEs performance at TFMKL. The SMEs transcend Kiambu, Murang'a and Nakuru counties. The target population was the 37 SMEs managed by TFMKL. An embedded case study was carried out on the 37 SMEs. A census was used to study all the SMEs .A questionnaire was used to gather primary data. The questionnaire had structured questions which allowed respondents to choose responses from alternatives while unstructured questions allowed respondents to state their views on entrepreneurial factors affecting coffee SMEs performance. The research revealed that the SMEs performance had suffered highly due to lack of entrepreneurial motivation of employees. Frequent transfer of managers before they get acclimatized in their work stations affected performance highly. Wastage of resources, arguments over procedures and professional employment policy too affected performance. The

research recommended that SMEs need to hire professionally competent managers, entrepreneurial motivation culture needed to be embraced in order to eliminate wastage of resources, arguments over procedure and chronic absenteeism at the work place which was affecting performance

Key Words: Coffee SMEs, entrepreneurial motivation, performance.

1.0 Introduction

Globally coffee is the second traded commodity after oil with an estimated global turnover of USD 80 billion (Daily Nation, March 2012). In Kenya, over the last decade coffee has contributed slightly over KSh 100 billion in foreign exchange earnings. The industry supports over 700000 families in SMEs that derive their livelihoods from it. Current area under coffee is 150000 hectares producing less than 50 metric tons annually (CBK, 2012). Over the last decade the coffee SMEs sectors performance has declined from 0.377tons/ha to 0.242 tons /ha. TFMKL has evolved from East African Acceptances estates management division. EMD became TFMKL over the years through formal acquisitions. TFMKL has entered into a management agreement with coffee SMEs to offer management services at a fee and forward profits generated to SMEs owners.

In Kenya SMEs are enterprises employing between 11-100 employees (Sessional Paper No 2 of 2005). The SME sector in Kenya plays a key role in socio economic development of the country where its significance is seen in terms of its contribution towards economic growth, employment creation, poverty reduction and development of an industrial base. Despite its importance the sector is faced with many challenges, these include real estate (due to population increase), declining soil fertility in traditional coffee growing areas, global warming, escalating increase in input costs and capacity among others.

The economic psychological model of entrepreneurship behavior and business performance focuses on handling of scarce economic resources and expresses activities and outcomes in monetary terms. The psychological aspect is concerned with human experience and behavior. The study explored behavior of SMEs managers and how they affect performance of business they manage. Performance is a function of ability, motivation and opportunity (Chandler & Hanks; 1994, Coopers & Gascon, 1992). Ability to identify a business opportunity (entrepreneurial competence) and gathering of scarce resources (managerial competence) are directly related to performance. Business relies on land labour and capital as factors of production to produce goods and services. Business men have little impact on the business they operate in. Entrepreneurship relies on business factors (land, labour and capital) and entrepreneurial skills to produce goods and services. Entrepreneurship goes a step further that is re-inventing the business they operate in by introducing new technology, delivering new products. Entrepreneurs are masters of continuous improvement, Schumpeter's (1934) creative destruction which requires strategic thinking, vision, taking calculated risks, leadership, independence of thought and being comfortable with ambiguity among others. All entrepreneurs are business men but not all business men are entrepreneurs.

A keen observation of SMEs under TFMKL management have over the last decade shown a decline in performance and this prompted the researcher to explore entrepreneurial motivational issues to help throw light on how they have been affecting SMEs performance.

1.1 Statement of the Problem

Entrepreneurship behaviour is dependent on personnel motivations, which in turn depends on environmental characteristics (Mc Clelland, 1961). An entrepreneur carries out three basic functions which are essential for the success of an enterprise. These functions are capital/financial, managerial and booster functions (Guzman&Santos, 2001). Education has a positive impact on success since imagination, inventiveness, flexibility, the capacity to adopt a minimum amount of knowledge of the environment in which the entrepreneur move can all be developed through training.

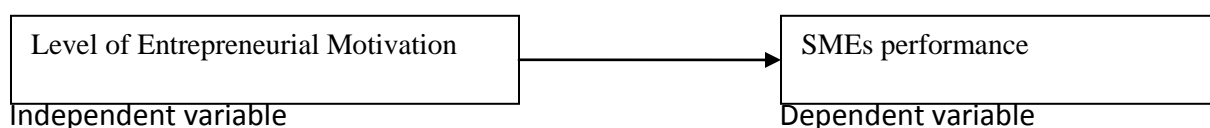
Research by Nyoro, 2002 showed the sectors performance decline. Intervention measures put into place through stabilization for exports (STABEX) and second coffee improvement project (SCIPII) funds proved unsuccessful. Once the programme was discontinued SMEs under TFMKL continued to show decline in performance. Data from Coffee Board of Kenya 2012 showed the sectors performance was on the decline.

2.0 Literature Review

2.1 Theoretical Framework

Models of individual job performance indicate that performance is a function of ability; motivation and opportunity (Chandler & Hanks, 1994; Cooper & Gascon, 1992). They opine ability to identify business opportunity (entrepreneurial competence) and gathering of resources (managerial competence) are directly related to performance. Ability to manage risks, motivation and planning are important determinants of performance. By studying level of entrepreneurial motivation the researcher will be enriching entrepreneurial competence which is a positive contributor of performance.

2.2 Conceptual Framework



2.3 Level of Entrepreneurial Motivation

Motivation levels of employees has a direct influence on the individual output and further more on the level of output of a team of employees (Roja & Avamvareekul, 2000; Butler, 1999). Motivation is an intangible construct that explain human behaviour (Jenkins & Lanfer, 1982). They reveal motivation has a direct impact on performance and can positively influence employees through exertion of external factors such as motives and rewards.

There are very many factors that influence the level of motivation of workers (Gulezian& Samelian, 2003; Cox et al., 2008). Historically motivation was thought to be achieved by having punishments associated with non performance. It should be noted that failure/nonperformance should not be the basis for criticism and punishment but a basis for learning and growth. Today's thinking is more in line to rewarding success (Bullinger&Menvad, 2002). When employees are treated without due regard to their interest they rebel and performance declines. Previous entrepreneurial schemes have concentrated, on bonus payments, penalty

schemes, over time payment, paid leave good working environment, extra responsibility to improve performance (Larn & Tang, 2008).In coffee SMEs research in employee behaviour that is frequent managers transfers effect on performance, wastage of resources, arguments over procedures, have not been explored to shed light on their contribution to performance, which is what this research will explore.

2.4 Coffee SMEs Performance

Performance is the yard stick by which the founder measures success (Chandler& Hanks, 1994). Resources cannot realign themselves to the benefit of SMEs in absence of intellectually capable industry drivers .Calibre of personnel employed within the SMEs will be explored to help shed light of what could be contributing to the observed trends.

2.5 Critique of Existing Literature Relative to the Study

Globally SMEs are taking root as engine of economic growth.At Government level they contribute in wealth creation as well as in generation of revenues through taxation. According to Coffee Board of Kenya about 10% of coffee SMEs have been converted into infrastructure projects over the last decade (Daily Nation, May 2012).Area under coffee has declined and this requires entrepreneurial approaches to boost production. Research has been carried out in other disciplines like engineering on the impact of motivation on performance (Lam&Tang, 2008).No research has been carried on impact of coffee SMEs on performance.

3.0 Research Design

This is the plan that is used to generate answers to the research problem (Orodho, 2003).The research method used was an embedded case study. When you are concerned with a single organization as a whole and you wish to examine a number of legal sub units within the organization, perhaps departments or work groups then your case will inevitably involve more than one unit for analysis (Yin, 2003).The case above involved a study on TFMKL which involved a careful examinations of SMEs under its management and this justifies use of an embedded case study.

The Target population was all the thirty seven SMEs under the management of TFMKL. For populations less than fifty cases it is advisable not to use probability sampling (Henry, 1990).Based on this the researcher used a census. Yin opined that one should collect data from the entire population as the influence of a single extreme case on subsequent statistical analyses is more pronounced than for larger samples. In a census it is presumed all items are covered, and no element of chance is left and highest accuracy is obtained (Kothari, 2008).A census survey is laborious, time and money consuming if the population is large. To mitigate this cost the researchers used a questionnaire to collect data from the respondents using a drop and pick later method. The questionnaire had structured (limited respondents to stated objectives) and unstructured (allowed respondents to give opinion) questions. Pilot testing was done on five SME. The aim was to fine tune the questionnaire to ensure respondents' problem in answering the questions was eliminated. An experts opinion on representativeness and reliability of questions was sought, this aided in ensuring content validity .Use of SMEs managers as respondents improved credibility and reliability of data collected. After data

collection the questionnaire was checked for accuracy and completeness .Raw data was coded and transferred into a database.

4.0 Research Findings: Contribution of level of entrepreneurial motivation on SME performance

Thirty seven questionnaires were given out but thirty were received back, which gave a response rate of eighty one percent. The high response rate was because they were issued and collected by the researcher. Data collected was analyzed using SPSS version 20 and presented using pie charts, frequency tables, percentages and bar charts. The researcher explored several behavioural factors in order to establish how they affect level of motivation at the work place and how this affected performance.

4.1 Duration managers have worked in a SME before transfer

This was explored and it was found 23.3% of the managers were transferred before serving in the SMEs for less than one year. While 57.3 % of the managers were transferred serving in a SME for more than five after serving the SME for between one and five years. The rest were transferred after serving for more than five years. Figure 4.1 demonstrate this graphically in form of a bar chart .If a manager was transferred after staying in a SME within a year then it is clear they had not mastered /internalized intricate on the job aspects of their work. The same applies despite to a lesser extend to those who had served for between one and five years. Inability of not having on the job competencies leads to decline in performance. The fact that they are transferred after a short stay within the SME makes the managers lack interest on the job after all they will be transferred. This acts as a demotivator. Transfer of managers before they are accustomed to a particular SME may have contributed to the dismal performance of the SMEs. Managers who had stayed in their SMEs for longer period before being transferred had better performances ,when their writes up on performance were sampled.

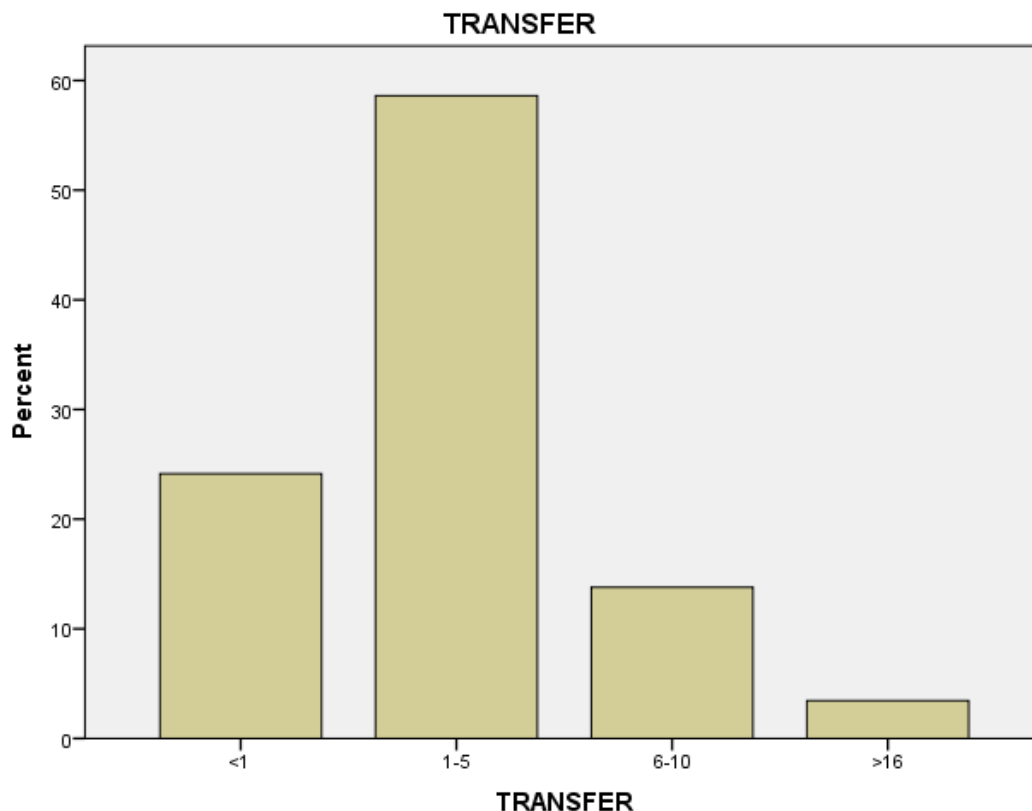


Fig 4.1 Bar chart on duration managers have worked in SME in years before being transferred

4.2 Absenteeism

Absenteeism as parameter affecting performance was explored by the researcher .It was found to affect performance. Absenteeism from work (very often) seemed very highly pronounced in the sense that 26.7% of employees been frequently absent were an indication of low level of motivation in work the workplace. Table 4.1 indicates 56.7 percent of the respondents acknowledged absence From work due to lack of motivation. Absenteeism as consequence leads to loss of work hours and this contributes to less output and as a consequence performance suffers.

Table 4.1 absenteeism from work

Period in Years	Frequency	Percentage
Always	0	0
Very often	8	26.7
Sometimes	17	56.7
Rarely	5	16.6
Never	0	0
Total	30	100

4.3 Wastage of resources

Resources are the key drivers of SMEs. When there is wastage this is an indication that those charged with the resources management do not care. This don not care attitude was an indication of a deeper challenge imbedded within the SMEs. There appears to be a very often (13.3%) and a sometimes (60%) rate of wastage of resources. This is an indication of lethargy and low motivation level on the part of SME workers. The bar graph figure 4.2 shows the findings.

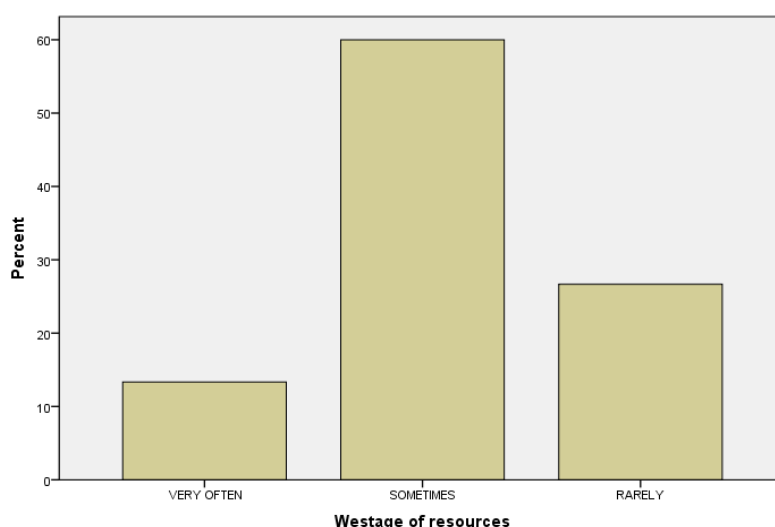


Figure 4.2 Wastage of resources

Wastage of resources within an enterprise implies tasks a done with less resources being available for their completion. This leads to key area being underserved and as a result performance is compromised.

4.4 Arguments over procedures

Arguments over procedures are an indication of lack of clear instructions from those vested with such requirements. It also shows people are not doing what they are supposed to do. Intellectual arguments on the contrary are healthy. Table 4.2 showed a higher level of wastage of times on procedures (at 30 % on a very often scale) an indication of an underlying concern .This the researcher attributed to motivation levels within the SMEs. Since if the managers were well motivated they would give clearer instructions and as a consequence impact positively on performance. This was augmented by data on level of education which was found to be very wanting. Of the total professionals working within the SMEs those who had graduate training were only 36.7 % the rest 63.3% had schooled up to O-level. This was a clear indication of low literacy levels. This was an indication of lack of skills to demystify agronomic challenges. This lack of capacity/qualified professionals to run the SMEs lead to low levels of performance.

Table 4.2 arguments over procedures

Likert Scale	Frequency	Percentage
Always	0	0
Very often	9	30
Sometimes	13	43.3
Rarely	8	26.7
Never	0	0
Total	30	100

4.5 Level of education of SMEs managers

For one to be a good coffee SME performer one requires a certain minimum of technical training in agronomy as well as some basic level of education. So that you can ably demystify agronomy challenges to ones subordinates. This helps build ones level of confidence and perform ones duties as per requirement of job entitlement. In order to understand the technical competencies of the respondents they were asked to indicate their level of education. The results are as in figure 4.3.

From the figure above majority of the managers have not attained university level of education, primary and 0-level contribute 63.3% of all the managers working under SMEs managed by TFMKL. Only eleven (36.7%) of the managers have university education. This clearly showed lack of enough capacity to interpret agronomy functions of the SMEs which are at best technical, thus capacity if lacking. The gaps in capacity have manifested themselves in observed levels of performance.

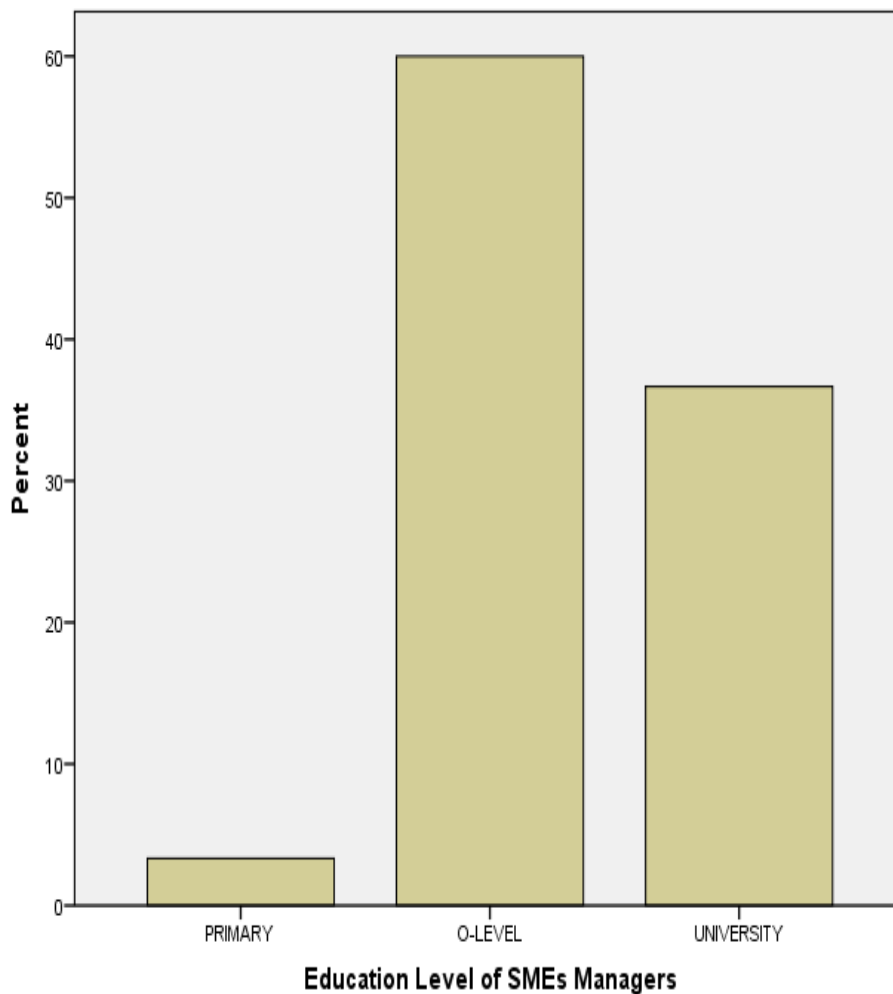


Figure 4.3 Education Level of SMEs managers

From the table above there appears to be lack of uniform policy on capacity development in reference to the number of years manager has served in the SME. The lack of uniform level in training seems to affect capacity and performance.

5.0 Conclusions

From the above analysis the researcher concluded that coffee SMEs under TFMKL face performance challenges which need to be addressed in order to reverse the observed trends. SMEs drivers that is, managers, clerks, supervisors and general workers need their economic and social wants that affect motivation to be addressed. Continuous (kaizen approach) improvement of motivational factors like recognition of service rendered, balancing of managers transfers (non frequent), address causes of absenteeism, fine tune competencies; further training can help improve performance.

Need to address issues of capacity .There is need to try to attract professionals with right talents and reward them. There is need to establish centres of entrepreneurial capacity building and decentralize them in all SMEs areas and always continue training professionals in this area in order to spur performance. It is important to note that different managers are motivated by

different reward mechanisms within the SMEs. A is the responsibility of TFMKL management to really know what motivates who and in which way and ensure such reward mechanism scheme is in place to meet these specific needs.

5.1 Recommendations

Based on outcomes of the research the following recommendations were deemed necessary to improve performance of coffee SMEs

5.1.1 Level of entrepreneurial motivation

There is need for GoK and private sector stakeholders to create a kaizen like environment which motivates the key drivers of the sector, and who in turn will invest their time and skill to improve performance

5.1.2 Areas of further Research

SMEs owners play a key role in the reward mechanism of SMEs managers. It is important to carry out a research on their perception of improvement of terms of SMEs managers. Research on reward mechanism based on skills to come out with the best fit.

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