The Influence of Intellectual Capital on the Growth of Small and Medium Enterprises in Kenya

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Small and medium enterprises in Kenya represent a vital part of the economy, being the source of various economic contributions through; the generation of income via exporting, providing new job opportunities, introducing innovations, stimulating competition, and engine for employment. Intellectual capital appears as the most important and vital component of a knowledge-based economy. The role and importance of small and medium enterprises in a knowledge-based economy has been highly appreciated and acknowledged. Moreover, in the present economy, small and medium enterprises are facing tremendous challenges and threats to survive in a competitive environment. The impact of intellectual capital on the general performance of the Small and medium enterprises has become a very important issue now than ever, this is due to the level of globalization of whose outcomes are privatization and deregulation of markets, aggressive competition and the ever-rising expectations of customers. As a result of this, there is need for businesses to be at their best in order to be relevant in the environment. The paper therefore examines the influence of intellectual capital and growth of small and medium enterprises in Kenya. Most of the studies conducted on the role of intellectual capital have focused on the developed countries outside Africa. It is therefore imperative to explore the role of intellectual capital on this important sector of the economy. From the findings, management's technical skills influenced the growth of small and medium enterprise, mostly followed by managerial experience. Further, the drive/impetus to entrepreneurship influenced the growth of small and medium enterprise mostly followed by risk taking propensity among all the entrepreneurial skills factors.

Keywords: Small and medium enterprises, intellectual capital, structural capital, entrepreneurial skills, privatization and deregulation.

INTRODUCTION

In the globalized and knowledge-based economy, Small and Medium Enterprises (SMEs) need to develop, manage and monitor their soft assets or intellectual capital (IC) to enhance their growth and competitiveness. SMEs compared to larger firms, develop their relational capital with greater ease and use the available knowledge from their associations more readily in order to achieve higher performance [1]. Wealth and growth in today’s world economy are primarily driven by intellectual assets [2]. Sessional Paper No. 2[3] and Ministry of Economic planning report on SMEs [4] however, show that three out of five SMEs fail within their first three years of operation. Would the lack of utilization of intellectual capital be the contributor of this high SME mortality rate in Kenya? Previous studies shows that intellectual capital is associated with a firm’s innovative performance [5-7]. Sufficient intellectual capital enables a firm to create innovations [8].

Hence, the management of a company should improve the intellectual capital in order to enhance innovation performance [9]. Khalique et al. [10] stipulated that intellectual capital is a critical source for organizations to take competitive advantages. In the same way, Collis [11]

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argued that inspite of the importance of intellectual capital, most of the organizations do not grasp the facts on the importance and application of intellectual capital in their organizations. The literature available in chapter two shows that Intellectual capital is a key ingredient of SMEs growth for the production of innovation and creativity [12]. Most of the studies conducted on the role of intellectual capital have focused on the developed countries outside Africa; Kenyan SMEs contribute heavily to the Gross Domestic Product (GDP).

Yet, there is little or no empirical evidence available to this study on role of intellectual capital on this important sector of the economy. It is therefore imperative to explore the actual situation on how this important sector benefits from SMEs. This paper fills that gap.

Background of the Study

The world is moving quickly from a production-based economy to a knowledge-based economy [13] and knowledge storage and application are the basis of economic growth and accumulated capital [14]. Wong and Aspinwall [15] argued that SMEs' close proximity to their customers, enables them to acquire knowledge in a more direct and faster flow, compared to larger firms. In the 21st century entrepreneurs are needed to facilitate the delivery of high value-added products and services as well as the competencies to build consumers' confidence and trust [16].

The impact of intellectual capital on the general performance of the SMEs has become a very important issue now than ever, as this is due to the level of globalization whose outcomes are privatization and deregulation of markets, aggressive competition and the ever-rising expectations of customers. As a result of this, there is need for businesses to be at their best in order to be relevant in the environment.

Small and Medium Enterprises in Kenya

The importance and contribution of SMEs to achieving macroeconomic goals of nations, especially in developing nations, has attracted the attention of scholars in the entrepreneurship discipline in recent years [17]. A complex global environment in which SMEs survive, grow and thrive is, therefore, considered an important objective of policy makers in both developed and emerging economies around the world. SMEs are generally known for their labour intensive activities and also for their use of local resources. Support for SMEs is a common theme because it is recognized that SMEs contribute to the national and international economic growth.

According to the MSE Baseline Survey [18], the sector employed 2.4 million persons. This increased to 5.1 million persons in 2002 as per the 2003 Economic Survey and translates to 675,000 jobs per year. The level of employment within Micro and Small Enterprises (MSEs) in 2002 accounted for over 74.2% of the total number of persons engaged in the country. This is evidence that, with proper development strategies, the sector is capable of providing and surpassing the government's target of creating 500,000 jobs per year. Small enterprise baseline survey; Central Bureau of Statistics [19] also indicates that there is high rate of failure and stagnation among many start-up businesses.

The survey reveals that only 38% of the businesses are expanding while 58% have not added workers. According to the survey, more enterprises are most likely to close in their first three years of operation. This is confirmed by the recent study conducted by the Institute of Development Studies [20] University of Nairobi which used a sample of businesses operating in Central Kenya. This study revealed that 57% of small businesses are in stagnation with only 33% of them showing some level of growth.

According to Kenya Economic Survey [21], out of the total 543.3 new jobs created in Kenya in the year 2009, Micro, Small and Medium Enterprises (MSMEs) created 426.9 of them. This was 89.9% of the total new jobs created in Kenya that year. In the same year, the sector contributed KSh. 806,170 million of GDP which is 59 percent of total Gross Domestic Product [22]. The Kenya economic survey [23] notes that this same sector generated 390.4 thousand new jobs which translated into 87.6 percent of the total jobs generated in 2009. Most countries, Kenya included, cluster small and medium enterprises based on employment [24].

Sessional Paper No. 2 of 1992 [25] and national baseline survey [26], cluster enterprises in the following order; micro enterprises- 1-9 employees; small enterprises 10-49 employees; medium enterprises 50-99 employees, large enterprises -100 and above [27]. According to the Economic Survey [28], the SME sector contributed 79.8% of new jobs created in the year 2011 in Kenya. Consequently, the Kenya’s development plans for the 1989-1993; 1994-1996 and 1997-2001 periods put special emphasis on the contribution of small and medium size enterprises in the creation of employment in the country [22,29-31,]. Job creation in this sector went up by 5.1 percent in 2011.

Analysis by province shows that Nairobi County recorded a 5.4 increase [28]. According to the sessional paper No.2 of [3], SMEs have high mortality rates with most of them not surviving to see beyond their third anniversaries.

Statement of the Problem

According to RoK [28], SMEs contributed to seventy percent of the Gross Domestic Product (GDP) 2011, in Kenya. In the United States, 99.7 per cent Heneman et al. [32], China, 99 per cent [33], Europe, 99 per cent [34], Holland, 95 per cent, Philippines, 95 per cent and Taiwan, 96.5 per cent [35] as well as Malaysia, 99.2 per cent [36]; National SME Development Council [37]; Saleh and Ndubisi [38].

According to World Bank [39], countries with over 90%
growth of GDP achieved the rate from high utilization of intellectual capital by SME owners. Intellectual capital was identified as the key resource to the growth and survival of small and medium enterprises [40]. Intellectual capital has been identified as having capability to innovate an important effect on the enterprise growth and gives to enterprises a better competitive advantage [5-7]. The information on the background of the study reveals that SMEs have a very low survival rate. Sessional Paper No. of 2005 [3] and Ministry of Economic planning report on SMEs [4] show that three out of five SMEs fail within their first three years of operation. Would the lack of utilization of intellectual capital be the contributor of this high SME mortality rate in Kenya? Previous studies show that intellectual capital is associated with a firm's innovative performance [5-7]. Sufficient intellectual capital enables a firm to create innovations [8], and hence management of a company should improve the intellectual capital in order to enhance innovation performance [9].

Khalique et al. [10] stipulated that intellectual capital is the most important and vital component of competitive advantage in organisations. In the same way, Collis [11] argued that in spite of the importance of intellectual capital, most organizations do not grasp the facts on the importance and application of intellectual capital in their organizations. The literature available shows that intellectual capital is a key ingredient of SMEs growth for the production of innovation and creativity [12].

Most of the studies conducted on the role of Intellectual capital have focused on the developed countries outside Africa; Kenyan SMEs contribute heavily to the GDP. Yet, there is little or no empirical evidence available to this study on role of intellectual capital on this important sector of the economy. It is therefore imperative to explore the actual situation on this important sector. This study embarks to fill this gap.

Objectives of the Study

(i) To establish the influence of managerial skills on the growth of SMEs in Kenya
(ii) To assess the influence of Entrepreneurial skills on the growth of SMEs in Kenya
(iii) To find out the influence of innovativeness on the growth of SMEs in Kenya
(iv) To establish the influence of structural capital on the growth of SMEs in Kenya
(v) To find out the influence of customer capital on the growth of SMEs in Kenya

Rationale of the Study

The study findings will be of great importance to the management since it will address the most critical factors pertaining to intellectual capital which influences the growth of SMEs in Kenya. This will contribute to a greater understanding on various challenges SMEs in Kenya go through in trying to attain sustainable growth. The study will also be important to investors who increasingly rely on services provided by SMEs.

The study findings of this study will be of critical importance to the government as it will bring into light various policies which are detrimental to the growth of SMEs in Kenya and address these factors according to the research recommendations.

Theoretical Review

Human Capital Theory

The significance of the human capital theory is that it regards people as assets and stresses that investment by organizations in people will generate worthwhile returns. It proposes that sustainable competitive advantage is attained when the firm has a human resource pool that cannot be imitated or substituted by its rivals [41]. The concept views workers as key resource managers used to achieve competitive advantage for their companies Fombrun et al. [42]. Flamholtz, as cited in Rao [43], defined human resource/capital accounting as accounting for people as an organisational resource. It involves measuring the costs incurred by organisations to recruit, select, hire, train and develop human assets. It also involves measuring the economic value of people to the organisation.

Beer et al. [44] added that there should be a long term perspective in managing people and urged that people should be considered assets rather than merely variable costs.

Empirical Review

According to Roos et al. [45] in their study on measuring a company's intellectual growth, customer capital is the relationship between firms and their customers. The study concluded that knowledge of marketing channels and customer relationships is the main theme of customer capital. Frustrated managers often do not recognize that they can tap into a wealth of knowledge from their own clients. Kohli [46] indicates that understanding what customers want in a product or a service better than anyone else is what makes someone a business leader as opposed to a follower.

A longitudinal study of Subramaniam [5], examined how aspects of intellectual capital, human capital, organizational capital and social capital influenced various innovative capabilities (incremental and radical) in companies. In a longitudinal study of 93 companies in various industries, they found that human capital, organizational capital and social capital and their interrelationships selectively influence incremental and radical innovative capabilities. Organizational capital positively influenced incremental innovative capability,
Innovation, as it positively influenced factors and mediation. The α is an error term normally distributed about a mean of 0.

Ngah [48] used questionnaire to survey Malaysian small and medium enterprises in order to determine the relationship of intellectual capital, innovation and organizational performance. In the preliminary study, they found that human capital, contributes more to innovation and organizational performance than structural and relational capital.

**METHODOLOGY OF THE STUDY**

This study adopted a descriptive approach as it has enough provision for protection of bias and maximized reliability [49]. Descriptive design uses a preplanned design for analysis Mugenda and Mugenda [50].

In this study, measures of central, dispersion and distribution will be applied. Karanja [51] carried out a similar study to identify challenges hindering sustainability of Small and Medium Family Enterprises after the exit of the founders in Kenya. The research designs best suited for this research were exploratory and descriptive research designs. Exploratory research design is a flexible design that allows the researcher to consider many different aspect of a problem, while descriptive survey is a method of collecting information by interviewing or administering a questionnaire to a sample of individuals [52]. According to a study by the Ministry of Industrialization [53] carried out in Nairobi, found that the number of SMEs in Nairobi County was 3100.

Therefore the study targeted 3100 SMEs in Nairobi County. The respondents were required to complete the questionnaire voluntarily and the researchers provided assistance in filling up the questionnaires where required. All the questionnaires were returned and were checked for plausibility, integrity and completeness resulting in all cases being usable. Out of the 3100 SMEs targeted, 3100 of them filled the questionnaires given making a 100% response rate as shown in (Table 1) below. The study targeted these areas because of the rural and urban influences.

The businesses were further classified into the following sector which includes manufacturing, trade and services. Statistical Package for Social Science (SPSS) was used to code and enter the data. A multiple regression analysis was conducted so as to determine the relationship between managerial factors and employee level of satisfaction. The businesses were further classified into the following sectors which include; manufacturing, trade and services. A multiple regression analysis was conducted so as to determine the relationship between intellectual capital factors and growth of SMEs. The regression equation took the form:

\[ Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + \alpha \]

Y = The dependent variable (Growth of SME)
\( \beta_0 \) = Regression coefficient
\( \beta_1, \beta_2, \beta_3, \beta_4 \) and \( \beta_5 \) = slopes of the regression equation
X1 = Managerial Skills independent variable
X2 = Entrepreneurial skills variable
X3 = Innovativeness independent variable
X4 = Structural capital independent variable
X5 = Customer’s capital independent variable
\( \alpha \) is an error term normally distributed about a mean of 0 (for purposes of computation, the \( \alpha \) is assumed to be 0) for Table 1.

**FINDINGS AND DISCUSSIONS**

**Managerial Skills**

As observed from Table 2 above, among the managerial skills factors, management's technical skills influenced the growth of SMEs most followed by managerial experience. This study therefore supports studies done by Papulova [54] who observed that technical skills are important in businesses that relate to engineering and other technical orientations.
Table 2. The extent that Managerial Skills influenced the growth of SMEs.

<table>
<thead>
<tr>
<th></th>
<th>Very Great extent</th>
<th>Great extent</th>
<th>Moderate extent</th>
<th>Little extent</th>
<th>No extent</th>
<th>Mean</th>
<th>Stdev</th>
</tr>
</thead>
<tbody>
<tr>
<td>Management's innovativeness</td>
<td>73.5</td>
<td>16</td>
<td>6.1</td>
<td>2.0</td>
<td>2.0</td>
<td>4.6</td>
<td>0.3</td>
</tr>
<tr>
<td>Managerial experience</td>
<td>30.6</td>
<td>31</td>
<td>16.3</td>
<td>12.2</td>
<td>10.2</td>
<td>3.6</td>
<td>0.2</td>
</tr>
<tr>
<td>Manager’s interpersonal skills and organizational capability</td>
<td>40.8</td>
<td>31</td>
<td>16.3</td>
<td>8.2</td>
<td>4.1</td>
<td>4.0</td>
<td>0.3</td>
</tr>
<tr>
<td>Training and experience of managers</td>
<td>22.4</td>
<td>33</td>
<td>26.5</td>
<td>8.2</td>
<td>10.2</td>
<td>3.5</td>
<td>0.1</td>
</tr>
<tr>
<td>Managers’ technical skills</td>
<td>73.5</td>
<td>16</td>
<td>6.1</td>
<td>2.0</td>
<td>2.0</td>
<td>4.6</td>
<td>0.1</td>
</tr>
</tbody>
</table>

Table 3. The extent that Entrepreneurial skills influenced the growth of SMEs.

<table>
<thead>
<tr>
<th></th>
<th>Very Great extent</th>
<th>Great extent</th>
<th>Moderate extent</th>
<th>Little extent</th>
<th>No extent</th>
<th>Mean</th>
<th>Stdev</th>
</tr>
</thead>
<tbody>
<tr>
<td>The drive/impetus to entrepreneurship</td>
<td>36.7</td>
<td>27</td>
<td>12.2</td>
<td>12.2</td>
<td>12.2</td>
<td>3.77</td>
<td>0.3</td>
</tr>
<tr>
<td>Risk taking propensity</td>
<td>30.6</td>
<td>31</td>
<td>16.3</td>
<td>12.2</td>
<td>10.2</td>
<td>3.94</td>
<td>0.2</td>
</tr>
<tr>
<td>Knowledge, skills and motivation to encourage entrepreneurial success</td>
<td>36.7</td>
<td>27</td>
<td>12.2</td>
<td>8.2</td>
<td>4.1</td>
<td>3.66</td>
<td>0.3</td>
</tr>
<tr>
<td>Incentives for innovative employees</td>
<td>22.4</td>
<td>33</td>
<td>26.5</td>
<td>8.2</td>
<td>10.2</td>
<td>3.85</td>
<td>0.1</td>
</tr>
<tr>
<td>Newly acquired entrepreneurial skills</td>
<td>73.5</td>
<td>16</td>
<td>6.1</td>
<td>2.0</td>
<td>2.0</td>
<td>4.65</td>
<td>0.1</td>
</tr>
</tbody>
</table>

Entrepreneurial Skills

From Table 3 above, the drive/impetus to entrepreneurship influenced the growth of SMEs most followed by risk taking propensity among all the entrepreneurial skills factors. This collates with studies done by Shapero [55] where they discussed the social influences that drive one into entrepreneurship as impetus of the momentum factors and situational factors. The momentum factors were found to include life path factors like push and pull from peers, parents and others, in between things, divorced, sacked and immigrant factors.

Innovativeness

From Table 4, it therefore, among the factors on innovativeness, the firm’s incentives contributed the most to the growth of SMEs in Kenya.

Structural capital

From Table 5, it means that the most effective structural capital factor influencing growth of SMEs was efficiency of the firm followed by systems that allow easy information access.

Customer capital

Longevity of relationships contributed the most to growth of SMEs, compared with other factors about the influence Customer capital on the growth of SMEs (Table 6). According to Crossan et al. [56] the essence of customer capital is the knowledge embedded in relationships external to the firm. Its scope lies external to the firm and external to the human capital nodes.
### Table 4. The extent that Innovativeness influenced the growth of SMEs

<table>
<thead>
<tr>
<th></th>
<th>Very Great extent</th>
<th>Great extent</th>
<th>Moderate extent</th>
<th>Little extent</th>
<th>No extent</th>
<th>Mean</th>
<th>Stddev</th>
</tr>
</thead>
<tbody>
<tr>
<td>Good average of sales of new products</td>
<td>65.3</td>
<td>22</td>
<td>4.1</td>
<td>6.1</td>
<td>2.0</td>
<td>4.4</td>
<td>0.3</td>
</tr>
<tr>
<td>Firm support of employees’ innovation</td>
<td>40.8</td>
<td>35</td>
<td>8.2</td>
<td>14.3</td>
<td>2.0</td>
<td>4.0</td>
<td>0.2</td>
</tr>
<tr>
<td>Firm’s incentives</td>
<td>55.1</td>
<td>29</td>
<td>8.2</td>
<td>6.1</td>
<td>2.0</td>
<td>4.3</td>
<td>0.3</td>
</tr>
<tr>
<td>SMEs launching something new only to find out that customers don’t want it</td>
<td>34.7</td>
<td>29</td>
<td>14.3</td>
<td>18.4</td>
<td>4.1</td>
<td>3.7</td>
<td>0.3</td>
</tr>
<tr>
<td>Management support to innovation</td>
<td>73.5</td>
<td>16</td>
<td>6.1</td>
<td>2.0</td>
<td>2.0</td>
<td>4.6</td>
<td>0.1</td>
</tr>
</tbody>
</table>

### Table 5. The extent that Structural capital influenced the growth of SMEs

<table>
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<tr>
<th></th>
<th>Very Great extent</th>
<th>Great extent</th>
<th>Moderate extent</th>
<th>Little extent</th>
<th>No extent</th>
<th>Mean</th>
<th>Stddev</th>
</tr>
</thead>
<tbody>
<tr>
<td>Efficiency of the firm</td>
<td>36.7</td>
<td>27</td>
<td>12.2</td>
<td>12.2</td>
<td>12.2</td>
<td>3.6</td>
<td>0.3</td>
</tr>
<tr>
<td>Systems that allow easy information access</td>
<td>30.6</td>
<td>31</td>
<td>16.3</td>
<td>12.2</td>
<td>10.2</td>
<td>3.6</td>
<td>0.2</td>
</tr>
<tr>
<td>Procedures that support innovation</td>
<td>40.8</td>
<td>31</td>
<td>16.3</td>
<td>8.2</td>
<td>4.1</td>
<td>4.0</td>
<td>0.3</td>
</tr>
<tr>
<td>Firm being a bureaucratic nightmare</td>
<td>22.4</td>
<td>33</td>
<td>26.5</td>
<td>8.2</td>
<td>10.2</td>
<td>3.5</td>
<td>0.1</td>
</tr>
<tr>
<td>Low cost per transaction</td>
<td>73.5</td>
<td>16</td>
<td>6.1</td>
<td>2.0</td>
<td>2.0</td>
<td>4.6</td>
<td>0.1</td>
</tr>
</tbody>
</table>

### Table 6. The extent that customer capital influenced the growth of SMEs

<table>
<thead>
<tr>
<th></th>
<th>Very great extent</th>
<th>Great extent</th>
<th>Moderate extent</th>
<th>Little extent</th>
<th>No extent</th>
<th>Mean</th>
<th>Stddev</th>
</tr>
</thead>
<tbody>
<tr>
<td>Longevity of relationships</td>
<td>78</td>
<td>14</td>
<td>6</td>
<td>2</td>
<td>0</td>
<td>4.7</td>
<td>0.1</td>
</tr>
<tr>
<td>Customers being generally satisfied</td>
<td>24</td>
<td>66</td>
<td>8</td>
<td>2</td>
<td>0</td>
<td>4.1</td>
<td>0.1</td>
</tr>
<tr>
<td>Reduced problem solving</td>
<td>32</td>
<td>34</td>
<td>32</td>
<td>2</td>
<td>0</td>
<td>4.0</td>
<td>0.3</td>
</tr>
<tr>
<td>Market share being highest</td>
<td>34</td>
<td>36</td>
<td>26</td>
<td>4</td>
<td>0</td>
<td>4.0</td>
<td>0.2</td>
</tr>
</tbody>
</table>

### Regression Analysis

Coefficient of determination explains the extent to which changes in the dependent variable can be explained by the change in the independent variables or the percentage of variation in the dependent variable (Growth
Table 7. Model Summary

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.63</td>
<td>.133</td>
<td>.3195</td>
<td></td>
</tr>
</tbody>
</table>

Table 8. ANOVAb

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Regression</td>
<td>4</td>
<td>11.745</td>
<td>87.853</td>
<td>.000a</td>
</tr>
<tr>
<td></td>
<td>Residual</td>
<td>92</td>
<td>0.134</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>59.278</td>
<td>96</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

of SMEs) that is explained by all the five independent variables (Managerial Skills, Entrepreneurial skills, Innovativeness, Structural capital and Customer capital) (Table 7).

The four independent variables that were studied, explain only 79.3% of the Growth of SMEs as represented by the R2. This therefore means that other factors not studied in this research contribute 20.7% too of the Growth of SMEs. Therefore, further research should be conducted to investigate the other factors (20.7%) that affect Growth of SMEs.

From Table 8, the significance value is .000 which is less than 0.05 thus the model is statistically significant in predicting Managerial Skills, Entrepreneurial skills, Innovativeness, Structural capital and Customer capital).

The Coefficient of Determination

The researcher conducted a multiple regression analysis so as to determine the relationship between Growth of SMEs and the five variables. From the inferential statistics obtained, the regression equation:

\[ Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \beta_5X_5 + \epsilon \]

becomes:

\[ Y = 4.429 + 2.465X_1 + 0.687X_2 + 1.673X_3 + 0.949X_4 + 0.655X_5 + \epsilon. \]

Where Y is the dependent variable (Growth of SMEs), X1 is the Managerial Skills variable, X2 is Entrepreneurial skills variable, X3 is Innovativeness variable, X4 is Structural capital and X5 is Customer capital.

According to the regression equation established, taking all factors into account (Managerial Skills, Entrepreneurial skills, Innovativeness, Structural capital and Customer capital) constant at zero, Growth of SMEs will be 4.429. The data findings analyzed also show that taking all other independent variables at zero, a unit increase in Managerial Skills will lead to a 2.465 increase in Growth of SMEs; a unit increase in Innovativeness will lead to a 1.673 increase in Growth of SMEs; a unit increase in Entrepreneurial skills will lead to a 1.187 increase in Growth of SMEs, a unit increase in Structural capital will lead to a 0.949 increase in Growth of SMEs; a unit increase in Structural capital will lead to a 0.655 increase in Growth of SMEs. This infers that Managerial Skills contributes more to the Growth of SMEs followed by Innovativeness.

At 5% level of significance and 95% level of confidence, Managerial Skills had a 0.004 level of significance; Entrepreneurial skills showed a 0.024 level of significant, Innovativeness showed a 0.006 level of significant, Structural capital had a 0.032 level of significance while social capital had a 0.037 level of significance; hence the most significant factor is Managerial.

CONCLUSIONS

The objective of this study was to find out the Influence of Intellectual Capital on the growth of Small and Medium Enterprises in Kenya. From the findings presented above, out of the managerial aspects, the conclusion is that the management’s innovativeness is the most significant factor towards the growth of Small and Medium Enterprises in Kenya.

On the entrepreneurial skills variable, the study concludes that the drive/impetus to entrepreneurship influences the growth of SMEs most followed by risk taking propensity.

Recommendations

Since managerial innovativeness is the most significant factor influencing the growth of Small and Medium Enterprises in Kenya, managers should therefore try to get more innovative and think unconventionally through creating an innovative culture by giving themselves time and the resources needed to develop a new mindset and skills. They should also understand their SMEs.
innovation strategies and align their projects to these strategies.

REFERENCES


[37] National SME Development Council (NSDC), 2009.


[52] Orodo states that stratified sampling is applicable if a population from which a sample is to be drawn does not constitute an homogeneous group. 2003.


