

## **INFLUENCE OF EMPLOYEES COMPETENCE ON THE USE OF BUSINESS ADVISORY SERVICES IN MICRO AND SMALL ENTERPRISES IN KENYA**

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**ABSTRACT:** *Advisory services facilitate sustainable growth and profitability of small and medium enterprises. The objective of the study was to determine the influence of employees competence on the use of business advisory services in micro and small enterprises in Kenya. The study adopted a descriptive survey research design and the target population was 58 registered small and medium manufacturing enterprises in Kenya, industrial area of Nairobi County. A census approach was used as a sample size of the population target as a census. Purposive sampling method was used by the researcher to purposely reach the target group of small and medium enterprises owners. The respondents were the chief executive officers of the small and medium enterprises within the sample frame. Questionnaires were used as the main data collection instruments and the data collected was analyzed using measures of central tendency, dispersion and inferential statistics. Statistical software for social sciences (SPSS) was used as statistical tool for data analysis. Multiple regression models were used to establish the influence that the independent variables under study had on the dependent variable. Data was presented by frequency tables, pie charts and bar graphs. The study findings showed that many microenterprises were not using business advisory services as result of low level of employees competency. The study thus concluded that the use of business advisory services is influenced by employee's competence. Employees' competence factors notably; employees competence of individual micro and small enterprise, number of on-job trainings given to employees, level of education considered when hiring, formal skills, access to information and labour productivity and employees engagement to attend business forums plays a key role in influencing how microenterprises use business advisory services. The study recommended that because business advisory services bring in new and fresh ideas into the business and also being a catalyst for change in the organization which brings growth and success to its organization, the managers and owners of microenterprise should seek business advisory services by providing employees with basic training and skills acquisitions opportunities should be provided to the employees formally and informally in order for them to be competent in operating the business organization. All business organization should therefore seek business advisory services in order for them to grow.*

**KEYWORDS:** Business Advisory Services, Employees Competence.

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## **INTRODUCTION**

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 (Kubr, 2002). 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).

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 labour and skills of an employee which affects the productivity level of an employee 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 (Loasby, 2002). Employee competencies refer to the capability individuals have for acting in different situations for creating assets. This is important because without people, the company will not exist. These competencies depend on five factors: explicit knowledge or formal education; practice, knowing how to do things, acquiring training and practice; experience, thus knowledge acquired on the job practice; values, and social nets or relations among individuals within an environment and culture. There is considerable evidence that competence of employees in a firm have a direct influence on whether the firm is able to seek external advice or not (McKenzie, 2009). Competence refers to number of workers and the skills they possess including 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) and the skills the workers possess, business and training plans for the workers including level of awareness of the management staff and the board of directors in an organisation (Hasovic, 2010).

Competence in this case is a critical resource which an organisation must have to function. Some of these resources originate from an organisation's 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 for power. Power can enable an organisation to access advisory services. A legal micro and small enterprise can acquire business advisory service from the providers. 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.

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. 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). This paper 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.

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. According to a report published in the journal of economic literature in the year 2000 in Kenya, the share of MSEs in providing employment was higher compared to the formal sector. 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.

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 social, economical and geographical 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. According to the economic survey (2006), the 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.

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 Kenya institute of management conference (2012) lack of business advisory services as one of the causes of failure of MSEs in Africa, Kenya included since business counseling, research consultancy and monitoring by the MSEs sector are some of the ways of enhancing business performance. However, the conference did not explore on the factors influencing the use of business advisory services in MSEs. It is against this information gap that this study sought to determine the influence of employees competence on the use of business advisory services in micro and small enterprises in Kenya.

## **LITERATURE REVIEW**

### **Theoretical Framework**

The theoretical framework relates to the philosophical basis on which the research was carried. In this study the theoretical framework consisted of theories related to the influence of employees competence on the use of business advisory services in micro and small enterprises.

### **Resource Dependency Theory**

Resource dependency theory advocates that; organisations depend on resources, these resources originate from an organisation's environment and the environment to a considerable extent 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 exchanged or sought from other organisations. Employees competence determines the strength of the 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 (Amy,2013). 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 determine the influence of employees competence on the use of business advisory services in micro and small enterprises in Kenya.

### **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 & 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 determined 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 configure around the core competencies and 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. Employees 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 determine the influence of employees' competence on the use of business advisory services in micro and small enterprises in Kenya.

### **Empirical Literature**

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 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)survey report results indicated that out of 2,474 SME



respondents 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 (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 prior 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 with considerable attention paid to their availability, quality, cost and use of external advice services, whether provided by private sector organizations, legal advisors, management consultants or trainers, but 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 advisory services 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 mediation of 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. It has been observed that financial intermediaries play an important role in supporting entrepreneurs who start innovative activities such as new businesses. The findings show that most of the respondents agreed with the fact that, they received a lot of support from the financial intermediaries, Support received enhanced business growth, Growth of business is attributed to the nature of support received as accounted by 49.2 percent, who agreed that they received a lot of support, 73.5 percent said that support received enhanced business growth and 55.6 percent strongly agree and agree cumulative responses. The findings of the study showed the role played by financial intermediaries in promoting SMEs' growth in Kenya. Njaramba & Ngugi (2014) carried out a study which indicated that in Kenya, the problem facing SMEs in

the adoption of financial advisory services is not different from the other countries. The SMEs depend, mostly, on informal institutions as they lack an awareness of important business information provision agencies or institutions. SME performance can be increased via receiving information and advice. The evidence indicates that SMEs perceive a benefit from external advisory services from finance officers, but there is a little empirical evidence as few SME have adopted these services.

Gupta & 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 employees 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. According to Gupta *et al.*, (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 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. 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 initial vocational training act and advise companies and trainees. Companies are visited by an advisor from a chamber. Karra (2008) observed 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 if it guarantees 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 on 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 programs. 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. Such research all, to a certain extent, verified 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 with Bird theory of entrepreneurial competencies, the study views entrepreneurial competencies as a mechanism whereby the likelihood of achieving business success can be improved. Findings revealed that business environment influence the success of business in the SME's. Thus, education and training influence the development of business and the attributes lead to the success of business of the SME's.

Njaramba & 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. The study findings showed that to an extend personal competence/skills affect the adoption of financial advisory services in an organization. Majority of the respondents interviewed strongly agreed that for firms to grow, they need to obtain expert knowledge from external service providers and embed this knowledge into their firms. Their response scored a mean score of 3.0492. The respondents agreed that there is unavailability of sufficient evidence of the benefits of such services as shown by 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 as shown by a mean score of 2.9016, respondents moderately agreed that SME owner/managers are unaware of their own weaknesses to ask for support and advice as shown by a mean score of 2.5738, respondents disagreed that SME owner/managers are frequently not aware of the range of support services and advice available to them as shown by a mean score of 1.1967. A study by Okumu (2007) revealed that entrepreneurial know-how is one of the main sources on which the innovative capability of SME's is based which also encounter many difficulties when they autonomously have to fund costly research and 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. This study aimed to determine the influence of employees competence on the use of business advisory services in micro and small enterprises in Kenya

## METHODOLOGY

The study adopted a descriptive survey research design. A population of 58 registered small and medium manufacturing enterprises in industrial area of Nairobi County. A census approach was used as a sample size of the population target as a census. Purposive sampling method was used by the researcher to purposely reach the target group of small and medium enterprises owners. The respondents were the chief executive officers of the small and medium enterprises within the sample frame. A pilot study was done to pre-test the research questionnaires to ensure reliability and validity. Data collected was analyzed using measures



of central tendency, dispersion and inferential statistics. Statistical software for social sciences (SPSS) was used as statistical tool for data analysis. Multiple regression models were used to establish the influence that the independent variables under study had on the dependent variable. Data was presented by frequency tables, pie charts and bar graphs

The multiple regression model applied was in the form;

$$Y = B_0 + B_1X + \epsilon$$

Where:

Y= Use of Business advisory services

X1= Employees Competence

B<sub>0</sub> = Constant of Regression

B = slope (gradient) showing rate dependent variable is changing for each unit change of the independent variable.

## RESULTS AND DISCUSSION

The main purpose of the study was to determine the influence of employee's competence on the use of business advisory services in micro and small enterprises in Kenya. The study gathered data based on key notable aspects that determine the level of employees competence in microenterprises. These included; employees competence of individual micro and small enterprise, number of on-job trainings given to employees, level of education considered when hiring, formal skills, access to information and labour productivity and employees engagement to attend business forums.

The number of on job trainings given to employees across three years was a sub variable used to measure the employee competence of the MSEs. The sub variable was measured for the three years 2012, 2013 and 2014. Table 4.5 shows the descriptive results of the sub variable number of on job training. In 2012 the researcher deduced that, 13 MSEs had given 0 on-job trainings to their employees, 19 had given 1 on-job training, 9 had given 2 trainings, 6 had given 3 trainings and 5 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 showed that in 2013, 10 MSEs had given 0 on-job trainings to their employees, 18 had given 1 training, 10 had given 2 trainings, 7 had given 3 trainings and 5 MSEs had given 4 on-job trainings to their employees. The modal class was 2 implying that on average, most of the MSEs gave 1 on-job training to their employees in the year 2013. In 2014, 5 MSEs had given 0 on-job trainings to their employees, 20 had given 1 training, 11 had given 2 trainings, 8 had given 3 trainings and 5 MSEs had given 4 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 2014. The totals across the three years showed that 28 MSEs had given 0 trainings on-job training to their employees, 57 had given 1 training, 30 had given 2 trainings, 21 had given 3 trainings and 5 MSEs had given 4 trainings. The modal class was 2. This implies that on average, the MSEs being studied had given 1 on job training to their employees across the three years under study.

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. The results are resented on table 4.6. The study found that 1 of the sampled MSEs considers as low as Primary school leavers when hiring, 8 MSEs consider as low as Secondary school leavers, 17 consider at least persons with Post-Secondary school training. 17 MSEs consider those who have at least gone through College and 5 of the MSEs only considers University graduates and above when hiring new employees. The modal class was found to be 4 which implies that most of the MSEs will consider persons who have at least attended college when hiring new employees. The percentage of employees who possess formal skills was also used as a sub measure for employee competence of the MSEs. From the study, 5 MSEs stated that only 0 to 9% of their employees have formal skills, 8 MSEs said to have 10 to 19% employees with formal skills, 10 MSEs had 20 to 29% of employees with formal skills. 18 MSEs said they have up to 30 to 39% of employees possessing formal skills while 5 only MSEs had 40% and above of employees with formal skills. The modal class was 4, thus the researcher deduced that on average, MSEs have between 30% to 39% of employees possessing formal skills.

Employees' level of access to information regarding products, markets and general business information in the industry was the other indicator used to measure the competence of employees of an MSE. The study results showed that 6 of the sampled MSEs as low as 0 to 9% of employees have access to information regarding products, markets and general business information in the industry. 8 MSEs were found to have between 10 to 19% of their employees have access to the same information, 19 had 20 to 29% of employees with access to the information, 12 MSEs had 30 to 39% of employees and only 5 MSEs had 40% and above of employees have access to information regarding products, markets and general business information in the industry. The modal class was 3 which implies that regarding employees with access to information regarding products, markets and general business information in the industry, MSEs on average 20 to 29% of their employees with information access.

The study also considered labour productivity to measure employee competence of the MSEs. The sub variable labour productivity was measured for the three years 2012, 2013 and 2014. The results for 2012 showed that, no MSEs had as low as 0 to 9% labour productivity. 10 MSEs had between 10 to 19% labour productivity, 24 had 20 to 29% productivity, 11 had 30 to 39% productivity and only 5 MSEs had up to 40% and above labour productivity. The modal class of 3 implies that the MSEs on average recorded between 20 to 29% labour productivity in the year 2012. The year 2013 results also showed that no MSEs had labour productivity as low as 0 to 9% in the year. 7 MSEs had between 10 to 19% labour productivity, 21 had 20 to 29% productivity, 14 had 30 to 39% and only 5 MSEs had up to 40% and above labour productivity records. The modal class was also 3 in that year implying that on average that the MSEs also recorded between 20 to 29% labour productivity in the year 2013. The 2014 results had No MSEs recording labour productivity below 10%. 7 MSEs had between 10 to 19% labour productivity, 21 MSEs had 20 to 29% productivity, 15 had 30 to 39% and 5 MSEs had 40% and above labour productivity. The modal class was 3 implying that on average that the MSEs also recorded between 20 to 29% labour productivity in the year 2014

The study revealed that 8 MSEs did not engage their employees at all to attend business forums (meeting) in the year 2012. 16 MSEs engaged their employees once to attend business forums, 13 MSEs engaged their employees twice, 8 engaged them 3 times and 5 MSEs

engaged their employees up to 4 times to attend business forums (meeting) in the year 2012. The modal class was 2. On average the enterprises engaged their employees only once to attend business forums in the year 2012. 9 MSEs did not engage their employees at all to attend business forums (meeting) in the year 2013. 11 MSEs engaged their employees once to attend business forums, 19 MSEs engaged their employees twice, 3 engaged them 3 times and 10 MSEs engaged their employees up to 4 times to attend business forums (meeting) in the year 2013. The modal class was 3. This implies that On average the enterprises engaged their employees twice to attend business forums in the year 2013. 6 MSEs did not engage their employees at all to attend business forums (meeting) in the year 2014. 16 MSEs engaged their employees once to attend business forums, 13 MSEs engaged their employees twice, 7 engaged them 3 times and 10 MSEs engaged their employees up to 4 times to attend business forums (meeting) in the year 2014. The modal class was 2 implying that in the year 2014, the enterprises engaged their employees only once to attend business forums averagely.

Mc Kenzie (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 & 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 Germany 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 & Ngugi (2014) in their study on factors affecting adoption of financial advisory services 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 most MSEs have only between 30% - 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 obstacle that prevents SMEs from taking systematic approaches to training and competence development in their business. The findings from his study revealed that most SMEs 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 SMEs, public and private training providers also come to provide support to SMEs in developing systematic approaches to their work forces but also fail to encourage many SMEs to seek business advisory services, because their training programmes 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 labour products required to develop a business. The findings from this study indicates that on average 20%-29% of employees have access to these information either through business meetings or business forums. This level is inadequate for high level of performance for any Mses. The research findings also indicated that on the average most Mses record 20-29% of labour 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 today operations than long term issues and more opportunistic than strategies.

The study revealed that most of the MSes do not seek business advisory services from the providers and majority of those that sought help need only as low as 0-9%.of the advice, 17 out of 52 business organization studied need help in training inorder for their business to grow and most of the MSes studied needed training in production inorder for their businesses to grow. Need for training in marketing of the products of the business also ranked very high in the study. The study findings indicate that most MSes recognize training as an important phenomenon in the success of their businesses. The most important types of training needs include; management, marketing and production. Wanjohi and Mugure (2008) concurs with the 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, lack of skills, lack of credit, national policy and regulatory enrolment as some of the factors affecting growth of Smes. 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.

The summary of regression model results presented in table 1showed that the coefficient of determination value of R and  $R^2$  are .982 and .963 respectively. This shows that there is 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 0.963. This means that 96.3% 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 3.7% of the variation in the dependent variable unexplained by this one predictor model but by other factors.

**Table 1: Model Summary Employees competence and use of business advisory services**

<b>R</b>	<b>R Square</b>	<b>Adjusted R Square</b>	<b>Std. Error of the Estimate</b>
<b>0.982</b>	0.96343	0.9627	0.19313

The results of the Analysis of Variance ANOVA on the Employees competence of an MSE versus use of business advisory services presented in table 2 showed that employees competence of an MSE have 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 the coefficient of Employees competence is at least not equal to zero. The results of the analysis of variance ANOVA on the variables employees competence versus use of business advisory of an MSE shows that employees competence has a significant effect on the MSEs use of business advisory services. The findings of the analysis are confirming Gupta & 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 findings of the analysis also confirms Man (2002) findings in a study conducted in India on the competence of employees on performance of the individual Smes. His study revealed that entrepreneurial competence really affects the performance of newly founded enterprises. The findings also affirms Madatta (2011) research findings on a study conducted in Tanzania to examine the relationship between entrepreneurial competencies and business success in Smes. The results of his study indicated that entrepreneurial competencies is a mechanism that enhances the likelihood of achieving business success

**Table 2 ANOVA table, Employees competence and use of business advisory services**

	Sum of Squares	df	Mean Square	F	Sig.
Regression	49.13498823	1	49.135	1317.283598	.000 <sup>b</sup>
Residual	1.865011767	50	0.0373		
Total	51	51			

The study further determined the beta coefficients of employee competence. Table 3 shows the results of Coefficient of employee competence as 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 is 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 asserts 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 3: Coefficients table Employees competence and use of business advisory services**

	Coefficients	Std. Error	T	Sig.
(Constant)	-3.95501E-17	0.02678	0.000	1
Employees competence of an MSE	0.981545283	0.02704	36.2944	0.000

## CONCLUSIONS AND RECOMMENDATIONS

The study sought to determine the influence of employees' competence on the use of business advisory services in micro and small enterprises in Kenya. The study targeted micro and



small enterprises in Nairobi County, Kenya in businesses within Nairobi. A population of 58 micro and small enterprises in Nairobi County was targeted which were all selected for a census. The study findings showed that employee competences have a significant positive relationship with use of business advisory services and many microenterprises were not using business advisory services as result of low level of employees' competency. Increasing the studied measures of employee competence by a unit would increase the level of use of business advisory by 0.982 units. Multiple regression analysis showed the influence of employee competence on use of business advisory services combined with other factors influencing the same dependent variable. The result showed that that every unit increase in the levels of employee competence of an MSE leads to a 0.548 increase in the level of the MSEs use of business advisory services.

The study thus concluded that the use of business advisory services is influenced by employee's competence, level of adoption of technology and characteristics of the owner of the enterprise. Employees' competence factors notably; employees competence of individual micro and small enterprise, number of on-job trainings given to employees, level of education considered when hiring, formal skills, access to information and labour productivity and employees engagement to attend business forums plays a key role in influencing how microenterprises use business advisory services. Because business advisory services bring in new and fresh ideas into the business and also being a catalyst for change in the organization which brings growth and success to its organization, the study recommended that recommend that managers and owners of microenterprises should seek business advisory services by providing employees with basic training and skills acquisitions opportunities should be provided to the employees formally and informally in order for them to be competent in operating the business organization. Employee competence is a necessity for an individual Mse to seek business advisory. 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. The government should also initiate training in new business management skills and on sourcing for external advice. Business advisory serves is necessary for any business to grow. All business organization should therefore seek business advisory services in order for them to grow.

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