# PERSONAL GOALS AS AN ANTECEDENT TO FIRM PERFORMANCE IN SMALL AND MEDIUM ENTERPRISES IN ELDORET MUNICIPALITY A QUANTITATIVE ANALYSIS APPROACH

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**ABSTRACT:** *Small and Medium firms generated over half of gross domestic product and employment in all sectors. They are also a major source of innovation in creating new products technologies and services. The main objective of this study was to assess the relationship of personal goals and performance of SMEs. The study adopted explanatory survey study design. A sample of 600 was drawn from a target population of 1200 SMEs in Eldoret Municipal Council, USANi Gish County using simple random technique. The study employed quantitative methods of data collection. Data was collected through the use of questionnaires and interview schedule. The data obtained were analyzed using inferential statistics like (ANOVA), Independent sample t test, Chi square, Pearson product moment correlation and multiple regression methods. The statistical methods were used to assess the relationship between the variable under study. From the study the variable was found to strongly influence performance of SMEs personal goals (r=-035, p>0.01) were positively correlated to the firm performance. The whole Cronchbah reliability was 0.935. From this study findings adjusted ($R^2 = .665$) showed that all the predictors account for 66.5% variation for performance of SMEs. This study contributes to body of knowledge, theory development and further research in performance of SMEs.*

**KEYWORDS:** Personal Goals, Small and Medium Enterprises, Firm Performance

## INTRODUCTION

The personal goals are key for any business start up,thus before the owner manager starts any business he/she needs to set the goals and how these goals are going to be achieved.Goals are key in any business undertaking as these also give a measure and leads the owner manager to aim at the target set.Personal goals also aligns the owner of the business to ensure they are commited to the venture.Goals are the objectives of the firm hence go hand in hand with the finance both (informal and formal) required to start or run the business. It is observed further that human capital, finance and the personal goals are key and would enable the owner manager of retail firm to start and run the business as compared to other firms resources like physical, technological facilities, and others. "In small firms business goals are inseparable from the personal goals of the owners and reflect the personal needs, values, structure beliefs and philosophies of owners" Family goals is posited that it influences the development of business goals and also interact with the personal goals of the founder in forging both long term- strategy and daily business decision. Thus past research study pointed out that personal goals of the owner are intertwined with business goals (Bernice, 2005). Owner managers personal goals are reflected by their motives,attitudes independency,and achievement. This study thererfore is one fold in addressing the problrm and bridging the gap which is:

**To assess the relationship between personal goals and performance of SMEs**

## LITERATURE REVIEW

### Firm Performance

The dependent variable of this study is firm performance as measured in terms of growth in the sales turn over, volume in sales indicated by level of earnings the business unit gets annually. Moreover virtually, in most societies success in the business field is almost assessed by income (Losscocco *et al.,* 1993). Much of the research that compared performance of women-owned and men –owned firms used financial indicators. Firm growth has also been cited as a key measure of performance in prior research (Haber and Reichel, 2005). Small owned business performance depends esentially how well the management is able to use the planning in assessing perfromance of small business firms, they equate 'performance' with 'success'a definition that is said to lack specificity. They further emphasized they are not on their own. However (Dess *et al.,*1984) posited that small firms use success or failure as performance measure in their resarch policy give evidence that it is difficult to use objective measures which use restricted pefromance data like financial data which the business owners are not willing to provide for research. This sudy use profits earned as a measure of performance.

### Personal goals and firm performance

Entreprenuers  invariably set business goals, although with small business owners these goals may be implicit.Small SMEs owners have personal economic and non-economic goals as well as business objectives. Frequently stated goals include satisfactory  income, to have job satisfaction  and control over business operations (Greenbank, 2001). Goal setting is related to motivation. When an individual sets goals there is a natural aspiration to achieve them. Personnaly relevant goals act as motivators to enter into new  business creation and to sustain ownership (Greenbank, 2001).

An assumption is that an enterprenuer's motivation to enter self-employuyment is due to aspiration of increasing personal wealth. Consequently, success would be measured by traditional monetary factors such as revenue growth, profitability and creation of wealth . Personal factor refers to personal success, personal-related factors, and personal qualities. High motivation in these three mentioned components of personal factor is crucial to firm performance. First, personal success in business often refers to high income and wealth. However, it is not always the case for female business owners because success for them can mean self-fulfilment (Buttner and Moore, 1997). A study by Zapalska (1997, p. 80) on female entrepreneurs in Poland found that primary causes of business success include achievement and job satisfaction. Some research found that several female-owned businesses view personal success as achieving a balance between family and work Schwartz, 2010), implying that personal success is consistent with the motive for starting a business. Goals are detrimental to the firm performance. Men and women set goals but they differ when they are operational zing them. The importance of motivation of the family towards involvement and realizing performance in the business undertaking is an area which needs a lot of concern. Family commitment to goals of the business as opposed to family goals has effect on the relationship between personal goals and performance of the firm. Schwartz, (2009),

## METHODOLOGY

The study was carried out in Eldoret Municipality which is located in (formally Uasin-Gishu Distict) Uasin-Gishu County in Rift Valley Province. The most appropriate research design for this study was explanatory design The study targeted 1200 business owners of small and medium enterprises Stratified sampling design was used to select sample from the target population, the design involved dividing the owner managers/business owners of women-owned and men-owned businesses into two homogeneous subgroups, then employing simple random sampling in each subgroup to get the strata (the different sub-population), after which items were selected from each stratum to constitute a sample. Cronchbah reliability was 0.935.multiple regression analysis was used to analyse data.

**Table 3.1: Reliability Analysis on Performance of SMEs**

|  | Cronbach's Alpha | Cronbach's Alpha Based on Standardized Items | N of Items |
|---|---|---|---|
| Performance | .725 | .732 | 5 |
| Formal goals | .877 | .877 | 7 |
| Informal goals | .775 | .773 | 7 |
| Economic goals | .802 | .786 | 8 |
| Non economic goals | .848 | .833 | 13 |
| **Overall** | **.938** | **.935** | **40** |

*Source: Survey Data 2015*

## RESULTS

**Table 4.1: Respondents Demographic Characteristics**

|  | Response | Frequency | Percent | Chi-Square $(\chi^2)$ |
|---|---|---|---|---|
| Gender | Male | 315 | 52.5 | $\chi^2 =16.67$ |
|  | Female | 285 | 47.5 | df=1 |
|  | **Total** | **600** | **100.0** | P>0.05 |
| Age bracket | Less than 20 years | 3 | .5 | $\chi^2 =275.52$ |
|  | Between 21and 25 years | 114 | 19.0 | df=4 |
|  | Between 26 and 35 years | 247 | 41.2 | P<0.05* |
|  | Between 36 and 40 years | 158 | 26.3 |  |
|  | Over 40 years | 78 | 13.0 |  |
|  | **Total** | **600** | **100.0** |  |
| Sole proprietor | Yes | 504 | 84.0 | $\chi^2 =277.44$ |
|  | No | 96 | 16.0 | df=1 |
|  | **Total** | **600** | **100.0** | P<0.05* |
| Other owners | Spouse | 29 | 4.8 | $\chi^2 =58.06$ |
|  | Sons | 6 | 1.0 | df=4 |
|  | Daughters | 8 | 1.3 | P<0.05* |

| | | | | |
|---|---|---|---|---|
| | Friends | 44 | 7.3 | |
| | Relatives | 9 | 1.5 | |
| | Sole proprietor | 504 | 84.0 | |
| Only person active in business | Yes | 325 | 54.2 | $\chi^2$ =4.167 |
| | No | 275 | 45.8 | df =1 |
| | **Total** | **600** | **100.0** | P<0.05* |
| Who also manages the business firm | Spouse | 49 | 8.2 | $\chi^2$ =409.02 |
| | Daughter | 10 | 1.7 | df =5 |
| | Son | 21 | 3.5 | P<.000* |
| | Employed supervisor | 167 | 27.8 | |
| | Relative | 22 | 3.7 | |
| | Any other person | 6 | 1.0 | |
| | Only person | 325 | 54.2 | |
| | **Total** | **600** | **100.0** | |

*Source: Survey Data, 2015*

**Table 4.2: Performance of SMEs**

| Performance | Male | | Female | |
|---|---|---|---|---|
| | **Mean** | **Sd** | **Mean** | **Sd** |
| Sales Revenue | 6.91 | 2.479 | 5.68 | 2.768 |
| Sales to profit ratio | 6.37 | 2.357 | 5.27 | 2.611 |
| Growth of the other assets | 5.85 | 2.225 | 4.75 | 2.706 |
| Employee turnover | 4.81 | 2.867 | 3.78 | 2.534 |
| Firms reputation | 6.34 | 2.146 | 4.87 | 2.788 |
| Achievement/perceived satisfaction | 5.76 | 1.779 | 5.99 | 1.519 |

*Source: Survey Data, 2015*

**Performance of SMEs**

From the factor analysis of performance of SMEs the KMO was found to be 0.763 and the Bartlett's Test of Sphericity was significant (p<.05). The principle component analysis and Varimax rotation were performed items that had factor loadings lower than 0.50 were eliminated as postulated by Hair *et al*., (2006) who indicated that items with factor loadings lower than 0.30 should be eliminated. The varimax rotated principle component factor analysis applied resulted in three factor loading in performance of SMEs variables that explained 69.85 percent of the variance  and had Eigen values larger than 1 (Table 4.9). Only factors with a loading value of 0.50 below were considered, and therefore no items in performance of SMEs variable were deleted. Since all the statements used in the performance of SMEs were retained they were computed and named *Performance* and used in the preceding analysis.

**Table 4.3: Factor Analysis of Performance of SMEs**

| | Component | | |
|---|---|---|---|
| | 1 | 2 | 3 |
| Percentage of sales growth | .766 | | |
| Profits to sales ratio | .801 | | |
| Growth of the other assets | .854 | | |
| Employee turnover | | .855 | |
| Firms reputation | .766 | | |
| How satisfied are you with achievement of your business? | | | .926 |
| KMO=.763; Bartlett's Test of Sphericity=.000 Eigen value=1.00 Percentage of variance Explained=69.85 | | | |

*Source: Survey Data, 2015*

**Economic Personal Goals**

**Table 4.4: Gender Variation in Economic Personal Goals**

| | Male | | Female | |
|---|---|---|---|---|
| | Mean | Sd | Mean | Sd |
| Acquiring and building a company into high growth business | 5.17 | 2.053 | 5.02 | 1.995 |
| Building a business that will grow and be listed in stock market | 4.70 | 2.041 | 4.20 | 2.291 |
| To generate revenue | 4.61 | 2.344 | 4.41 | 2.068 |
| To make profits | 6.34 | 1.923 | 6.14 | 1.695 |
| To compete with other businesses | 4.36 | 2.633 | 4.03 | 2.581 |
| The business is my primary source of income | 5.69 | 2.094 | 5.33 | 1.965 |
| My goal for this business includes expanding to multiple locations | 5.45 | 2.220 | 4.88 | 2.092 |

*Source: Survey Data, 2015*

The economic personal goals were found not to be much different amongst males and females were the acquiring and building a company into high growth business, (5.17) compared to (5.02) to generate revenue and making profits, the males were (6.34) as opposed to (6.14). However, economic personal goals that were found to be different between males and females include building a business that will grow and be listed in stock market with males registering (4.70) as opposed to (4.20) females, the business is my primary source of income and business that includes expanding to multiple locations with males registering (5.45) as opposed to (4.88) females.

**Non-Economic Personal Goals**

**Table 4.5 Variation in Non Economic Personal Goals**

| | Male | | Female | |
|---|---|---|---|---|
| | **Mean** | **Sd** | **Mean** | **Sd** |
| To fulfil a need | 6.13 | 1.571 | 6.39 | 1.358 |
| To fulfil a dream | 6.02 | 1.643 | 5.93 | 1.810 |
| In order to achieve personal goals | 6.06 | 1.756 | 6.20 | 1.425 |
| To achieve personal satisfaction | 6.18 | 1.684 | 6.00 | 1.825 |
| To improve standard of living | 4.88 | 2.220 | 4.53 | 2.489 |
| To have a legacy | 5.69 | 2.094 | 5.45 | 2.092 |
| The business is better for my life than working for someone else | 5.46 | 2.092 | 5.35 | 1.966 |
| I have no plans to expand this business in size or sales revenue | 5.69 | 2.094 | 5.45 | 2.092 |
| My goals are more personally oriented than financially oriented | 3.80 | 2.441 | 4.10 | 2.533 |
| I consider this business to be an extension of my personality | 4.61 | 2.666 | 4.53 | 2.489 |
| My goals are interwoven with key family values | 3.81 | 2.496 | 3.75 | 2.321 |
| I love my business | 3.94 | 2.699 | 3.23 | 2.734 |
| I'm emotionally attached to my business | 3.61 | 2.580 | 2.95 | 2.323 |

*Source: Survey Data, 2015*

**Factor Analysis of Personal Goals**

From the exploratory factor analysis of personal goals the KMO was found to be .683 and the Bartlett's Test of Sphericity was significant. The KMO of personal goals were found to be .683 and agreed with (Tabachnick and Fidell, 2001) who suggested .6 as the minimum value for a good factor analysis. For our data the value is 0.683, which falls into the range of being acceptable and confident that the factor analysis is appropriate for this data. The Bartlett's test of sphericity of our study was significant (p<.05) and the factor analysis was considered appropriate. The Bartlett's test of sphericity tests whether the correlation matrix is an identity matrix, which would indicate that the factor model is appropriate.

The principle component analysis and Varimax rotation were performed, items that had factor loadings lower than 0.50 were eliminated as postulated by (*Hair et al*., 2006) that suggested that items that had factor loadings lower than 0.30 should be eliminated. The varimax rotated principle component factor analysis applied resulted in seven factor loading in personal goals variables that explained 61.45 percent of the variance and had Eigen values larger than 1 (Table 4.6). Only factors with a loading value of above 0.50 were considered, and therefore no items were deleted. Since all the statements used in the personal goals were retained they were computed and named Personal and used in the preceding analysis.

**Table 4.6:     Factor Analysis of Personal Goals**

| | Component | | | | | | |
|---|---|---|---|---|---|---|---|
| | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| To fulfil a need | | | | .848 | | | |
| To fulfil a dream | | | | .780 | | | |
| In order to achieve personal goals | | | | | | | |
| Acquiring and building a company into high growth business | | | | | | | .562 |
| Building a business that will grow and be listed in stock market | | | | | | .758 | |
| To generate revenue | | | | | .745 | | |
| To achieve personal satisfaction | | | .805 | | | | |
| To make profits | | | .559 | | | | |
| To improve standard of living | | | .750 | | | | |
| To  have a legacy | .571 | | | | | | |
| To compete with other businesses | .784 | | | | | | |
| The business is better for my life than working for someone's | | | | | | | |
| I have no plans to expand this business in size or sales revenue | | | | | -.506 | | |
| My goals are more personally oriented than financially oriented | .616 | | | | | | |
| The business is my primary source of income | | | | | | | .754 |
| My goal for this business includes expanding to multiple locations | | | | | | .550 | |
| In order to compete with other businesses | .741 | | | | | | |
| I consider this business to be an extension of my personality | | .502 | | | | | |
| My goals are interwoven with key family values | | .620 | | | | | |
| I love my business | | .900 | | | | | |
| I'm emotionally attached to my business | | .849 | | | | | |
| KMO=.683; Bartlett's Test of Sphericity=.000 Eigen value=1.008; Percentage of variance Explained=61.45 | | | | | | | |

*Source: Survey Data, 2015*

**Table 4.7: Model Summary on Performance of SMEs**

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate | Change Statistics | | | | | Durbin-Watson |
| | | | | | R Square Change | F Change | df1 | df2 | Sig. F Change | |
|---|---|---|---|---|---|---|---|---|---|---|
| 1 | .825 a | .681 | .677 | .74793 | .681 | 184.234 | 6 | 518 | .000 | 1.467 |

a. Predictors: (Constant), Experience, Noneconomic, Economic, Education Experience, Formal, Informal, Dependent Variable: Performance

*Source: Survey Data, 2015*

**CONCLUSION**

In conclusion, the results of the study indicated that personal goals involved in the study comprised of economical and non economical goals that were perceived to influence the performance of SMEs in Eldoret Municipality. P(r=-035, p>0.01).

**Contributions to academic debate and body of knowledge**

There was statistically significant difference on non economic personal goals [$F$ (1, 587) =.1.871 p>.00]. This agrees with studies done by (Bernice, 2005) who argued that economic personal goals have impact in performance of SMEs as compared to non economic goals. This study shall contribute to theory development in research studies relating to resources use.

**Recommendations for further research**

Personal goals mainly (economic goals) should be used by both gender men and gender women in order for them to be motivated and set objectives which can be achieved.

The Kenya government should integrate the gender business issues and diversification of the business in their policies in order for it to penetrate the business activities

In addition, 'many entrepreneurs pursue personal goals, some of which are noneconomic in nature' (Cooper, 1993, p.241), and, therefore, future research might usefully examine other performance indicators; beyond the purely economic measures used in most studies of SME performance. For example, employee satisfaction, social contributions, goal achievement, and effectiveness.

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