EdinBurg Peer Reviewed Journals and Books Publishers
Journal of Entrepreneurship and Project Management
Vol. 2, No. 5, pp. 29-37: ISSN 2789-2115
Email: info@edinburgjournals.org

Effect of Decision-making on Growth of Youth-Owned Enterprises in Kenya

[1*]Robert Maina Mwangi, [2]Patrick K. Ngugi and [3]Ephantus Kihonge
[123]Department of Entrepreneurship, Jomo Kenyatta University of Agriculture and Technology
***Corresponding author e-mail: Bobmuthua@gmail.com**

How to cite this article: Mwangi, R. M., Ngugi, P. P., & Kihonge, E. (2022). Effect of Decision-making on Growth of Youth-Owned Enterprises in Kenya. *Journal of Entrepreneurship and Project Management, 2*(5), 29-37.

Abstract

Youth enterprises play a key role in poverty alleviation and if they are run based on entrepreneurial management skills. Despite their significance, statistics, however, show that in Kenya, three out of five youth run small enterprises fail within the first three years of operation, and among those that continue 80 percent fail before the fifth year. This study sought to investigate the effect of decision-making on the growth of youth-owned enterprises in Kenya. The research design used followed a cross-sectional survey. The target population included 55,300 youth-led micro and small enterprises in Kenya. A sample size of 397 youth-led micro and small enterprises was used. Data was analyzed using descriptive statistics, correlation, and linear regression analysis. The findings indicated that decision-making (β=.501, P <.000) had a positive and significant influence on the growth of youth-owned enterprises in Kenya. The study concluded that decision-making contributes positively to the growth of youth-owned enterprises in Kenya.

Keywords: *Decision making, Growth, Youth owned enterprises*

1.0 Introduction

Entrepreneurs require a variety of skills and competencies to successfully manage enterprises. As businesses grow, the need for incorporating professional management practices which necessitate possessing entrepreneurial management capabilities. The entrepreneurial management capabilities thus imply that the entrepreneur's propensity, practice, growth, and decision-making have to be made in a managerially proficient manner (Purna, 2015). In the vibrant and very complicated interrelationship between financial management and business strategy, entrepreneurs are directly engaged. This is the meaning that distinguishes entrepreneurial leadership from all methods of business management. In most cases, the decision-maker has a personal risk (Mercel, 2018). A study by Arasti, Zahra, Nouri, and Narges (2014) used decision-making in their study to explain the role of managerial skills of entrepreneurship in business success in Tehran. The results revealed that managerial skills of entrepreneurship have a positive impact on business success having decision-making in the descending order of variables based on the degree of impact.

Enterprise growth is a stage the business reaches the point for expansion and seeks additional options to generate more profits. Enterprise growth is a function of the business life cycle, industry growth trends, and the owners' desire for equity value creation (Barmitt, 2021). Most small enterprises have plans to grow and increase sales and profits. However, there are certain methods enterprises must use for implementing growth strategies. The method an enterprise

uses is largely contingent upon its financial situation, the competition, and even government regulation. Some common growth strategies in business include market penetration, market expansion, product expansion, diversification, and acquisition (Rick, 2019).

Youth-owned and operated enterprises undertake medium or small-scale businesses whose turnover is small. However, the youth enterprises contribute substantially to G.D.P. Management strategies and challenges entail management issues affecting the relationship of an organization to its environment, and small organizations like youth-owned and operated enterprises get established once they receive the Y.E.D.F, and in emerging economies, they become more competitive and increasingly crucial for economic growth as demonstrated by a survey of 70 similar Kenyan organizations (Odera, Okoth, Okelo, Aila., Awiti, Onyango & Ogutu, 2018). Where the growth of small firms is based on management strategies employed and the ability to react and innovate more quickly and have closer customer relations than their larger corporate competitors. The strategies collectively are focusing on improving product quality and ensuring customers' needs were satisfied (Sharu, & Guyo, 2015).

Problem Statement

Kenya Youth Development Policy (2018) defines "youth" as a person aged 18 years and who has not reached the age of 35 years (Kenya Constitution, 2010). Further, the policy directs that the term "youth" not be used interchangeably with other terms such as young people, young people, young women, or young men; terms which are relative, ambiguous, and normally misdirect focus from the real youth. The policy uses the term youth to refer to both age and youthhood. Concerning age, a youth is defined as a person, male or female, in the age bracket of 18-34 years; while youth-hood is looked at as a specific stage between childhood and adulthood when people have to negotiate a complex interplay of both personal and social-economic changes to maneuver the transition from dependence to independence, take effective control of their lives and assume social commitments (RoK, 2018). There is convincing evidence that the growth of entrepreneurship in Kenya has led to an increase in the number of SMEs in Kenya. SMEs play a key role in economic development and contribute significantly to employment and poverty reduction among the youth in the country. Despite their significance, statistics, however, show that in Kenya, three out of five youth run small enterprises fail within the first three years of operation, and among those that continue 80 percent fail before the fifth year (Mutuma, 2015).

The government of Kenya established the Youth Enterprise Development Fund (YEDF) to promote employment creation, especially through enterprise development by the youth. The journey to success, however, had to surmount several challenges such as inadequate funding, limited entrepreneurial culture among the youth, and high default, especially from financial intermediaries (RoK, 2016). Also, there are urging problems such as lack of entrepreneurs proactive actions, lack of long-term planning of products, operations, competition, inability to change in new ideas and creative process, lack of intension to leave the comfortable position to pursue novel ideas, failure to have a competitive advantage over the competitors, lack of customer retention, low growth and profits rate which restricts entrepreneurs from contributing maximally to the growth of the small and medium scale enterprise (Ayeni-Agbaje & Osho, 2015). Despite these efforts by the government towards enabling youth participation in the realization of enterprise development, only 20 percent of the youth-owned enterprises exist for the last five years in operation.

Recent statistics in Kenya indicated that, those under the age of thirty-five form 80% of the country's population. The writers further explained that employment rates were lowest among

those without post-secondary education at 15%. By comparison, 32% of those with post-secondary education were unemployed. They concluded that 1 in 2 graduates were unemployed and only 1 in 5 youth with university degrees were in self-employment (Alex & Bruce, 2016). Franklin (2017) explains that currently in Kenya out of the working age population of 24 million, one in every six young Kenyans is unemployed. This indicates that many young people have not fully embraced entrepreneurship as an alternative source of employment. Considering the significance of SMEs in Kenya, the study, therefore, investigates the entrepreneurial management skills and the growth of youth-owned enterprises in Kenya.

Research Hypothesis

H_0: Decision-making has no significant relationship with the growth of youth-owned enterprises in Kenya.

2.0 Literature Review

The study was anchored on the decision-making theory. A general theory of administration must include principles that will insure both correct decision-making and effective action. All behavior involves a conscious and unconscious selection of particular actions out of all those actions that are physically possible to the actor and those persons over whom the actor exercises influence and authority. The term selection refers to the fact that if the individual follows one particular course of action, there are other courses of action that the individual forgoes (Simon, 1947). The task of deciding is fundamental to administration, and there is a variety of strategies for deciding. The following descriptions focus on contemporary views and conclude with a synthesis and contingency model of decision-making in educational organizations (Hoy & Miskel, 2013). This theory relates to the independent variable of decision-making whereby using a step-by-step decision-making process can help you make more deliberate, thoughtful decisions by organizing relevant information and defining alternatives.

The Classical Model: An Optimizing Strategy

Classical decision theory assumes that decisions should be completely rational and optimal; thus, the theory employs an optimizing strategy that seeks the best possible alternative to maximize the achievement of goals. 1) A problem is identified and framed. 2) Goals and objectives are established 3) All the possible alternatives are generated. 4) The consequences of each alternative are evaluated in terms of goals. 5) The best alternative is selected that is, the one that maximizes goal achievement. 6) Finally, the decision is implemented and evaluated.

The classical model is an ideal (a normative model), rather than a description of how administrators make decisions. Most scholars consider the classical model an unrealistic ideal. Why? Decision makers virtually never have access to all the relevant information, and generating all the possible alternatives and their consequences is impossible, the classic model assumes information-processing capacities, rationality, and knowledge that decision-makers simply do not possess.

Turpin (2004) in his study compared several theoretical models of decision-making with how senior managers make decisions in practice. Six prominent decision-makers were interviewed about their decision-making style, as well as their use of decision support technology. Significant variation was found in personal decision-making styles. However, some central themes emerged, such as the importance of sensitivity to the decision-making context, attention to the presentation of information, and the use of intuition.

Another study by Zita (2005-2006) on decision-making skills in upgrading business growth reports the results of a survey that attempts to assess the effects of decision-making

EdinBurg Peer Reviewed Journals and Books Publishers
Journal of Entrepreneurship and Project Management
Vol. 2, No. 5, pp. 29-37: ISSN 2789-2115
Email: info@edinburgjournals.org

circumstances. The survey mainly focused on the approaches applied and the managerial skills and decision-making roles the decision-makers built during the concrete strategic-making process. The independent variables of the study were excellent communication skills, sense for business, problem-solving skills, practice-minded behavior, ability to present ideas, and risk-taking nature. The dependent variable for the study was business growth. The study found that problem-solving skills as the factor leading the rank of the analytical skills while business sense was the most important strength among the intuitive skills.

Conceptual Framework

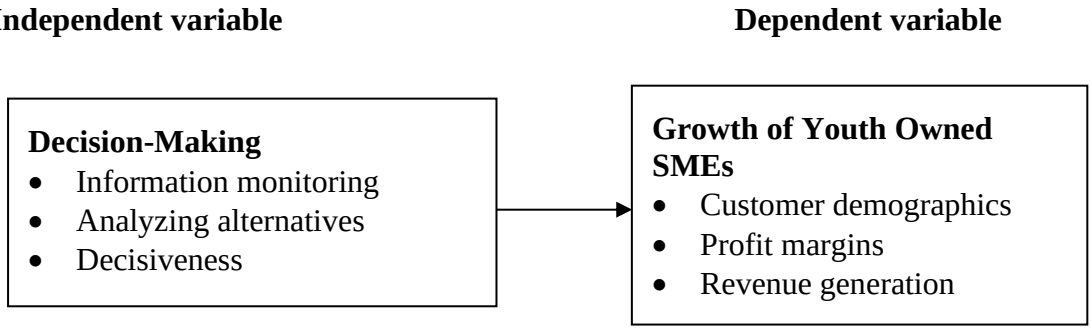


Figure 1: Conceptual Framework

3.0 Methodology

The research design used followed a cross-sectional survey strategy combining both qualitative and quantitative research approaches. The target population included 55,300 youth-led micro and small enterprises in Kenya. A sample size of 397 youth-led micro and small enterprises was used. Quantitative data was collected using questionnaires consisting of closed questions. Research assistants delivered the questionnaires to the respondents. Data was analyzed using descriptive and inferential statistics.

4.0 Results and Discussion

Descriptive Analysis of Decision Making

The respondents were requested to give their opinion on statements relating to decision-making. The Likert Scale applied was as follows: (1- strongly disagree, 2-disagree, 3-neutral, 4- agree, and 5- strongly agree). The findings in Table 1 show that the majority of the respondents agreed with the statement that the output of the information that they gather does meet the business expectations (90.4%), make decisions based on information gathered, and link it with business objectives for survival, 92%, maintain regular surveillance over routine customers which assist in decision-making, 90.7%, able to break up any problem facing the business in parts to understand it more, 91%, and always do a critical. examination of any challenge in the business before making the final decision, 90%.

The respondents further agreed that evaluation of alternatives has helped them to implement most decisions effectively, 92.1%, always listen to the views of the employees during decision-making process, 89.3%, always take vital action when demand for goods and services go down, 92.1%, acting with speed when implementing the decision gives a definite result, 89.6% and they do play an important role when sales of my products decline, 93.4%.

The aggregate mean of 4.5 indicated that most of the respondents agreed with the statements on decision-making. The overall standard deviation of 0.8 revealed that the responses were close to each other. This implies that there was a general agreement by most respondents on statements relating to decision-making.

EdinBurg Peer Reviewed Journals and Books Publishers
Journal of Entrepreneurship and Project Management
Vol. 2, No. 5, pp. 29-37: ISSN 2789-2115
Email: info@edinburgjournals.org

Table 1: Descriptive statistics of Decision-Making

Statements	Strongly disagree	Disagree	Neutral	Agree	Strongly Agree	Mean	Std. Dev
The output of the information that I gather does meet my business expectations.	1.4%	3.5%	4.8%	20.8%	69.6%	4.5	0.9
As an owner-manager, I make decisions based on information gathered and link it with business objectives for survival.	2.1%	4.2%	1.7%	26.3%	65.7%	4.5	0.9
I do maintain regular surveillance over routine customers which assists me in decision-making.	2.8%	3.5%	3.1%	29.8%	60.9%	4.4	0.9
I can break up any problem facing the business in parts to understand it more	1.4%	4.2%	3.5%	33.2%	57.8%	4.4	0.9
I always do a critical. examination of any challenge in my business before making the final decision.	0.7%	3.8%	5.5%	29.4%	60.6%	4.5	0.8
Evaluation of alternatives has helped me to implement most decisions effectively.	0.7%	1.7%	5.5%	28.4%	63.7%	4.5	0.7
I always listen to the views of the employees during decision-making process.	2.8%	1.7%	6.2%	33.6%	55.7%	4.4	0.9
I always take vital action when demand for goods and services goes down.	0.7%	2.1%	5.2%	25.3%	66.8%	4.6	0.7
Acting with speed when implementing the decision gives a definite result.	0.7%	3.1%	6.6%	23.9%	65.7%	4.5	0.8
I do play an important role when sales of my products decline	0.3%	3.5%	2.8%	32.5%	60.9%	4.5	0.7
Aggregate mean						**4.5**	**0.8**

Descriptive Analysis of Growth of Youth SMEs

The respondents were requested to give their opinion on statements relating to the growth of youth SMEs. The Likert Scale applied was as follows: (1- strongly disagree, 2-disagree, 3-neutral, 4- agree, and 5- strongly agree). The findings in Table 2 reveal that most of the respondents agreed that they aim to delight customers by promising what they can deliver (89.3%), always ensure that the product/services are extremely convenient to customers, 83%, always recommend the business representatives to answer questions from customers appropriately, 78.2%, working for 7 days a week without closing the business has increased sales volume, 79.9% and always look forward to maintaining a good relationship with repeat buyers, 89.3%.

The respondents further agreed that sustaining the quality of products and services and affordable prices have led to stable sales, 86.9%, continued acceptance of the products and

services have increased the size of the market, 86.5%, and new product development has led to the increase of market and sales, 86.9%, favorable and affordable prices for the products have enabled the business to penetrate the market with ease, 87.9% and using own sales people has increased the market segment of the business, 79.2%.

The aggregate mean of 4.3 indicated that most of the respondents agreed with the statements on growth. The overall standard deviation of 1.1 revealed that the responses were close to each other. This implies that there was a general agreement by most respondents on statements relating to growth.

Table 2: Descriptive Statistics of Growth of Youth SMEs

Statements	Strongly disagree	Disagree	Neutral	Agree	Strongly Agree	Mean	Std. Dev
My aim is to delight customers by promising what I can deliver.	2.8%	6.9%	1.0%	29.1%	60.2%	4.4	1.0
I always ensure that the products/services are extremely convenient to customers.	3.5%	6.6%	6.9%	26.6%	56.4%	4.3	1.1
I always recommend my business representatives answer questions from customers appropriately.	5.9%	6.6%	9.3%	29.4%	48.8%	4.1	1.2
Working for 7 days a week without closing the business has increased sales volume.	8.3%	6.9%	4.8%	29.4%	50.5%	4.1	1.3
I always look forward to maintaining a good relationship with repeat buyers.	2.4%	4.8%	3.5%	26.3%	63.0%	4.4	0.9
Sustaining quality of products and services and affordable prices have led to stable sales.	3.5%	7.6%	2.1%	23.2%	63.7%	4.4	1.1
The continued acceptance of my products and services have increased the size of the market.	1.4%	7.3%	4.8%	29.4%	57.1%	4.3	1.0
New product development has led to an increase in market and sales.	3.8%	8.0%	1.4%	32.9%	54.0%	4.3	1.1
Favorable and affordable prices for my products have enabled the business to penetrate the market with ease.	3.1%	6.6%	2.4%	29.1%	58.8%	4.3	1.0
Using my salespeople has increased the market segment of my business.	3.5%	9.7%	7.6%	29.4%	49.8%	4.1	1.1
Aggregate mean						**4.3**	**1.1**

Business Growth in the Past Five Years

The respondents were asked to rate the extent to which their business growth has improved over the past 5 years. The scale used was as follows: 0-20% (1), 21-40% (2), 41-60% (3), 61-80% (4), and 81-100% (5). The findings in Table 3 indicate that majority of the respondents noted average, that their profits, number of customers and sales had improved by 0-20%. This was supported by overall means of 2. This suggested that the growth of youth-owned SMEs

was relatively low throughout the measurement period. Further, on average the annual expenses had increased by 0-20%.

Table 3: Improvement in Growth of Youth SMEs

Indicators	2015	2016	2017	2018	2019	Overall
Annual profits	2	1.91	2.02	2.08	1.97	2.00
Number of customers	2	1.96	1.95	1.97	2.07	1.99
Sales	2	1.97	1.92	2.04	1.98	1.98
Annual expenses	2.02	1.92	2.06	1.98	1.98	1.99

Correlation Analysis

The findings in Table 4 indicate that decision-making [X] had a positive and significant relationship with the growth of youth enterprises (Y), ($r = .491$, $p = 0.000 < 0.05$). This implies that both decision-making and the growth of youth enterprises move in the same direction. As such, an increase in decision-making is accompanied by an increase in the growth of youth enterprises. Moss, Sharpley, and Wilson (2014) asserted that decision-making was critical in determining business growth.

Table 4: Correlation between decision-making and growth *of youth-owned enterprises*

	Y	X
Y	1	
X	.491**	1
	.000	

** Correlation is significant at the 0.01 level (2-tailed).

Influence of decision-making on the growth of youth-owned enterprises in Kenya

The study sought to determine the effect of decision-making on the growth of youth-owned enterprises in Kenya. The regression results in Table 5 show that decision-making explains 24.1% ($R2=.241$) of variations in the growth of youth enterprises. An F statistic of 91.332 and reported P value of $0.000<0.05$ to imply that decision-making is a significant predictor of the growth of youth enterprises. The results further indicate that decision-making had a positive and significant effect on the growth of youth enterprises ($\beta=.501$, $P <.000$). This implied that an increase in decision-making by one unit would lead to an increase in the growth of youth enterprises by 0.501 units.

The study findings are similar to those of Zita (2006) who identified problem-solving skills as the factor leading the rank of the analytical skills while business sense was the most important strength among the intuitive skills.

Estimated model;

$Y = 2.017 + 0.501X$

Where; Y- growth e of youth enterprises; X- Decision making

EdinBurg Peer Reviewed Journals and Books Publishers
Journal of Entrepreneurship and Project Management
Vol. 2, No. 5, pp. 29-37: ISSN 2789-2115
Email: info@edinburgjournals.org

Table 5: Regression model; decision-making and growth of *youth-owned enterprises*

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	**Std. Error**	**Beta**	**t**	**Sig.**
1	(Constant)	2.017	.236		8.541	.000
	Decision-Making	.501	.052	.491	9.557	.000
	R Squared	.241				
	Adjusted R Squared	.239				
	F statistic	91.332				
	P value	.000				

Dependent Variable: SME's growth

5.0 Conclusion

The study established that decision-making had a positive and significant influence on the growth of youth-owned enterprises. Consequently, the study concluded that decision-making contributes positively to the growth of youth-owned enterprises in Kenya. The study highlighted key aspects of the decision that could be attributed to growth improvement including information monitoring, analyzing alternatives, and decisiveness.

6.0 Recommendations

The study demonstrated that decision-making had a positive and significant influence on the growth of youth-owned enterprises. The owners of youth enterprises ought to make informed business decisions. The study recommends that owners of youth enterprises should strengthen aspects relating to decision making including information monitoring, analyzing alternatives, and decisiveness.

References

Arasti, Z., Zandi, F., & Bahmani, N., (2014). *Business Failure Factors in Iranian SMEs:* Do Successful and Unsuccessful entrepreneurs have Different View Points. J Glog Entre Res, 4(1)

Ayeni-Agbaje, A., & Osho, A. (2015). Commercial banks in Financing Small Scale industries in Nigeria. *European Journal of Accounting of Entrepreneurship*, 5(2), 1-14

GoK, (2016). *Youth Development Fund.* Unemployment as a Daunting Economic Challenges Facing Kenya.

GoK, (2018). *Empowering the youth to Productively Contribute to Sustainable Development.* Draft 2, Prepared by Social Sector Department.

Moss, S., Sharpley, E., & Wilson, S. (2014). Authoritarian Leaders: Cultivate the Followers they Deserve the Effect of Leadership Style on Decision-making. *Journal of Leadership and management*, 1(1).

Mutuma, L., (2015). *Entrepreneurial Factors Influencing Performance of Youth run Agro-Based Enterprises in Ngoliba Ward,* Kiambu County, Kenya.

Purna, P., (2015). *Entrepreneurial management Capabilities*- The effect of Role Models, ICFAI Business School.

Sharu, H., & Guyo, W. (2015). Factors influencing the growth of youth-owned small and medium enterprises in Nairobi County, Kenya. *International Journal of Science and Research*, *4*(4), 973-987.

Turpin, M. (2004, July). Decision-making biases and information systems. In *Proceedings of the 2004 IFIP International Conference on Decision Support Systems (DSS2004): Decision Support in an Uncertain World. Prato, Tuscany* (pp. 782-792).