

Nexus Between Capacity-Building Strategic Renewal and Performance of Youth-Owned Agro-Processing Small and Medium Enterprises in Selected Counties in Kenya

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ABSTRACT

For the success of any business, there is a need for continuous improvement of the competitive advantage. The ever-changing economic environment is a big challenge for small and medium enterprises (SMEs) especially those that don't possess strategic plans. In the recent turbulent times caused by globalization, SMEs are facing challenges and this has seen a number of them collapsing. The purpose of this study was to examine the nexus between capacity-building strategic renewal and performance of youth-owned agro-processing SMEs in selected counties in Kenya which variables of the study were investment training, management skills training, and bookkeeping training. The study was anchored on transformation learning theory and the research design adopted was a descriptive cross-sectional survey. The study targeted youth-owned agro-processing SMEs registered by the Ministry of Trade and Industry and the four County Governments namely, Nyeri, Kirinyanga, Murang'a, and Nyandarua. The sampling frame was 287 and the population under study was 287 youth-owned agro-processing SMEs. The study gathered primary data using a semi-structured questionnaire with predetermined questions and highly standardized techniques of recording. The findings of the study were presented by the use of descriptive and inferential statistics. From the findings, the overall model of the study was $R^2 = 0.498$, meaning that capacity-building strategies explained 49.8% of the variation in performance. The study coefficients was 0.834, t is 19.141, which was >2 , and a p -value of 0.000 which implied that there was a statistically significant influence of capacity-building strategies on the performance of youth-owned agro-processing SMEs. In conclusion, it was noted that capacity-building influences the performance of the youth-owned agro-processing SMEs in selected counties in Kenya. This study recommends that there is a need for SMEs to further establish capacity-building strategies.

KEYWORDS: Capacity-Building, Strategic Renewal, Performance of Small and Medium Enterprises.

1. INTRODUCTION

1.1. BACKGROUND OF THE STUDY

In today's ever-changing economic environment, it is important to outline a strategy that is not only focusing on a long-term perspective but one that can adapt to the current market changes (Grant and Jordan, 2012). This calls for retooling and continuous capacity-building for one to fit the market. Unfortunately, some organizations are already in their comfort zones, and training for new things for them is not welcome (Helfat *et al.*, 2007). To deal with environmental changes, new entrants, loss of competitive advantage or rapid growth requires continuous capacity-building (Helfat *et al.*, 2007).

To achieve the level of capacity-building anticipated, organizations have a duty to put capacity-building as part of their future strategy. Research had clearly indicated that most SMEs globally do not engage in strategic planning and thus they miss on planning for capacity-building too (O'Regan and Ghobadian, 2012). This is at odds with much of the strategy literature that dictates that enterprises must actively plan for the future to compete effectively and survive (Noble, 2010). Accordingly, small and medium enterprise (SME) owner-managers have been accused of being strategically myopic and lacking a long-term vision as to where their company is headed (Robson, 2014). The concern is that by neglecting strategic planning, SMEs may not achieve their full performance and growth potential, and their survival could be placed at risk (Rhodes, 2015). Consequently, considerable research effort had been expended on identifying "barriers" that hinder planning in order that these may be overcome or else mitigated to encourage strategic planning in SMEs.

Strategic renewal is a type of strategic change that specifically emphasizes the refreshment or replacement of strategic attributes so as to move with the changes in the environment (Agarwal and Helfat, 2009). Strategic renewal is a concept that is

used to describe the process of aligning an organization's competencies to changes in the external environment. One of the most important parts of strategic renewal is the change and adjustment in strategic direction that had the potential to determine the long-term competitiveness of a firm (Sammot-Bonnici and McGee, 2015). One way to achieve this is through capacity-building as a way of retooling. Referring to strategic renewal as the phenomenon that includes the process, content, and outcome of renewal or replacement of organizational attributes, this indicated a firm's ability to alter its long-time prospects. Companies may undertake strategic renewal to refresh or replace their organizational attribute when they realize that their functionality may be weakened in the future (Agarwal and Helfat, 2009).

Capacity-building is a strategy that refers to the effort to generate knowledge, skills, and expertise in order to enhance analytical capacity that may assist in increasing productivity and sustenance in an organization. Capacity-building strategies help in determining the business's competitive advantages, especially during the dynamic changes in the market environment (Nell and Napier, 2006). The ability to deal with economic, capacity-building, social challenges, and engage in responsible and ethical business practices provides high-quality products and services, as well as develops methods and measures that determine if the SMEs meet the needs of their customers or whether services have not been effective (Sengupta, 2011). There is a need for SMEs to plan effectively on capacity-building.

Competition has been seen to threaten survival (Kim and Mauborgne, 2004), and companies need to find new ways to survive. Researchers on strategic change and renewal suggest that adaptation to broad environmental changes such as the cultural trends and changing customers' preferences requires companies to reconfigure the way they combine resources and capabilities into their products and services by embracing social media. However, this may not just happen if the capacity of the personnel in the organization is not enhanced. It, therefore, means that for organizations to survive, they have to take capacity-building strategic renewal seriously.

Strategic renewal acts as a set of activities that a company undertakes to alter its resource pattern and strategic course and it is also a tool that improves its overall economic performance (Mezias *et al.*, 2001). According to Orwa (2007), a number of informal entrepreneurs are not conversant with the laws and rights which hinder robust business decisions for proper growth. These challenges are responsible for the lack of sustained growth in the informal sector in the four counties (Migiro, 2006; Opiyo and K'Okumu, 2006). The global technological change in Information and Communication Technologies currently offers the informal sector an opportunity to tap into international markets, but youth have to first embrace change and new ways of doing things if they are to benefit from such an opportunity.

In evaluating the current market trends, it has been observed that many SMEs face the constraints of technological backwardness, lack of human resource skills, weak management systems, entrepreneurial capabilities, unavailability of appropriate and timely information, insufficient use of information technology, and poor product quality. As a result, there exists a low level of performance (Asian Productivity Organization, 2011). The solution to these problems can be capacity-building through strategic renewal. The only challenge is that most of the SMEs in developing countries are considered less strategically oriented than those of developed countries (Herath and Mahmood, 2013).

1.2. PROBLEM STATEMENT

SMEs have been found to be critical to any developing economy as they are a source of employment and add to gross domestic product to the economy. Many youths are enthusiastic to start small businesses and this has seen many startups every year. Due to the potential, that is, in SMEs, the government and other stakeholders have been giving support to SMEs and especially those owned by the youths. It is however unfortunate that, despite many SMEs startups and the support given to this sector, most of the SMEs die before their fifth birthday. An SME can start with a great idea and perform very well at the inception, but after some time, the SME is no longer able to operate. This leaves a lot of waste as the resources given by the government and the stakeholders are wasted. The death of the SMEs results in the loss of jobs and this may lead to the youth engaging in crime-related activities. Research has shown that successful organizations do have clear strategic plans with elaborate steps on how to achieve the same. In the SMEs sector, the majority of them do not have any strategic plan. This begs a question as to whether a lack of a long-term strategic plan could be a cause of the death of SMEs. The purpose of this study was to try to find out whether the lack of strategic plans by SMEs is the cause of SMEs' high mortality rate.

1.3. STUDY OBJECTIVE

To examine the nexus between capacity-building strategic renewal on the performance of youth-owned agro-processing SMEs in Nyeri, Kirinyanga, Murang'a, and Nyandarua Counties.

2. LITERATURE REVIEW

This section reviews the relevant theory that supports capacity-building strategic renewal and empirical review.

2.1. TRANSFORMATIVE LEARNING THEORY

Mezirow (1978) developed a transformative learning theory that has since been used in the field of learning especially in adult learning. The theory has far since evolved into a comprehensive and complex description of how learners construe, validate,

and reformulate the meaning of their experience. This theory holds that learners can change their meaning schemes over time. They must engage in critical reflection on their experiences, which in turn leads to a perspective transformation. Mezirow (1978) argued that individuals do not always apply old ways to new learning situations, especially when the environment is dynamic; instead, they find the need to acquire new perspectives toward something to understand better the change in an event.

Transformative learning involves experiencing a deep, structural shift in the basic premises of thought, feelings, and actions. It is a shift of consciousness that dramatically and irreversibly alters our way of being in the world. Transformative learning involves the people's understanding of people and their locations. These relationships between human and the natural world; people's understanding of relations of power in interlocking structures of class, race, and gender; people's body awareness; people's visions of alternative approaches to living; and people's sense of possibilities for social justice, peace, and personal joy.

The transformative learning theory provides three fundamental components which facilitate the learning and transformation of adults in the business environment. Mezirow (1978) indicated that the foremost component is critical reflection where individuals need to think critically about their experiences at the workplace or business, which in turn leads to a perspective transformation. This way, the individual enhances self-awareness and promotes a deeper level of self-understanding of himself or the operations involved. The second component is rational disclosure which is held as a form of discussion with other people in the organization that focuses on personal and socially held beliefs and assumptions and is conducted in a logical and rational manner to pinpoint any biases, blind spots, or incongruences which allows the individual to consciously address them and improve. The final component is the centrality of experience. This is where the proponent of the theory indicates that these are the experiences that people do, what they believe in, what they can put up with, the way they react to certain situations, what they would be willing to suffer for, and their desires, perspective, dream, and faith. The focus here was that, whatever people have learned in the organization, they are willing to use it for the success of the organization.

Transformative learning theory has received support from other theorists who have found that the theory varied especially with adult learning. Taylor (2007) has observed that the learning process is certainly rational on some levels; it is also a profound experience that can be described as a spiritual or emotional transformation as well. John M Dirks, Robert D Boyd, J Gordon Myers, and Rosemary R Ruether are other theorists who have supported transformative learning theory. This theory becomes very relevant for this study as it looks at understanding where SMEs are in their capacity and building that capacity to a higher level, to gain competitive advantage. With the dynamic economic environment due to COVID-19 and technological disruption, how people transform to new ways of doing things is critical. Thus, this theory becomes very relevant to the study.

2.2. CAPACITY-BUILDING AND PERFORMANCE

It has been observed that training has a direct relationship with the employees' job performance. Similar findings were reported by Elnegal and Imran (2013), Jagero and Komba (2012), Saeed and Asghar (2012), and Singh and Mohanty (2012). However, Jagero and Komba (2012) posited that while training is a factor in job performance, it is the combination of factors such as working environment, employee skills and knowledge, motivation and rewards, communication flow, and organizational culture that significantly improve employees' performance. Similarly, Daniels (2010) posited that training is not a panacea; it cannot eliminate core problems like low capitalization or a product line that does not meet customers' needs. Although training can provide extraordinary improvements in the organization, the key to getting the best return on investment from training is to view it strategically rather than tactically.

A study by Rahman *et al.* (2011) identified the development of generic skills in Malaysia. From the 145 pieces of data collected, the results showed that the respondents' generic skills are moderately high and the researchers suggested that the entrepreneurs should further acquire generic skills because these skills help individuals to perform effectively in their workplace and later contribute to the firms' growth.

Besides managers trying their level best to develop the employee's capabilities, Farooq and Aslam (2011) argue that for the sake of capacity-building, managers involved in developing effective training programs for their employees in order to equip them with the desired knowledge, skills, and abilities to achieve organizational goals will ultimately create a good working environment within the organization. This struggle by the top management not only improves employee performance but also creates a positive image of the firm globally (Jia-Fang, 2010).

Regionally, Kenya ranks lower than some of the countries with whom she competes for business (Ferrell and Fraedrich, 2015). In that case, Kenyan firms are not as competitive as some firms from comparable countries, and to safeguard the interest of Kenyan firms, these identified training needs should be addressed.

Regarding capacity enhancement, Slack and Lewis (2002) posit that this can be implemented by adopting a variety of strategies, including the provision of technical assistance and training, fostering of field-to-field support networks, enhancement of strategic partnerships, development of innovative programming approaches, and methodologies, documentation, and dissemination of best practices. Areas of technical concentration will include best practices, maximizing the effectiveness of behavior change programming through the development and dissemination of centered approach guidelines and tools; improving the capacity to implement high impact programs like the adoption of quality (Slack and Lewis, 2002).

In a study carried out by McCarthy *et al.* (2011), they emphasized that managerial ability is a major enabler of change; therefore, the new human resource management needs to strengthen leadership and managerial abilities among managers to ensure the delivery of better entrepreneurial management even if it means more capacity-building. McCarthy *et al.* (2011) further

state that effective leadership is a key component of good public administration and is also an important variable that leads to improvement of management capacity and performance in organizations; furthermore, they argue that the age of globalization, decentralization, and knowledge-based economies have to reshape public service leadership to face emerging challenges.

Moreover, leadership in SMEs is associated with the capability of one or several individuals at the top of the organization. Due to the small structure of the SMEs, the nature of leadership employed by the management highly determines its performance. Leadership plays a vital role in the formulation of the firm's strategy in maximization of profits and ensuring the smooth flow of operations. However, more often than not, the personal goals of a leader affect the strategies in place at the business (Kelchner, 2016). Leadership plays a central role among SMEs and significantly influences the day-to-day operations of the SMEs and subsequently their performance (Randeree' and Chaudhry, 2012). So as to prosper, the SMEs require practitioners with knowledge, skills, and appropriate education for their operations (Atamian and Van Zante, 2010). SMEs' leadership suffers from limited leadership expertise and operational practices appropriate for small business management (Samujh, 2011) that will help ensure their prosperity. Teng *et al.* (2011) consequently noted that there was a need for a better understanding of leadership among small businesses to lower their failure rates for continued economic well-being.

In the recent turbulent times caused by globalization, SMEs' main agenda should aim in ensuring they have strong leaders at the helm, together with a clearly articulated leadership development strategy that ensures a strong pipeline of future leadership by planning for capacity-building as a strategy in these SMEs (Kassim and Sulaiman, 2011). Various factors determine the effectiveness of leadership in SMEs. To begin with, are the skills and experience of those heading up the organization, as well as the individuals with people management responsibilities? The second factor is associated with the size of the business and the structures that emerge as the organization develops, while the final factor impacting leadership and management in SMEs is the external context in terms of the external market (Haron *et al.*, 2015). All these ought to be well evaluated to ensure enhanced leadership skills in the organizations.

Further, Agbim (2013) identified the planning and budgeting skills, detecting changes, maintaining good customer relations, and ensuring maintaining of correct financial records as the managerial skills related to SMEs. Seven specific managerial skills may be drawn from these four management functions: establishing goals, allocating resources, managing conflict, communication skill, measuring performance, taking action, and self-control. Shehu *et al.* (2013) examined the relationship between owner/manager knowledge, competitive intensity, the complexity of marketing, technical competence, and firm size with the mediation of advisory services on the performance, using a structured questionnaire on 198 manufacturing SMEs operating in Kano State. The regression result indicated a significant relationship between owner/manager knowledge and performance. This study established a relationship between owner/manager knowledge and SME performance but did not pay attention to the skill or performance level.

Additionally, Agbim and Oriarewo (2012) argued that proactive strategy promotes the adoption of a more advanced entrepreneurial position. Knowledge, which can be considered the most important strategic resource, is among the resources generated by entrepreneurial learning capability. The ability (entrepreneurial learning) to share this knowledge is the most important factor in achieving and sustaining entrepreneurial success. Entrepreneurial learning capability does not only lead to the development of management skills but also entrepreneurial success in terms of improved efficiency, cost reductions, and higher productivity and it also triggers personal entrepreneurial skills. Enterprises with higher learning capability are more sensitive to changes and tendencies in the market. They are usually more flexible and answer more quickly than their competitors to such changes because entrepreneurial learning provides for the creation of new useful knowledge for making decisions in the enterprise, allowing for more complete adaptation to the environment and increased efficiency capabilities.

A past review by Ogundele *et al.* (2012) revealed that the skill required by an entrepreneur can be classified into three main areas namely, technical skills, business management, and personal entrepreneurial skills. The authors went further to state that technical skills involve such things as writing, listening, oral presentation, organizing, coaching, being a team player, and technical know-how. Business management skills include those areas involved in starting, developing, and managing an enterprise. In addition, they asserted that personal entrepreneurial skills differentiate an entrepreneur from a manager. Skills included in this classification are inner control (discipline), risk-taking, being innovative, being change-oriented, being persistent, and being a visionary leader among others.

Research carried out by Rosnani *et al.* (2011) found that the level of entrepreneurial skills in Malaysia is still moderate and needs more entrepreneurship development training programs in areas, such as creativity enhancement and innovation, the skill to make business accounts, creating promotions, and advertising skills, skill to set the right price and selling skills. The researchers also agreed that training and entrepreneurial education contribute to the increase of knowledge, skill, and experience required to make businesses more robust and competitive. The government and its agencies are responsible for providing appropriate entrepreneurial training to fulfill entrepreneurs' needs.

In Kenya, Bowen *et al.* (2009), in a study done in Nairobi, found that 49.5% of those who had received training in the area of business reported that their businesses were doing well. The study results also showed that 60.8% of those not trained reported that their businesses were doing poorly as compared to 39.2% whose entities were doing well without training. This study was based on 198 respondents comprising business owners and managers. Further, a study by Tubey (2012), that sought to establish the types of interventions offered by four agencies, namely, the Catholic Church, ACK, K-Rep, and World Vision in Eldoret municipality, revealed that only 5% of the respondents who received training indicated that they had benefitted

significantly with about 40% saying they needed training in bookkeeping. The above study was based on a sample of 195 entrepreneurs. The study was based on conceptual framework illustrated in figure 1.

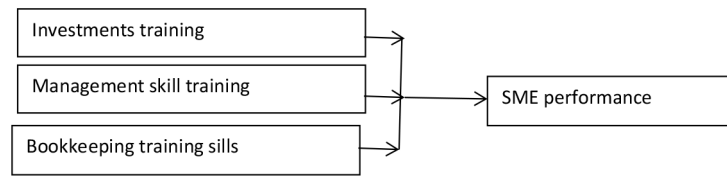


Figure 1. Conceptual framework.

3. RESEARCH METHODOLOGY

The study adopted the positivist philosophy, while the research design adopted was a descriptive cross-sectional survey. A combination of quantitative and qualitative techniques allowed the study to examine the influence of capacity-building strategic renewal on the performance of youth-owned agro-processing SMEs in Nyeri, Kirinyanga, Murang'a, and Nyandarua Counties, Kenya. The study targeted youth-owned agro-processing SMEs registered by the Ministry of Trade and Industry and the four County Governments namely, Nyeri, Kirinyanga, Murang'a, and Nyandarua. The sampling frame was 287 and thus the census was adopted. The study gathered primary data using a semi-structured questionnaire. Questionnaires were distributed to respondents by the researcher and research assistants giving respondents sufficient time to answer the questions; data were analyzed using both descriptive and inferential statistics. Multiple linear regression analysis was carried out to determine the form of the mathematical model that defines the relationship between the dependent and independent variables. Findings of the study were presented in various ways such as descriptions and discussions, frequencies, percentages, tables, bar graphs, and measures of central tendency.

4. CAPACITY-BUILDING STRATEGIC RENEWAL AND SMES PERFORMANCE

The study objective was to examine the influence of capacity-building strategic renewal on the performance of youth-owned agro-processing SMEs in the four counties. The study focused on capacity-building in three aspects that included investment training, management training, and bookkeeping skills. The results are presented in this order in the next section.

4.1. INVESTMENTS TRAINING

Investment training as part of capacity-building is aimed at improving skills for carrying out key functions, solving problems, defining, and achieving objectives. The study findings revealed that 66.3% of the respondents agreed that the firm had trained top management on products to invest in and those to avoid, while 87.6% agreed that the firms had also trained management on capital allocation. This means that the youth-owned agro-processing SMEs have invested in training their management on products, investment, and capital allocation in order to ensure that it improves performance.

In support, Maina (2013) studied the performance of YEDF-funded youth enterprises in Murang'a County. The study concluded that in the realization of the importance of entrepreneurship training toward the successful performance of youth entrepreneurs, the YEDF had initiated a number of capacity-building programs as a way of supporting the youth toward sustainability of initiated enterprises.

Similarly, Kanyari and Namusonge (2013) studied the impact of training on the performance of youth enterprises using a response of 310. The study indicated that the provision of entrepreneurship training to sensitize and inculcate entrepreneurial culture among the youth is crucial to identifying emerging business talents. It adds that the provision of continuous and relevant entrepreneurship training to young entrepreneurs had a positive impact on the success of enterprise development initiatives. European Medium Finance Network (2012) studied the effect of entrepreneurship training on the successful performance of YEDF-funded youth enterprises. The study revealed that ensuring the success of SMEs through entrepreneurship training is seen to have a positive impact on enterprise performance. They further showed that training not only benefited businesses through increased profits, investments, innovation, and access to credit but also lowered default rates.

4.2. MANAGEMENT SKILLS TRAINING

The second aspect of capacity-building that was evaluated was management skills. Management skills are key in business and there is a need to empower the leaders. From the findings, the average mean score was 4.12 indicating that the respondents agreed with the majority of statements asked. From this, 93.1% of the respondents agreed that the SMEs had introduced planning and budgeting before embarking on innovations, 92.5% had changed the information sharing to increase the innovation

of new products, while 94.9% of the firm's decision-making had been broken down to smaller units to encourage competitiveness and innovation by the firm.

Studies have shown that planning and budgeting are key components and this is indeed supported by Arasa (2012) who contends that planning enables a company to gain as effectively as possible a sustainable edge over its competitors and further states that strategic planning assists organizations to develop a comparative advantage or an edge over competitors and creates sustainable competitive advantage. Zaei *et al.* (2013) also demonstrated that the use of planning and management in business organizations whether public or nonprofit organizations can help organizations clarify the future direction, think strategically and develop effective strategies, establish priorities, deal effectively with rapidly changing circumstances, build teamwork and expertise, solve major organizational problems, and improve on performance.

4.3. BOOKKEEPING TRAINING

The last aspect of capacity-building strategic renewal on the performance of youth-owned agro-processing SMEs was bookkeeping. The recording process of bookkeeping ensures that transactions are properly kept and well organized for small and big businesses. The results showed that 89.8% of the respondents agreed that the youth-owned agro-processing SMEs hold each employee accountable for funds allocated as long as there is clear budgeting, while 87.1% support that the firm management encourages a transparent bookkeeping process. This implied that bookkeeping training assisted youth agro-processing SMEs to improve their performance because they are to hold everyone accountable, allocate funds in an easy manner, and have clear and transparent bookkeeping procedures.

4.4. HYPOTHESIS TESTING FOR CAPACITY-BUILDING STRATEGIC RENEWAL ON PERFORMANCE

The objective was to examine the influence of capacity-building strategic renewal on the performance of youth-owned agro-processing SMEs in Nyeri, Kirinyaga, Muranga, and Nyandarua Counties. The hypothesis and the model were as follows:

H₀₂: There is no relationship between organization capacity-building strategy renewal and performance of youth-owned agro-processing SMEs in Nyeri, Kirinyaga, Muranga, and Nyandarua Counties, Kenya.

Model

$$Y_2 = \alpha + \beta_2 X_2 + \epsilon_2$$

Where Y_1 = Performance of SMEs (dependent variable)

X_2 = the second independent variable (capacity-building)

β_2 = the coefficient of the second independent variable.

ϵ_2 = error term

To ascertain the reliability of the data, diagnostic tests were done that included normality, homoscedasticity, and multicollinearity. For the normality test, Kolmogorov–Smirnova and Shapiro–Wilk tests were conducted. According to Shapiro and Wilk (1965), the tests reject the hypothesis of normality when the p-value is less than or equal to 0.05. Table 1 below indicated that the p-values were greater than the significance level (0.05) (not significant at $p < 0.05$); this implied that the variables were normally distributed.

Table 1. Normality tests of standardized residual of capacity-building strategy.

Tests of normality						
	Kolmogorov–Smirnov ^a	Shapiro–Wilk				
	Statistic	Df	Sig.	Statistic	Df	Sig.
Capacity-building	0.214	333	0.200*	0.926	242	0.408

a. Lilliefors significance correction.

An assessment of homoscedasticity was conducted, and Breusch–Pagan and Koenker test statistics were also used to test the null hypothesis that heteroscedasticity was not present (homoscedasticity). Results showed Breusch–Pagan and Koenker test statistics of 12.757 with an associated p-value of 0.000. Since the probability associated with the Breusch–Pagan and Koenker test was 0.000, which is less than the 0.05 level of significance, the null hypothesis was rejected and the conclusion was that the variance of the dependent variable was homogeneous.

Table 2. Breusch–Pagan and Koenker test for heteroscedasticity.

	SS	Df	MS	F	Sig
Model	12.757	4.000	3.189	1.088	0.000
Residual	416.364	142.000	2.932	-999.000	-999.000

To test the correlation between variables, a multicollinearity test was conducted. The results indicated that variance inflation factor (VIF) results for the study variables were less than 5, while tolerance was greater than 0.2 which shows no multicollinearity between predictor variables.

The study first started by establishing the influence of individual variables (investment training, management training, and bookkeeping training) on the performance of youth SMEs and the results are in Tables 4, 5, and 6 that follow Table 2.

Table 3. Model summary.

Model	R	R ²	Adjusted R ²	Std. error of the estimate	Change statistics				
					R ² change	F change	df1	df2	Sig. F change
1	0.712a	0.507	0.503	0.09293	0.507	126.41	1	242	0

a. Predictors: (constant), investments training, management skills training, bookkeeping training.

Table 4. ANOVA^a on capacity-building strategic renewal on performance.

Model	Sum of squares	Df	Mean square	F	Sig.	
1	Regression	3.275	1	1.092	126.41	0.000 ^b
	Residual	3.187	242	0.009		
	Total	6.462	243			

a. Dependent variable: Performance

b. Predictors: (constant), investments training, management skills training, bookkeeping training.

Table 5. Coefficients^a.

Model	Unstandardized coefficients	Standardized coefficients	t	Sig.		
	B	Std. error	Beta			
1	(Constant)	0.072	0.05		1.445	0.149
	Investments training	0.346	0.064	0.283	5.449	0
	Management skills	0.408	0.038	0.472	10.787	0
	Bookkeeping training	0.214	0.102	0.094	2.099	0.037

a. Dependent variable: Performance.

The study coefficients indicated that holding all other factors constant, changing investments training by one unit would result in a 0.346, management skills 0.408, while bookkeeping training 0.214 change in performance of youth-owned agro-processing SMEs. This means that management skills have a higher influence on performance followed by investment training and bookkeeping skills.

The overall model for the construct capacity-building was based on indicators that formed the questions under this variable. Upon regression, a model summary was derived as shown in Table 5.

Table 6. Model summary on capacity-building strategic renewal on performance.

Model summary ^b										
Model	R	R ²	Adjusted R ²	Std. error of the estimate	Change statistics	Durbin–Watson				
					R ² change	F change	df1	df2	Sig. F change	
1	0.706 ^a	0.498	0.497	0.165524	0.498	366.382	1	242	0.000	1.877

a. Predictors: (constant), capacity-building strategic renewal.

b. Dependent variable: performance of youth-owned agro-processing SMEs.

The overall model for the construct capacity-building strategic renewal on performance was tested. The findings as shown in Table 4 shows the $R^2 = 0.498$ which indicated that capacity-building strategic renewal explained 49.8% of the variation in performance. This showed that there was a strong positive correlation coefficient between capacity-building strategic renewal and performance in youth-owned agro-processing SMEs.

The study also conducted an analysis of variance (ANOVA) and the results are shown in Table 6 below.

The results of the ANOVA for regression results in Table 5 indicated that the coefficients $F = 366.3824$ were >1 and the p-value was 0.00 and therefore <0.05 which implied that the null hypothesis was rejected and the alternative hypothesis accepted. This meant that there was a statistically significant relationship between capacity-building strategic renewal and the performance of youth-owned agro-processing SMEs. The study undertook regression analysis and the results are indicated in Table 7 below.

Table 7. Coefficients for relationship between capacity-building strategic renewal and performance of youth-owned agro-processing SMEs.

Model	Unstandardized coefficients	Standardized coefficients	T	Sig.		
	B	Std. error	Beta			
1	(Constant)	0.108	0.032		3.326	0.001
	Capacity-building strategies	0.834	0.044	0.706	19.141	0.000

a. Dependent variable: performance of youth-owned agro-processing SMEs.

The study coefficients shown in Table 7 above indicated that holding all other factors constant, changing capacity-building strategies by one unit would result in a 0.834 change in the performance of youth-owned agro-processing SMEs. Here, the value of t is 19.141, which was >2 , and the p-value of 0.000 which implied that there was a statistically significant influence of capacity-building networking strategies on performance.

In support of the above, Karlan and Vildiva (2010) studied the role of entrepreneurship training on the growth of enterprises in Pakistan using a sample size of 350. The study found that entrepreneurship training of youth entrepreneurs is critical since most the self-employed poor youths rarely have no formal training in business skills besides ensuring that the youth have adequate skills. Entrepreneurship training also assists youths in identifying and tapping into business opportunities, while embracing modern business techniques. The study concluded that there was a need for the youths to be trained in areas relevant to their businesses. Their survey clearly showed that youths with relevant training run successful businesses compared to their untrained counterparts. The findings agreed with Kilonzo's (2012) argument that entrepreneurship training had been found to help separate the more successful entrepreneurs from those who are less successful. This implied that for the youth entrepreneurs in Kenya, entrepreneurship training is paramount to enhance the performance of their enterprises.

5. CONCLUSION

Capacity-building strategies had a statistically significant effect on the performance of youth-owned agro-processing SMEs. Capacity-building of the SME owners on investment skills, management skills, and bookkeeping skills was found to have a significant effect on the performance of the youth-owned agro-processing SMEs. However, management skills were found to have a higher influence on performance. Therefore, the study concluded that although the firms had introduced empowerment on investment decisions, management skills, and bookkeeping skills, the youth entrepreneurs needed to focus on management skills training. This is in support of the transformative learning theory which holds that people change their ways of doing things due to learning and experience they get in life. Through capacity-building, the entrepreneurs' performance improved.

6. RECOMMENDATIONS

Based on the findings of the study, it was revealed that there was a statically significant relationship between capacity-building strategies and the performance of youth-owned agro-processing SMEs. However, a flexible and not standardized structure was adopted and therefore the study recommended that there is a need for youth-owned agro-processing SMEs to undertake more training on investment decision, management, and bookkeeping skills for easy management of their enterprises. The study also recommended that there is a need for SMEs to further seek training in financial management. The government should come up with policies for capacity-building of youth entrepreneurs as this will increase the performance of youth-owned enterprises.

CONFLICT OF INTEREST

None.

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