

## **A Review of Value Creation in Craft Entrepreneurship Practices among Rural Small and Micro Enterprises in North Mugirango, Nyamira County, Kenya**

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### **Abstract**

*Small and Micro Enterprise (SME), Sector is regarded worldwide as an engine for economic development, a source of income and employment creation, a major contributor to Gross Domestic Product (GDP), a linkage to large enterprises in the supply of goods and services, and a main promoter for entrepreneurship skills, creativity and major innovators for new products and processes. Despite all these, not much progress in value creation has been realized particularly from Rural Small and Micro Enterprises. Most studies done on SMEs indicate that there is a tendency of higher failure rate as compared to large firms although they are perceived as the main instruments for creativity, wealth and employment creation. This study presents a review of craft entrepreneurship practices in value creation among rural small and micro enterprises in North Mugirango Constituency, Nyamira County. Cross-sectional concurrent triangulation mixed research design was adopted targeting rural small and micro enterprises in the target area. Using Yamane sampling formula, snow ball sampling technique was used in arriving at a sample of 207 respondents. Questionnaire and interview schedules were major data collection instruments. Study findings indicated that: rural SMEs have a role to play in social economic development, there is more of creativity among rural craft entrepreneurs, and most businesses use appropriate technology but lack entrepreneurial competency. Both County and the national government stand to benefit in formulating new policies aimed at transforming Rural Small and Micro Enterprises into value creation engines. Craft small and micro enterprise owners would also benefit from new knowledge in creativity and use of appropriate technology in value creation.*

**Keywords:** *Craft entrepreneurship, entrepreneurial competence, value creation*

### **Introduction**

According to World Bank (2014), Small and Micro Enterprises (SMEs) have received increasing interests from both scholars, researchers, academicians and policy makers as a solution to unemployment, poverty and underdevelopments and also as a framework in support of speedy development of economies particularly in rural areas in terms of creativity and innovativeness of new products and services. They have been regarded worldwide as engines for

economic development, as trusted sources for income and employment creation and major contributors to Gross Domestic Product (GDP). Further, they have been seen as main promoters for entrepreneurship skills and key innovators of new products and processes. However, the environment upon which they operate, has not been supportive enough (Eniola & Entebang, 2016). In Africa, rural small and micro enterprises (RSMEs) have become a pillar for social and economic development given their involvement in income generation; creation of employment opportunities and more and new wealth; active participation in infrastructure development, a source of creative entrepreneurial skills and manpower development, and a mainstream in the supply of quality goods and services (Moyi, 2013). In Kenya, SMEs are recognized as catalysts for meaningful economic realization. Besides in employment creation, and generation of income, the sector is majorly trusted as the source for the supply of quality goods and services and a facilitator in skills and manpower development in the country (Mwangi, 2011). However, despite their various contributions in the Kenyan Economy, majority of RSMEs, are not meaningful in promoting value creation (UNIDO, 2002).

Worldwide SMEs are mostly defined in reference to the number of employees or maximum revenue that they can attain in a year (Ghouri, Khan, Malik & Razzaq). The Micro and Small Enterprise (MSME) Act No.55 2012, define SME as micro if it has 1-9 employees and an annual turnover of less than KES.500,000, and small if it has 10-49 employees and an annual turnover of between KES.500,000 and Ksh.5 million. SMEs practicing craft entrepreneurship refers to those enterprises comprising the workforce of between 1 – 49 employees including owner manager (Bunyasi, Bwisa, & Namusonge, 2014). Apart from the number of employees and turnover investments, SMEs are further characterized by the way they are managed and their nature of operations. By and large, majority of SMEs are managed by own managers assisted by family members as employees. In this regard, most decisions on SME operations are dependent on own management style making SME operations to be somehow constrained with a narrow tolerance of risk in pursuing value addition activities (Ayandibu & Houghton, 2017).

Craft entrepreneurship is seen as the process of value creation in an uncertain environment that is minimally the act of making something amazing out of nothing by use of the available resources (Mishra & Zachary, 2015). Craft enterprises basically rely on simple, reliable, cognitive and technological skills, with little start-up capital in giving birth to new products, processes and techniques. Acs (2006) also agrees that craft entrepreneurship and value creation are virtually synonymous. Craft entrepreneurship is the creative and innovative development of goods and services by use of the available resources, skills and methods in delivery of value to end users so as to remain relevant in unpredictable and competing environment. A craft entrepreneur is thus an agent who transforms and provides economic value by use of the available resources (Vandervert, Schimpf & Liu 2007). According to Bruton, Ketchen and Ireland (2013) craft entrepreneurship is critical and a success factor for firm survival and growth as it leads to new processes for service and production of quality goods and services,

increase in relative market share, improved overall performance and increase of generated income.

## **Statement of the Problem**

Despite various government interventions to promote the RSME sector, not much progress in value creation from these enterprises have been realized (Nyang'ori, 2017). Most research done on SMEs indicate that there is a tendency for higher failure rate as compared to large firms, although, they are perceived as the main instruments for both wealth and employment creation besides being lead contributors in economic growth and developments of respective countries. Typically RSMEs suffer from weak entrepreneurial skills in creativity on knowledge and innovations as well as deficiencies in entrepreneurial competencies in production management and business planning, which can assist in value creation. Even though there are numerous value creation tools, majority of RSMEs may not be able to adopt them owing to a lot of requirements in terms of resources, capacities, capabilities, and competences. Majority of RSMEs in North Mugirango may not have the required resources, capabilities, capacities, and competencies to adopt the proposed value creation tools. This study aimed at coming up with a model showing the relationship between craft entrepreneurship and value creation amongst RSMEs.

## **Specific Research Objectives**

This study was reviewed under the following specific objectives;

- i. To examine the influence of creativity levels on value creation among rural small and micro enterprises in North Mugirango Constituency, Nyamira County, Kenya.
- ii. To establish the influence of entrepreneurial competencies on value creation among rural small and micro enterprises in North Mugirango Constituency, Nyamira County, Kenya.

## **Research Hypotheses**

**H01: There is no statistically significant relationship between creativity levels and value creation among RSMES in North Mugirango Constituency.**

**H02: There is no statistically significant relationship between entrepreneurial competency and value creation among RSMES in North Mugirango Constituency.**

## **Significance of Study**

This study may be beneficial to craft entrepreneurs in formulation of relevant and ideal strategies in the management of their firms in enhancing value creation to gain competitive advantage and performance in the industry. The study findings are expected to provoke the National government in formulating policy insights

aimed at empowering local SMEs. In addition, the county government of Nyamira could benefit more in fueling rural economic growth and development by providing favorable environment in SME empowerment to aid in the generation of more income to both county and National governments. To other development partners, the study is a justification on resources, grants provided and their utilization for more future funding to foster SME growth. The study findings shall also form a source of reference to future researchers interested in carrying out similar studies.

### **Research Methodology**

Cross-sectional concurrent triangulation mixed research design was adopted for this study. The purpose of using Cross-sectional concurrent triangulation mixed research design was to describe trends, attitudes and opinions of craft entrepreneurship practices on value creation among rural Small and Micro Enterprises in North Mugirango constituency, Nyamira County. This design measures the variable relationships as is in a specified period over time (Bharath, Dahiya, Saunders & Srinivasan, 2007). The design can further be subjected to detail testing leading to confirmation or refutation of its findings and cause and effect relationship of study variables. Moreover, the design involves an in-depth use of the questionnaire, interview schedules and direct observation in accessing relevant information from the study respondents (Creswell, 2009).

### **Target Population and Sample Size Determination**

The sample approach used was within sample cluster heterogeneous sampling. A non-probabilistic sampling technique, snow ball sampling was used to identify sample group with characteristic of interest. Yamane, (1967) formula was used to obtain the sample size of 207 from a target population of 429.

## Findings

The study obtained a response rate of 201 (97%), which is considered excellent.

### Demographic Characteristics of Respondents

**Table 1** *Socio-demographic Characteristics of Respondents*

Variables	Frequency(n)	Percentage %
<b>Gender</b>		
Female	84	42
Male	117	58
<b>Age category(years)</b>		
15-29	52	26
30-39	19	9
40-49	40	20
>50	90	45
<b>Education level</b>		
Primary	31	15
Secondary	80	40
Tertiary	90	45

Source: Researcher (2018)

Results in Table 1 above shows that out of the respondents who took part in the study, 58% (117) were male, while 42% (84) were female. It means that majority of the respondents were predominantly male implying that most of those involved in craft practices among RSMEs within North Mugirango Constituency are male. Based on the results, majority of the respondents engaged in craft business were between the ages of 30-39 years, 90 (44.8%). This closely followed by 15-29 years with frequency 52 (26.9%). The least were those of age group greater than 50 years. This suggests that those practicing craft businesses are in their middle ages of between 30-39 years. Majority of the respondents 90 (44.8%) were trained in tertiary institutions while a handful 31(15.4%) had their maximum education level at primary education.

### Creativity Levels in Value Creation among RSMEs

The first independent variable was creativity levels among RSMEs in North Mugirango Constituency, Nyamira County, Kenya. Participants were given a number of statements and asked to state how much they agreed with the statements. The descriptive statistics for the results are illustrated in Table 2.

**Table 2** Creativity Levels in Value Creation among RSMEs

Statement/Objectives	SA	A	N	D	SD	$\bar{x}$	SD
<b>Creativity Levels:</b>							
<b>Leads to knowledge on value creation</b>	52	110	0	0	39		
	25.90	54.70	0	0	19.4%	3.62	1.38
<b>Leads to new innovations on value enriched products</b>	51	135	14	1	0	4.17	0.56
	25.40%	67.20%	7.00%	0.50%	0		
<b>Helps develop new skills and disciplines for modern economic society</b>	71	130	0	0	0	4.35	0.48
	35.30%	64.70%	0.00%	0.00%	0.00%		
<b>Helps converting every household into self-sustainable firm</b>	55	112	33	0	1	4.09	0.69
	27.40%	55.70%	16.40%	0.00%	0.50%		
<b>Helps in development and diversification of the existing industries</b>	55	0	113	4	29	3.97	0.94
	27.40%	0.00%	56.20%	2.00%	14.40%		

Source: Researcher (2018)

Table 2 shows that a higher number 110 (54.7%) agreed that creativity level has led to knowledge on value creation while 135 (67.2%) agreed that creativity levels led to new innovations on value enriched products. The means of 3.62 and 4.17 confirmed this response. A vast number also agreed that creativity level had developed new skills and discipline necessary for modern economic society, 130 (64.7%) and 112 (55.7%) agreed to the notion that creativity level helps in converting every household into self-sustainable firm. The average response was 4.35 and 4.09 respectively. Finally, a few SME owners were neutral to the fact

that creativity level helps in development and diversification of the existing industries. The mean response 3.97 implied agreement.

### **Entrepreneurial Competency on Value Creation among RSMEs**

The second independent variable was entrepreneurial competence among RSMEs in North Mugirango Constituency, Nyamira County, Kenya. Respondents were given statements and asked to state how much they agreed with them. Results obtained are summarized in Table 3.

**Table 3** *Entrepreneurial Competency on Value Creation among RSMEs*

<b>Statement/Objective</b>	<b>SA</b>	<b>A</b>	<b>N</b>	<b>D</b>	<b>SD</b>	<b><math>\bar{x}</math></b>	<b>SD</b>
<b>Entrepreneurial Competency:</b>							
<b>Enables proper management on value creation</b>	125 62.20%	76 37.80%	0 0.00%	0 0.00%	0 0.00%	4.62	0.49
<b>Enables proper networking with suppliers</b>	104 51.70%	83 41.30%	10 5.00%	14 7.00%	0 00.00%	3.57	1/1
<b>Enables management of difficult moments in the business</b>	95 47.30%	106 52.70%	0 0.00%	0 0.00%	4.47	0.5	
<b>Inadequacy has forced the outsourcing of personnel to manage the business on owner's behalf</b>	64 31.80%	74 36.80%	14 7.00%	0 0.00%	49 24.40%	3.52	1.54
<b>Enables growth and expansion of business</b>	119 59.20%	60 29.90%	14 7.00%	0 0.00%	8 4.00%	4.4	0.93
<b>Inadequacy has forced customers to go for other service providers</b>	63 31.30%	68 33.80%	0 0.00%	29 14.40%	41 20.40%	3.41	1.55

Source: Researcher (2018)

Table 3 shows that a higher number 76(37.8%) of respondents agreed that entrepreneurial competency has enabled proper management on value creation among rural small and micro enterprises in North Mugirango constituency, Nyamira County, while 83(41.3%) agreed that entrepreneurial competency has enabled proper networking with suppliers and other stakeholders. The means of 4.62 and 3.57 confirmed this response. A vast number 106(52.7%) of the study respondents agreed that entrepreneurial competency enables management of difficult moments in the business. Also 74(36.8%) agreed that inadequacy of

entrepreneurial competency has forced SME owners to outsource competent personnel in managing their businesses, 60(29.9%) of the respondents agreed to the notion that entrepreneurial competency enables growth and expansion of business. Finally, 68(33.80%) of the respondents agreed that inadequacy of entrepreneurial competency has forced customers to go for other service providers. The mean response 3.41 implied the agreement.

**Table 4** ANOVA Test for Creativity Levels, Entrepreneurial Competency and Value Creation

Source	Partial SS	df	MS	F	Prob > F
<b>Creativity Levels</b>	49.9270469	1	49.9270469	29.92	<0.0001
<b>Entrepreneurial competency</b>	49.9270469	1	49.9270469	29.92	<0.0001
<b>Residual</b>	332.053053	199	1.6686083		

Source: Researcher (2018)

The ANOVA test results in Table 4 compares the difference in means between the two categorical variables and entrepreneurial competency and creativity level. The Pearson's Chi Square test of association also further supports the same in the ANOVA test, meaning there is an association between creativity level and entrepreneurship competency. This is shown from the p value <0.0001 and the high level of Chi Square statistic i.e. Chi square = 29.4392; P value is <0.0001.

### **Regression Analysis of Craft Entrepreneurship Practices and Value Creation**

In order to establish the effect or role of craft entrepreneurship practices in value creation among RSMEs in North Mugirango Constituency, Nyamira County, Kenya, a multiple regression analysis was done. According to the results,  $r = .696$  implying that there was a strong positive correlation between the predicted values (craft entrepreneurship practices) and the observed values of Y (value creation). In addition, the results of  $r$  show that the model used provides a good prediction of value creation. On the other hand,  $r$ -squared = .4844 implying that 48.44% variations in the value creation among RSMEs in North Mugirango Constituency, Nyamira County, Kenya is caused by changes in craft entrepreneurship practices (creativity levels and entrepreneurial competency). This means that there are other factors that cause the remaining 51.56% variations in value creation are caused by other factors.

The regression analysis revealed that creativity level and entrepreneurial competency were found to be significant ( $p=0.001$  and  $p<0.0001$ ) respectively and had a positive influence on the value creation among RSMEs in North Mugirango Constituency, Nyamira County Kenya. This means that increasing any of them, would result into more value amongst the RSMEs.

## **Discussion**

Based on these study results, majority of the respondents (67.2%) agreed that creativity levels led to new innovations on value enriched products. These results concur with findings of a study by Bogavac-Cvetković and Miličković, (2016) who reported that small and micro enterprises contribute to innovation and economic development. From this study 54.7% of respondents agreed that creativity level led to knowledge on value creation which concurs with results from a study by Bremmer and Keat (2010) which indicated that entrepreneurial mindsets in creativity and innovation led to a fast growing economy and valuable production of goods and services. Based on this, 52.7% of respondents also agreed that entrepreneurial competency enables management of difficult moments in the business. This is similar to a study by Boyatzis, (2008) who reported that entrepreneurial competency is a quality action that engages in formation, survival and venture growth in uncertainty competitive business environment.

The results of this study indicated that there is statistically significant relationship between creativity levels and value creation among RSMES in North Mugirango Constituency, ( $p < 0.001$ ) and that there is statistically significant relationship between entrepreneurial competency and value creation ( $p < 0.001$ ). These results are consistent to study results by (Coleman, 2007) which indicated that entrepreneurial competency is the acquaintance of skills and the ability of networking in creation of valuable products in a competitive business environment.

## **Conclusion**

Based on the results, the study concludes that craft entrepreneurship practices, such as, creativity levels and entrepreneurial competency, have a significant impact on the value creation among RSMES in North Mugirango Constituency, Nyamira County Kenya. In addition, the results confirm that institutional and regulatory policies or frameworks affect the relationship between craft entrepreneurship practices and value creation.

## **Recommendations**

The study recommends that RSMES should be encouraged to adopt various craft entrepreneurship practices as ways of achieving value creation. Moreover, since institutional and regulatory policies affect the relationship between craft entrepreneurship and value creation, the study recommends formulation of policies that can promote craft entrepreneurship particularly in rural areas. There is also a need for the government to be involved in extensive promotion of craft entrepreneurship practices. Apart from the applications, the study also recommends for further research especially on other craft entrepreneurship practices other than creativity levels and entrepreneurial competency. There is also a need to conduct a study on challenges or barriers preventing RSMES in embracing value creation

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