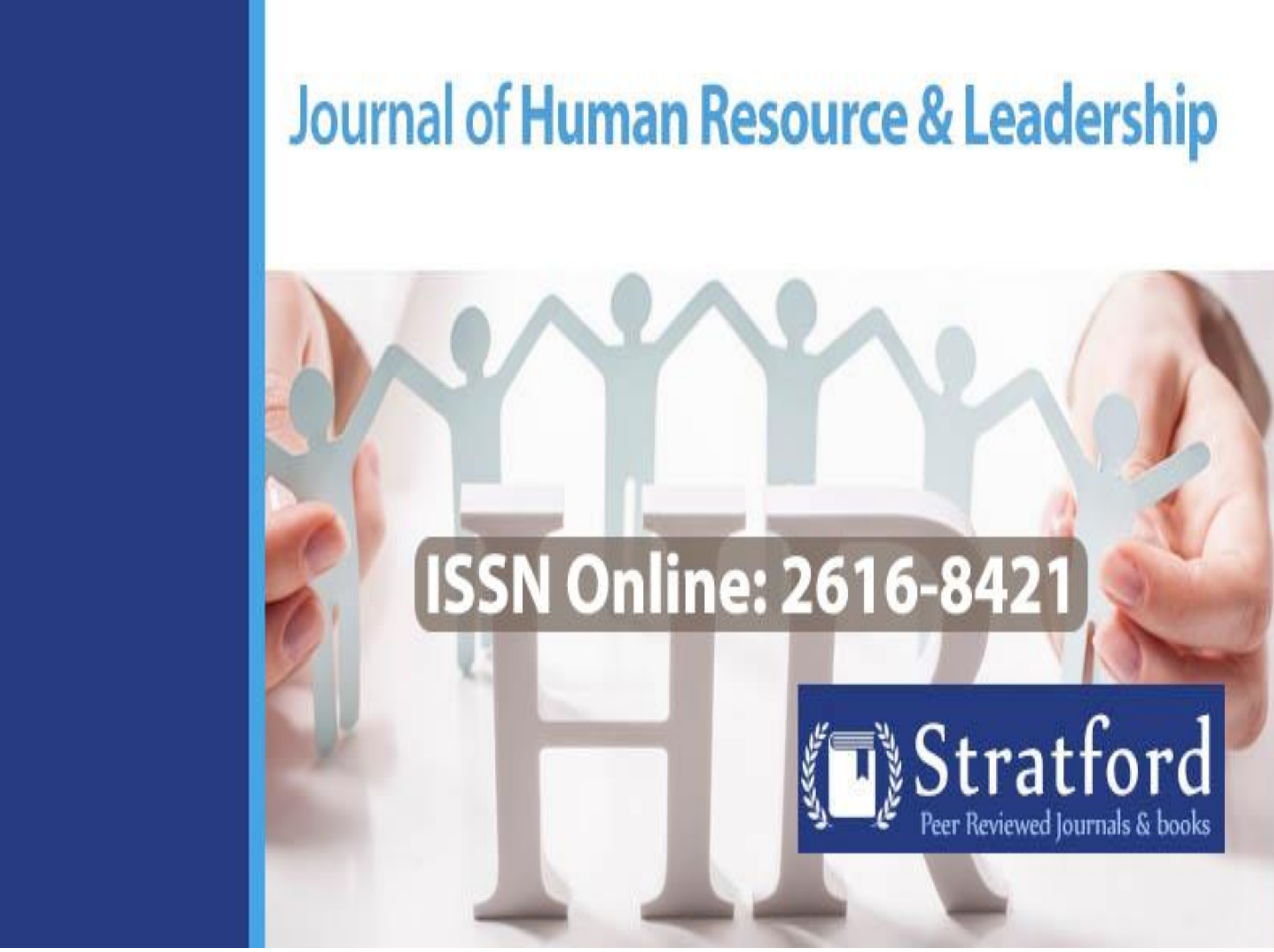

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Relationship between Managerial Competence and Growth of Top 100 Enterprises in Kenya

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Abstract

The growth trends of Small and Medium Enterprises (SMEs) raised many questions that why and how these SMEs were able to transform themselves into big business giants. The objective of the study was to investigate on the Relationship between Managerial Competence and Growth of Top 100 Enterprises in Kenya. In this study, descriptive approach was achieved by describing the data and characteristics about the population of phenomenon being studied. In the study, the target population, comprised of the Top 100 KPMG feted enterprises in Kenya in the year 2010 - 2015. This will yield 287 mid-sized companies. The sample size was 164 top managers in the Top 100 mid-sized companies. The study used the stratified random sampling technique as it ensured that all listed companies were represented according to the various sectors. The target population will be stratified into the 2 strata (service sector SMEs and non-service sector SMEs). Further, random sampling was used to select 164 top managers in the Top 100 mid-sized companies. Random sampling ensured that the study eliminated bias in its choice of respondents. The study used primary data collected through questionnaire. To enhance the response rate, the study put into consideration the research ethical issues. After data collection, the filled-in and returned questionnaires were edited for completeness, coded and entries made into Statistical Package for Social Sciences (SPSS version 20). A multivariate regression was also used to test the combined effect of all independent variables. The findings were presented in forms of tables and charts. The study found out that managerial competence had a positive and significant effect on growth. Therefore the study concluded that managerial competence leads to completeness of tasks. Therefore, the study recommends for top 100 enterprises to consider managerial competence since they are very crucial in the growth of the enterprises.

Keywords: *Managerial competence, SMEs, Kenya*

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1.1 Introduction

Small and medium size enterprises continue to play a significant role in the economic growth of most countries. They have become important as a source of job creation; wealth creation and capital creation. Small and Medium Enterprises (SMEs) also act as supplier of goods and services for large organizations. Therefore, in order to ensure sustainability of SMEs, owners or SMEs managers should have entrepreneurial awareness to efficiently run their enterprises (Ayyagari, 2011). Managers of successful organizations are faced with rapidly changing and fast paced environments.

The contribution of Small and Medium Scale Enterprises (SMEs) to the broader process of economic development is increasingly being recognized worldwide. The importance of SMEs in industrial and economic development came to light following the success stories of some East Asian and Western European countries such as Singapore, Taiwan, North Korea, Germany and Italy (Krasniqi, 2007). The significance of the SME sector is not uniform throughout the world. It differs from country to country in accordance with the level, pattern and rate of change in economic development (Kingsley, 2009).

Small and medium size enterprises feature as a dominant force in all the successful economies of the world. The impressive industrial performance of some Asian countries such as Taiwan, Singapore, Hong Kong, Korea, Japan and Western countries has focused the attention of policy makers and academic analysts on the prominent role played by Small and Medium Scale Enterprises in industrial development (Puffer, McCarthy & Boisot, 2010). Data from various countries across the world show that SMEs are a dominant force in the industrial and economic development of most economies. In Japan out of a national total of 6.53 million private companies in 1994 SMEs accounted for nearly 6.47 million or 99% and of the 54.16 million people employed nation-wide, 41.42 million or 76.5% were employed by SMEs (Ministry of International Trade and Industry (Japan) 2000 (Bernasconi, 2005).

Small and medium size enterprises have also played an important role in the industrial development of economies in transition. SMEs have been very instrumental in industrial development of most countries in transition. Sakai and Takada (2000) argue that since the inception of the open door policy at the sixth congress of the communist party there has been an influx of individual business in Vietnam. As a socialist country, Vietnam had made state owned enterprises the mainstay of its industrial system. As in most parts of the world, SMEs have contributed to the economic development of Asian countries.

Havenga (2001) argues that after the success of the private sector in some East Asian and West European countries, African governments have abandoned the centrally controlled policies to opt for free enterprises. Because of this Medium size Enterprises, which are the backbone of the private sector, have been widely recognized at all levels of development and make a significant contribution to economic development in general and in industrial development in particular (Sibanda, 2012).

Most African governments have since recognized Medium size Enterprises as the engine for both industrial and economic development. SMEs make up about 90% of Africa's enterprises (Timmings, 2011). Although and Medium size Enterprises have not been accredited as important components in the development of Africa, they have contributed much to many economies. Most literature on SMEs has proposed the need to create conducive environments that enable these enterprises to contribute to industrial and economic development (Liedholm, 1990).

The classification of the Top 100 mid-sized companies in Kenya is based on seven financial indicators. Other than the financial indicators other characteristics are considered. These characteristics include their business confidence outlook, talent policies, peers in terms of revenue growth, profit growth, returns to shareholders and cash generation/ involvement in corporate social responsibility, and the role played by innovation in their operations. The classification also captures their contribution to job creation whilst bearing in mind that not all industries are labour intensive (KPMG, 2014).

Small- and medium-sized enterprises (SMEs) are considered the engines of growth in developing countries. In Kenya, it goes without saying that SMEs have played a significant role in the macro economy. Most of managerial staff that undergoes retrenchment resorts to starting and operating SMEs. SMEs owned by KPMG Top 100 Enterprises are expected to exhibit high growth rate because of the managerial competence they possesses.

1.2 Statement of the Problem

In spite of the benefits, many SMEs failed to appreciate the role of industry experience and thus a slow growth hence lacking competitive advantage in the ever changing business environment. Studies have showed that most of the SMEs do not operate beyond their fifth year (Pretorius, Vuuren & Nieman, 2005). Managerial competence might be the main factor for organization to obtain sustainable competitive advantage. Thus the study adopted the concept of managerial competence to examine the influence on the growth of SMEs owned by KPMG Top 100 Enterprises in Kenya.

1.3 Research Objective

To establish the relationship between Managerial Competence and Growth of Top 100 Enterprises in Kenya.

1.4 Hypothesis

H_0: There is no significant relationship between Managerial competence and the growth of Top 100 Enterprises in Kenya.

2.0 Literature Review

2.1 Theoretical Review

This study is built on the scientific management theory.

2.1.1 Scientific Management Theory

The theory was developed by (Taylor, 1911). The theory has its roots in the industrial revolution which begun in England around 1750 AD. The proponents' main concerns were: increasing the productivity of individuals performing work; and increasing the productivity of organizations within which work was performed (Taylor, 1911). According to the theory, workers should be assigned tasks which are clearly defined and that will take a day's effort to complete, and should be given standard conditions to complete the task. Further, the theory proposes that pay should be based on a worker's productivity; where high productivity is rewarded with high pay and low productivity *is* punished by loss of pay.

The theory consistently sought to overthrow management "by rule of thumb" and replace it with actual timed observations leading to "the one best" practice. The theory also advocated the systematic training of workers in "the one best practice" rather than allowing them personal discretion in their tasks. Hence, the workload would be evenly shared between the workers and management with management performing the science and instruction and the workers performing the labor, each group doing "the work for which it was best suited" (Taylor, 1911).

Taylor's postulations were strongly influenced by his social/historical period (1856-1917) during the Industrial Revolution; it was a period of autocratic management that saw Taylor turning to "science" (hence, his principles of scientific management) as a solution to the inefficiencies and injustices of the period. It has to be stated that scientific management met with significant success among which included: the science of cutting metal, coal shovel design that he produced at Bethlehem Steel Works (reducing the workers needed to shovel from 500 to 140), worker incentive schemes, a piece rate system for shop management, and organizational influences in the development of the fields of industrial engineering, personnel, and quality control (Taylor, 1911).

The theory proposed four great underlying principles of management. First, there is need to develop a 'science of work' to replace old rule-of-thumb methods: pay and other rewards linked to achievement of 'optimum goals' – measures of work performance and output; failure to achieve these would in contrast result in loss of earnings. Second, workers to be 'scientifically' selected and developed: training each to be 'first-class' at some specific task. Three, the 'science of work' to be brought together with scientifically selected and trained people to achieve the best results. Finally, work and responsibility to be divided equally between workers and management cooperating together in close interdependence (Taylor, 1911).

The concept of SME growth is concerned with increasing efficiency and productivity. It involves listing key result areas to be achieved under standard conditions within a stipulated period, which relates to the Scientific Management Theory. To achieve efficiency and productivity it is important that employees possess the right competencies required to execute their duties. Thus, possession of the right managerial competencies by the KPMG Top 100 Enterprises should translate to positive SME growth.

2.2 Conceptual Framework

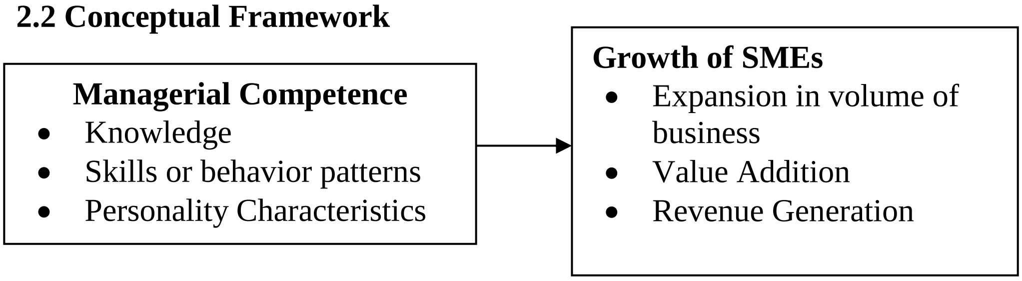

Figure 1: Conceptual Framework

2.2.1 Managerial Competence

A competency is an individual characteristic that can be measured or counted reliably and that can be shown to differentiate significantly between superior and average performers, or between effective and ineffective performers. Meanwhile, competency can be described as a set of behavior patterns that an incumbent needs to bring to a position in order to perform its tasks and functions in the delivery of desired results or outcomes (Bartram *et. al*, 2002). Spencer and Spencer (2009) viewed competency as an underlying characteristic of an individual that is causally related to criterion-referenced effective and/or superior performance in a job or situation.

Spencer and Spencer (2003) identified five types of competency characteristics consisting of motives, traits, self-concept, knowledge and skills. First, motives are the things that an individual consistently thinks about or wants that stimulate action. Motives drive, direct and select behavior toward certain actions or goals and away from others. Second, traits are physical characteristics and consistent responses to situations or information. Third, self-concept is an individual's attitudes, values or self-image. Fourth, knowledge is the information that an individual has in specific content areas. Finally, skill is the ability to perform a certain physical or mental task. Knowledge and skill competencies tend to be visible and relatively surface characteristics, whereas self-concept, traits and motive competencies are more hidden, deeper and central to personality. Surface knowledge and skill competencies are relatively easy to develop and training is the most cost-effective way to secure those employee abilities.

According to Boyatzis (2002), managerial competencies characterize a person who manages a company or a team of workers. These contribute to successful fulfillment of a task. Therefore managerial competencies are understood as observable characteristics such as knowledge, skills or behavior patterns that contribute to the successful fulfillment of managerial tasks (Markman, 2007; Mitchelmore & Rowley, 2010; Talik *et al*., 2012). Different competencies can be found in the literature; there are also many proposals as to their grouping (Armstrong, 2007; Mitchelmore & Rowley, 2010).

One proposition considers two major groups: general and specific competencies (Armstrong, 2007; Wright & McMahan, 2011). General competencies refer to broader personality characteristics, skills, patterns of behavior and values that are essential for every managerial position, and important also in many other professions. For example, both a creative approach to solving problems and social skills are useful in many different situations. They enable people to adapt to the new situations and circumstances in a flexible way (McClelland, 2003). The specific managerial competencies refer to skills and knowledge of basic principles in the area of SME management. They refer to specific aspects of management such as finance, advertising or logistics. However, competencies such as human capital characteristics can be arranged along a general to specific dimension, and are hardly ever being purely general or purely specific (Wright & McMahan, 2011).

Mitchelmore and Rowley (2010) assert certain managerial competencies are essential factors in the success and growth of the firm. According to the resource-based theory, the resources or competencies of a firm which make it different from others are important for its market success (Hussain *et al*., 2006). Human capital (competencies) is treated as a key factor explaining why some firms outperform others. Consequently, managerial competencies are considered as important predictors of business success (Markman, 2007; Mitchelmore & Rowley, 2010).

The study by Ligthelm (2010) primarily aimed at calculating the survival rate of small businesses within the rapidly changing trade environment based on longitudinal empirical surveys, with particular emphasis placed on the role of entrepreneurship in small business survival. The two research questions of the study were the ability of small informal businesses to survive amidst a heightened level of competition from large formal businesses and the variables instrumental in ensuring sustainability of survivors. Findings from longitudinal surveys among a panel of 300 small businesses in Soweto between 2007 and 2009 were modeled through a categorical regression model with business survival as dependent variable. The findings suggested that entrepreneurial acumen and business management skills be classified as the strongest predictors of small business survival. Hence, the ability to adjust one's business model to adapt to changed economic circumstances is an important characteristic of entrepreneurial conduct that ultimately dictates survival in increasingly competitive economic environments (Ligthelm, 2010).

The study by Fatoki (2014) investigated the entrepreneurial orientation of micro enterprises in the retail sector in South Africa and the results revealed adeptness by micro enterprises at introducing new product lines and also at making changes to the product line, but weakness in research and development, pro-activeness and risk-taking. Ngugi (2013) conducted a study on influence of intellectual capital on the growth of small and medium enterprises in Kenya. The findings of the study revealed that the components of Intellectual Capital such as managerial skills, entrepreneurial skills, and innovativeness of the owner/managers have major positive significance contribution to the growth of SMEs in Kenya.

Muthee-Mwangi and Ngugi (2014) examined the influence of entrepreneurial orientation on growth of Micro and Small Enterprises in Kerugoya, Kenya. The research adopted a descriptive research design. The study targeted 1420 MSEs in Kerugoya town which are registered with Ministry of Trade of the Kirinyaga County. Secondary and primary tools were used for data collection. Analysis was conducted via descriptive and inferential statistics. The study found that the dimensions of EO (innovativeness, risk taking, pro-activeness, and entrepreneurial managerial competence have a significant positive influence on growth of Micro and Small Enterprises. The study recommends that MSE owners should be open and keen to take up EO at higher levels in order to bolster their growth, competitiveness, profitability and survival. As well, they should innovate to exploit change as an opportunity for different businesses or services. Further, they should strive to identify possible emerging problems and find solutions for them, to gain competitive advantage, as well as seek to acquire entrepreneurial managerial competencies.

3.0 Research Methodology

The study employed a descriptive and explanatory research design. The target population for this study comprised of the KPMG Top 100 Enterprises in Kenya in the year 2010 - 2015. This yielded 287 mid-sized companies after eliminating those that had been repeated. The sampling frame was the top 100 mid-sized companies in Kenya in the year 2010 - 2015. The units of observation were a top manager in the Top 100 mid-sized companies who reported to the CEO. The sample was determined using the fisher formula of 1998.

$$n=Z^2*p*(1-p)/d^2$$

Where:

n = Sample size for large population

Z = Normal distribution Z value score, (1.96)

p = Proportion of units in the sample size possessing the variables under study, where for this study it is set at 50% (0.5)

d = Precision level desired or the significance level which is 0.05 for the study

The substituted values in determining the sample size for a large population are shown below, 4 cases were added to cater for non-responsiveness.

$$\mathbf{n}= \frac{(1.96)^2*(0.5)(0.5)}{(0.05)^2}= 384$$

Hence, the sample size for this study will be 384. However, since the population is less than 10,000, another formula used to adjust the sample size further.

$n_0 = n/ (1+ ((n -1)/ N))$

$n_0 = 384/ (1+ ((384 -1)/ 287)$

$n_{0=}$	164	Desired sample size.
n=	384	Sample Size when population is more than ten thousand
N=	287	Total population size
% Sample		57.14%

The sample size will be 164 top managers in the Top 100 mid-sized companies who reports to the CEO. This study used stratified random sampling technique. Stratified random sampling technique was used as it ensure that all the mid-sized companies were well represented. The study used primary and secondary data. After data collection, the filled-in and returned questionnaires were edited for completeness, coded and entries made into Statistical Package for Social Sciences. Various statistical analytical approaches was used namely; descriptive and inferential statistics. In this study, the descriptive analysis involved frequencies in their absolute and relative forms (percentage). Mean and standard deviations was also used as measures of central tendencies and dispersion respectively. Inferential statistics included use of a multivariate regression was used.

The multi- linear regression model will be as indicated;

$Y=\alpha_0+\beta_1 X + \varepsilon$

Where;

Y= Growth of SMEs

α_0= Constant

X= Managerial Competence

ε= error term

4.0 Results and Discussion

4.2 Response Rate

The sample for the study was 164 out of which 158 were returned and correctly filled representing a response rate of 96.34% as summarized in Table 1. This response rate was appropriate since Kothari (2011) argued that 50% response rate is adequate, 60% good and above 70% rated as appropriate for analysis.

Table 1 Response Rate

Questionnaires	Frequency	Percentage
Returned	158	96.34
Non returned	6	3.66
Total	**164**	**100**

4.3 Descriptive Analysis

This section contains descriptive analysis for top 100 SMEs' growth, as a result of Managerial Competence.

4.3.1 Growth Rate of Top 100 Enterprises in Kenya.

The study sought to determine the growth of top 100 Enterprises in Kenya. To achieve the respondents were requested to indicate their levels of agreement on a five point Likert scale. (1 = strongly disagree, 2 = Disagree 3 = Neutral, 4 = Agree, 5 = strongly agree) was used and the mean response rate from the micro and small enterprise owners calculated. For the purposes of interpretation 4 & 5 (agree and strongly agree) were grouped together as agree, 1 & 2 (strongly disagree and disagree) were grouped as disagree while 3 was neutral. The results of this study are as depicted in Table 2.

Table 2: Descriptive analysis on Growth Rate

Statement	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Mean	Std Dev
My business has increased profitability since its openings	11.40%	16.50%	11.40%	28.50%	32.30%	3.54	1.39
My business has expanded in the number of customers served	5.70%	22.20%	15.80%	25.90%	30.40%	3.53	1.29
My business has expanded in terms of product/services produced	8.90%	21.50%	17.10%	28.50%	24.10%	3.37	1.30
The quality of products we produce is high.	3.80%	13.90%	16.50%	55.10%	10.80%	3.55	0.99
We have increased access to financial resources	21.50%	22.20%	39.20%	9.50%	7.60%	2.59	1.15
Financial capital of the business has tremendously increased	7.00%	22.20%	29.70%	21.50%	19.60%	3.25	1.20

Results in table 2 shows that majority 60.8 %(32.3%+28.5%) agreed with the statement that my business has increased profitability since its openings. The results had a mean response of 3.54 with a standard deviation of 1.39. This means that there was high variation in the responses from the respondents implying that my business has increased profitability since its openings.

Secondly, majority 56.3% (30.4%+25.9%) agreed that my business has expanded in the number of customers served. The results had a mean response of 3.53 with a standard deviation of 1.29. This implies that the business has expanded in the number of customers served. Moreover, 52.6% (28.5%+24.1%) of the respondent agreed that the business has expanded in terms of product/services produced. The results had a mean response of 3.37 with a standard deviation of 1.30. This means that there was high variation in the responses from the respondents implying that the business has expanded in terms of product/services produced.

The result further revealed that majority 65.9 %(55.1%+10.8%) agreed to the statement that the quality of products we produce is high. The results had a mean response of 3.55 with a standard deviation of 0.99. This implies that the quality of products we produce is high. The result further revealed that majority 43.7 %(21.5%+22.2%) disagreed to the statement that they have increased access to financial resources. The results had a mean response of 2.39 with a standard deviation of 1.15. This implies that there is no increased access to financial resources.

Finally majority of the respondents 41.1 %(21.5%+19.6%) agreed to the statement financial capital of the business has tremendously increased. The results had a mean response of 3.25 with a standard deviation of 1.20. This means that there was high variation in the responses from the respondents implying that financial capital of the business has tremendously increased.

4.3.2 Managerial Competence and growth of Top 100 Enterprises in Kenya.

The fourth objective of the study sought to determine influence of managerial competence on the growth of top 100 Enterprises in Kenya. To achieve the respondents were requested to indicate their levels of agreement on a five point Likert scale. (1 = strongly disagree, 2 = Disagree 3 = Neutral, 4 = Agree, 5 = strongly agree) was used and the mean response rate from the micro and small enterprise owners calculated. For the purposes of interpretation 4 & 5 (agree and strongly agree) were grouped together as agree, 1 & 2 (strongly disagree and disagree) were grouped as disagree while 3 was neutral. The results of this study are as depicted in Table 3.

Table 3: Descriptive analysis on Managerial Competence

Statement	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Mean	Std Dev
The knowledge of the owner manager influences the growth of the enterprise.	14.60%	18.40%	22.80%	24.10%	20.30%	3.17	1.34
The conceptual skills of the owner manager influence the growth of the enterprise.	18.40%	19.00%	16.50%	27.20%	19.00%	3.09	1.40
The intellectual skills of the owner manager influence the growth of the enterprise.	13.90%	20.90%	20.30%	25.30%	19.60%	3.16	1.34
The interpersonal skills of the owner manager influence the growth of the enterprise.	15.80%	19.60%	25.30%	18.40%	20.90%	3.09	1.36
The personality characteristics of the owner manager influence the growth of the enterprise.	12.00%	18.40%	21.50%	26.60%	21.50%	3.27	1.32

Results in table 3 shows that majority 44.4 %(20.30%+24.1%) agreed with the statement that the knowledge of the owner manager influences the growth of the enterprise. The results had a mean response of 3.17 with a standard deviation of 1.34. This means that there was high variation in the responses from the respondents implying that the knowledge of the owner manager influences the growth of the enterprise. Secondly, majority 46.2% (27.2%+19.0%) agreed that the conceptual skills of the owner manager influence the growth of the enterprise.. The results had a mean response of 3.09 with a standard deviation of 1.40. This implies that the conceptual skills of the owner manager influence the growth of the enterprise.

Moreover, 44.9% (25.3%+19.6%) of the respondent agreed that forward-looking perspective of an entrepreneur leads to high profitability. The results had a mean response of 3.16 with a standard deviation of 1.34. This means that there was high variation in the responses from the respondents implying that the intellectual skills of the owner manager influence the growth of the enterprise. The result further revealed that majority 39.3 %(18.4%+20.9%) agreed to the statement that the interpersonal skills of the owner manager influence the growth of the enterprise. The results had a mean response of 3.09 with a standard deviation of 1.36. This implies that the interpersonal skills of the owner manager influence the growth of the enterprise.

Finally majority of the respondents 48.1 %(26.6%+19.6%) agreed to the statement the personality characteristics of the owner manager influence the growth of the enterprise. The results had a mean response of 3.27 with a standard deviation of 1.32. This means that there was high variation in the responses from the respondents implying that the personality characteristics of the owner manager influence the growth of the enterprise. This results agreed with findings of Morgan (2007) who found that at the embryonic stage of firm growth, proactiveness was a critical factor that affected firm performance improvement. The role of proactiveness was less important once a firm was established. The words proactiveness and competitive aggressiveness are often used interchangeably. This agreed with (Bartram, et. al, 2002). Spencer and Spencer (2009) viewed competency as an underlying characteristic of an individual that is causally related to criterion-referenced effective and/or superior performance in a job or situation.

Further the respondents were asked to give their opinion on managerial competence. The result in Table 4 revealed that majority of the respondents (79.1%) indicated that they agreed that managerial competence influenced growth of Smes. The result also revealed that the remaining (21.9%) indicated that they disagreed on managerial competence influencing growth of top 100 SMEs in Kenya.

Table 4: Managerial Competence Opinion

Opinon of Managerial Competence	Frequency	Percent
Yes	125	79.1
No	33	20.9
Total	158	100.0

4.4 Inferential statistics

This section contains inferential analysis for Managerial Competence. Inferential statistics in this section include model fitness, ANOVA tests, regression coefficients and hypothesis testing.

4.4.1 Correlation Analysis

Product moment correlation coefficient was used to shown the strength of the relationship between SME growth and managerial competence. Results were presented in table 5.

Table 5: Correlation Analysis

		Growth
Growth	Pearson Correlation	1.000
	Sig. (2-tailed)	
Managerial competence	Pearson Correlation	.384**
	Sig. (2-tailed)	0.000

** Correlation is significant at the 0.01 level (2-tailed).
* Correlation is significant at the 0.05 level (2-tailed).

As shown in table 5 there was a positive and significant relationship between managerial competence had a positive and significant relationship with growth (r= 0.384, p value <0.05).Moreover, there was a positive and significant relationship between industry expert and growth (rho = 0.326, p value <0.05).

4.4.2 Regression Analysis for Managerial Competence

The results presented in Table 6 present the fitness of model used of the regression model in explaining the study phenomena.

Table 6: Model fitness

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
	.384	0.148	0.142	0.4710072

Managerial competence was found to be satisfactory in explaining growth. This is supported by coefficient of determination also known as the R square of 14.8. %. This means that managerial explain 14.8% of the variations in the dependent variable which is growth. Results of the model fitness back up the study by Boyatzis (2002), managerial competencies characterize a person who manages a company or a team of workers. These contribute to successful fulfillment of a task. Therefore managerial competencies are understood as observable characteristics such as knowledge, skills or behavior patterns that contribute to the successful fulfillment of managerial tasks (Markman, 2007; Mitchelmore & Rowley, 2010; Talik *et al*., 2012).

Table 7: Analysis of Variance of Managerial Competence

	Sum of Squares	df	Mean Square	F	Sig.
Regression	5.994	1	5.994	27.021	.000
Residual	34.608	156	0.222		
Total	40.603	157			

Table 7 provides the results on the analysis of the variance (ANOVA). The results indicate that the overall model was statistically insignificant. Further, the results imply that the independent variable is not a good predictor of growth. This was supported by an F statistic of 27.021 and the reported p value (0.000) which was less than the conventional probability of 0.05 significance level. Results of the model fitness back up the study Mitchelmore and Rowley (2010) assert certain managerial competencies are essential factors in the success and growth of the firm. According to the resource-based theory, the resources or competencies of a firm which make it different from others are important for its market success (Hussain *et al.*, 2006). Human capital (competencies) is treated as a key factor explaining why some firms outperform others. Consequently, managerial competencies are considered as important predictors of business success (Markman, 2007; Mitchelmore & Rowley, 2010).

Table 8: Managerial Competence

	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	2.43	0.173		14.088	.000
Managerial competence	0.276	0.053	0.384	5.198	.000

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$Y = 2.43 + 0.276X$

Where Y = Growth of top 100 SMEs

X= Managerial Competence

Regression coefficients in Table 8, revealed that there was a positive and significant relationship between Managerial Competence and growth (r=0.276, p=0.000). This was supported by a calculated t-statistic of 5.198 which is larger than the critical t-statistic of 1.96. The results agree with Mitchelmore and Rowley (2010) assert certain managerial competencies are essential factors in the success and growth of the firm. According to the resource-based theory, the resources or competencies of a firm which make it different from others are important for its market success (Hussain *et al.*, 2006). Human capital (competencies) is treated as a key factor explaining why some firms outperform others. Consequently, managerial competencies are considered as important predictors of business success (Markman, 2007; Mitchelmore & Rowley, 2010).

4.4.3 Hypothesis testing for Managerial Competence

The hypothesis tested was:

H_0: There is no relationship between Managerial competence and the growth of Top 100 Enterprises in Kenya.

The hypothesis was tested by using simple linear regression and determined using p-value (Table 8). The acceptance/rejection criteria was that, if the p value is greater than 0.05, we fail to reject the Ho but if it's less than 0.05, the Ho is rejected. Therefore the null hypothesis is that risk taking does not influence growth of top 100 enterprises in Kenya. Results in Table 8 show that the p-value was 0.000. This was supported by a calculated t-statistic of 5.198 which is larger than the critical t-statistic of 1.96. The null hypothesis was therefore rejected. The study therefore adopted the alternative hypothesis that risk taking influence growth of top 100 enterprises in Kenya.

This findings are consistence with those of Mitchelmore and Rowley (2010) assert certain managerial competencies are essential factors in the success and growth of the firm. According to the resource-based theory, the resources or competencies of a firm which make it different from others are important for its market success (Hussain *et al.*, 2006). Human capital (competencies) is treated as a key factor explaining why some firms outperform others. Consequently, managerial competencies are considered as important predictors of business success (Markman, 2007; Mitchelmore & Rowley, 2010).

5.0 Conclusion

The study concluded that there is a positive relationship between Managerial competence and the growth of Top 100 Enterprises in Kenya. Managerial competencies characterize a person who manages a company or a team of workers. These contribute to successful fulfillment of a task. Therefore managerial competencies are understood as observable characteristics such as knowledge, skills or behavior patterns that contribute to the successful fulfillment of managerial tasks.

6.0 Recommendations

It was found out that there is a positive and significant relationship between Managerial competence and the growth of Top 100 Enterprises in Kenya. Therefore, the study recommends for enterprises to embrace managerial competence since it is the most cost-effective way to secure employee abilities and contribute to successful fulfillment of a task.

7.0 References

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