

**EFFECTS OF TRANSFORMATIONAL LEADERSHIP AND PRIOR
KNOWLEDGE ON GROWTH OF WOMEN-OWNED MICRO AND SMALL
ENTERPRISES IN KASARANI DIVISION, NAIROBI COUNTY, KENYA**

BY

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**A THESIS SUBMITTED TO THE SCHOOL OF BUSINESS IN PARTIAL
FULFILMENT FOR THE AWARD OF THE DEGREE OF DOCTOR OF
PHILOSOPHY IN ENTREPRENEURSHIP DEVELOPMENT OF KENYATTA
UNIVERSITY**

December, 2013

DECLARATION

This thesis is my original work and has not been presented to any other University for the award of any degree.

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DEDICATION

This research work is dedicated to my father, the late Dishon Muguku and my mother, Rahero Muguku whose love for education has enabled me to be what I am today, my children, Wairimu, Maina, Gakobo, Wangari and Wanjiku and lastly to my grand children, Joshua, Warren and Gloria, my brothers and sisters for their support and encouragement throughout the entire journey of this study.

ACKNOWLEDGEMENT

This study is as a result of hard work in which I have been supported by many people to whom I am sincerely indebted. First and foremost I would like to thank the Almighty God for the grace that he gave me to undertake and complete this study.

In particular, I would like to express my sincere appreciation to my two supervisors, Dr. Gorrety A. Ofafa and Dr. Simon Rukangu for their time, patience, and constructive advice. They shared with me their scholarly experience which made this thesis a worthwhile undertaking. They were indeed very instrumental for consultation, their professional guidance and supervision provided valuable enrichment to this study.

This work would not have been completed without the encouragement and prayers I got from Dr. Bishop Patrick G. M. Mungai and Dr. Wangari Kuria, both of Nairobi Calvary Temple. I would also like to appreciate Grace Kimani for her words of encouragement when I needed them most. Special appreciation to my parents, the late Dishon Muguku Chege and Rahero Wanjiku Muguku who invested heavily in my early education and instilling in me at a very tender age the value of education. Special gratitude also goes to my children: Wairimu, Maina, Gakobo, Wangari and Wanjiku, my grand children; Joshua, Warren and Gloria and my brothers and sisters for their support, understanding and patience during the period of this study.

I would like to express my appreciation to the Managers of various enterprises in Kasarani Division of Nairobi who allowed me to collect data from their business premises and also taking their time to fill the questionnaire.

Finally, I would like to acknowledge the hospitality accorded to me by the Dean and the staff of School of Business, the Chairman, Business Administration department during my period of study. To all others who contributed to this thesis, I say THANK YOU and may God bless you all abundantly.

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LIST OF ABBREVIATIONS AND ACRONYMS

GoK	:	Government of Kenya
IC	:	Individualized Consideration
II	:	Individualized Influence
IM	:	Inspirational Motivation
IS	:	Intellectual Stimulation
MLQ	:	Multifactor Leadership Questionnaire
MSEs	:	Micro and Small Enterprises
NCC	:	Nairobi City Council
PCA	:	Principal Component Analysis
SD	:	Standard Deviation
TL	:	Transformational Leadership

DEFINITION OF TERMS

Women-Owned Enterprises

These are enterprises that are owned and wholly managed by women.

Growth

Growth denotes an increase in amount for instance in output, exports and sales. It also means an increase in size or improvement in quality as a result of the process of development.

Transformational Leadership

This is a management style that seeks to foster positive interactions and trust relations with or among firms' internal teams, share power and information with them and encourage them to subordinate their personal aims and interests to collective ends. This entails leaders and followers raising each others motivation and sense of purpose.

Prior Knowledge

This is the sum of competencies which are derived from education, networks and experiences

ABSTRACT

The growth of women-owned enterprises is currently attracting much policy and literal attention. There is debate that transformational leadership and prior knowledge are essential to the growth of micro and small enterprises (MSEs). However, empirical evidence of the role of transformational leadership and prior knowledge on the growth of women-owned enterprises in Kenya is scarce. The purpose of this study was to examine the effects of transformational leadership and prior knowledge on the growth of women-owned enterprises in Kasarani Division in Nairobi County. A random sample of 400 women-owned and managed MSEs was surveyed using a structured questionnaire. The Multifactor Leadership Questionnaire (MLQ) was used to measure transformational leadership while prior knowledge was measured using educational attainment, networks and experience of women entrepreneurs. Regression models were used to examine the effects of transformational leadership and prior knowledge on enterprise growth. Transformational leadership had a positive and statistically significant relationship with enterprise growth ($\beta = 0.57, \rho < 0.05$). Having parents in business and obtaining business advice were negatively associated with growth. Further, the age of the business and obtaining credit for business operations were positively associated with enterprise growth. These results cast doubt on the role of prior knowledge on enterprise growth. The results of this study suggest that enhancing transformational leadership in women-owned enterprises is a viable policy option. The need to enhance business heritage is recommended.

CHAPTER ONE

INTRODUCTION

This chapter describes the context and the background of the research problem, general and specific objectives, research questions, significance, scope and limitations of the study.

1.1. Background to the Study

Growth is a multidimensional concept which includes economic and financial measures such as sales growth, profits, owner income, and number of employees. This can be referred to as objective measures (Lerner and Almor, 2002). Another way of looking at growth is by use of subjective measures which include non-financial goals and global success ratings made by women entrepreneurs (Helgesen, Nettet and Voldsund, 2008). Any of the above measures can be used to describe growth of an enterprise, hence the term multidimensional. According to a survey report by Central Bureau of Statistics, International Center for Economic Growth and K-REP Holdings (1999) change in the number of employees over time is considered a useful indicator of growth for MSEs. There is evidence that women usually view growth of their enterprises using subjective measures (Machado, St-Cyr and Mione, 2003). Studies in Kenya have mainly focused on objective measures of growth (Gakure, 2003; Kibas, 2006) while neglecting subjective measures. Understanding the nature of growth in women-owned enterprises using subjective measures may reveal patterns of growth that are currently not known, hence the need for further research.

Existing data shows that women-owned enterprises in the country suffer from high mortality rates, operate informally thus incur the penalties of informality and rarely grow or graduate to high value-adding activities (Government of Kenya [GoK], 2005). According to McCormick (2001), women-owned enterprises that started small tend to remain small and very little transformation occurs among them. Eagly *et al.*, (2003) demonstrates that firms set up and run by women tend to display distinctive features which influence their growth. For instance, during the phase of growth, women in business display distinct abilities in transformational leadership (Brush, 1992). It is however not clear whether transformational leadership influences growth of women-owned MSEs in Kenya.

Transformational leadership involves the leader's ability to make group members become less interested in themselves and more interested in the group (Rosener, 1990). Moore and Buttner (1997) observe that transformational leaders tend to encourage the participation of all employees at different levels of decisions, share power and information with them, stimulate and motivate them. Brush (1992) argues that women's attitude towards power tends to be relational consensual with little emphasis on authority and communication. Other characteristics mentioned are true concern over quality of services provided and an emphasis on social objectives (Machado, St-Cyr and Mione, 2003). This leadership style raises employee satisfaction and results in higher performance levels (Chaganti, 1986).

According to Bird (1989), women-owned enterprises do not grow at a rate that would realize economic benefits to the entrepreneur. It is, therefore, important to study and document what can spur the growth of women-owned enterprises in Kenya. Transformational leadership has been documented as a correlate of growth of women-owned enterprises in the developed world (Rosener, 1990) however similar data is not available in Kenya. This makes it difficult to develop appropriate policy options that could be used to enhance the performance of women-owned enterprises. Examining the effects of transformational leadership on the growth of women-owned enterprises is, therefore, necessary.

Prior knowledge refers to the sum total of one's competencies which are derived from the unique backgrounds of individuals. According to Ardichvili, Cardozo and Ray (2003), the key indicators of prior knowledge include elements like educational background, past experience and networks of women. Formal education is said to be a highly efficient way to provide access to information (Shane and Venkataraman, 2000). The same is of great importance in that it exposes an individual to knowledge in many disciplines. Social networks are equally important. They are a key source for gathering information. Life experiences, on the other hand, provide valuable information on unmet needs and can stimulate the process of generating business ideas. Entrepreneurs past experiences provide good ground for the development of basic skills needed in management of an enterprise.

Some extant literature, however, suggests that women's past experience and backgrounds may shape their subsequent behaviours (Fischer, Reuber and Dyke, 1993; Beasley, 1999). For instance, Bruni, Gherardi and Poggio (2004) suggest that due to the constraints women face in a male dominated environment, women are likely to develop an ability to feel and anticipate the reactions of others. Therefore, the concern for relational aspects and flexibility that women portray in business has roots in the variations in power and opportunity accorded to men and women in society. Elsewhere, Beasley (1999) argues that differences between men and women exist from their early stages of growth in life and result in fundamentally different ways of viewing the world. That is, men and women are inherently different because of differences in their socialization, training and experiences encountered prior to entry into particular work positions. Therefore differences emerge in nurturing results in different self-perceptions, motivations and belief structures between men and women. Consequently, women adopt different approaches to work (Fischer, Reuber and Dyke, 1993). Therefore, the unique experiences and backgrounds of women may explain the subsequent behavior in enterprise. Studies that have attempted to investigate the relationship between such antecedents, transformational leadership, and growth of women owned enterprises are not readily available. This dearth of literature could largely be attributed to lack of appropriate frameworks. Existing literature highlights a universalistic model when investigating the relationship between prior knowledge (Alsos and Kaikkonem, 2006), transformational leadership (Reuber and Fischer, 1999) and the growth of women-owned enterprises.

Following literature that demonstrates that women's past experiences and backgrounds may shape their subsequent behaviours (Bruni, Gherardi and Poggio, 2004; Fischer, Reuber and Dyke, 1993; Beasley, 1999), universalistic models may not be realistic representation of the factors involved in the growth of women-owned enterprises. Examining the combined effects of prior knowledge and transformational leadership on the growth of women-owned enterprises is therefore an important area of research.

The participation of women in business and especially, in the Micro and Small Enterprises (MSEs) sector has increased tremendously since the 1980s (Stevenson and St-Onge, 2005). MSEs are broadly defined as income generating enterprises that employ less than 50 persons (GoK, 2005) and have now become the main source of income and employment for the majority of women in the Kenya. By 1999, there were 612,848 women-owned MSEs in Kenya, making 47.7 percent of the total ownership of the MSEs in the country (Central Bureau of Statistics, International Center for Economic Growth and K-REP Holdings Ltd., 1999). The patterns of growth and factors involved in these enterprises is however not clear.

Literature generally shows that women-owned enterprises are concentrated in the formal, micro, low profit areas where competition is intense and their incidence of growth is very low (GoK, 2005; McCormick, 2001; Kibas, 2006). Women are more likely to be operating in the trade, retail and entertainment sectors accounting for 75, 56 and 55 percent respectively (Central Bureau of Statistics, International Center for Economic Growth and K-REP Holdings Ltd., 1999). Perhaps this is not surprising in light of the

multitude of challenges that they face (Gakure, 2003; McCormick, 2001). Yet there is little information as to how the few women who grow their enterprises manage to do so in the face of this very difficult environment. This calls for research to establish why some women-owned enterprises slowly grow, stagnate or die off in Kenya.

The performance of women-owned enterprises in Kenya is modest. Data shows that the average number of employees in women-owned MSEs in Kenya is 1.54 (Stevenson and St-Onge, 2005; Central Bureau of Statistics, International Center for Economic Growth and K-REP Holdings Ltd., 1999). These reports also indicate that in total, women-owned enterprises account for 40 percent of the employment in the MSE sector. About 86 percent of the workers in women-owned MSEs are owner managers, 4 percent are employees and the remainder is made up of either family members or apprentices. Women-owned enterprises also report on average, lesser income than that reported by their male counter-parts. For example, in the 1999 National Baseline Survey (Central Bureau of Statistics, International Center for Economic Growth and K-REP Holdings Ltd., 1999), women enterprises reported 57 percent of the income reported by male-owned enterprises. The performance of women-owned enterprises must therefore be improved if they are to effectively respond to the challenges of creating employment and wealth, alleviating poverty and redistributing wealth. Enhancing the performance of women-owned enterprises requires a clear understanding of growth and the factors involved.

Women-owned enterprises have a lot of potential (Stevenson and St-Onge, 2005; GoK, 2005). Apart from employment and wealth creation, women-owned enterprises provide training and acquisition of skills for the masses of women outside formal educational and vocational systems cost-effectively. They also redistribute welfare, link closely with agriculture and promote equitable distribution of income. Arguably, women-owned enterprises also serve as the breeding ground or seedbed for large firms. That is, they constitute the entry point and training ground for women entrepreneurs and a testing ground for the development of low-cost products. However, inappropriate policies and misallocation of investment resources may skew the distribution of these benefits away from women, who would potentially gain the most from such benefits. In this context, a search for policies designed to effect benefits to women entrepreneurs seems appropriate. The growth of women-owned enterprises has attracted a lot of policy interests globally, Kenya included. Two notable initiatives have been taken by the Government of Kenya to improve the growth of women-owned enterprises. The challenge of growth in women-owned enterprises especially in the MSE sector was initially highlighted in *Sessional Paper Number 2 of 1992 on Small Enterprises and Jua Kali Development in Kenya* (GoK, 1992). This policy document stipulated among others, that data on women entrepreneurs be collected and successful women entrepreneurs be identified and promoted as role models. However, such novel measures failed to yield the expected impact, largely due to weaknesses in policy design and implementation. Lack of data on women entrepreneurs was largely to blame for the poor design of this policy initiative. Limited effort has been devoted towards accumulating data on growth of women-owned

enterprises, a situation that compromises the development of evidence based policy initiatives. A need, therefore, exist to examine the growth of women-owned enterprises.

The second policy initiative to address the plight of women-owned enterprises is stipulated in *Sessional Paper Number 2 of 2005 on Development of Micro and Small Enterprises for Wealth and Employment Creation for Poverty Reduction* (GoK, 2005). Gender equality continues to be identified as a priority in this *Sessional paper*. Specifically, this policy paper identifies the limited access to formal education and training as the most critical factors that explain the limited performance and growth of women-owned enterprises. Other factors identified include: gender inequalities in the distribution of income, limited access to and control of productive resources such as land and credit, and the multiple roles of women. While the identification of such factors is an important exercise, it appears that issues that affect women in general appear to be mentioned without regard to their relative importance in determining the growth of women-owned enterprises. Thus validation of such factors among women-owned enterprises is necessary. Conducting studies on the growth of women-owned enterprises might also identify other factors that are not explicitly mentioned in this *Sessional paper*. Identifying these factors along with their relative importance is crucial for policy prioritization, given that different factors might be associated with particular policy measures.

After identifying the constraints to growth of women-owned enterprises, *Sessional Paper Number 2 of 2005 on Development of Micro and Small Enterprises for Wealth and*

Employment Creation for Poverty Reduction (GoK, 2005) outlines in detail four sets of strategic options that are aimed at addressing the gender issues in MSEs. These include ensuring that the MSE policy is gender responsive, establishing a gender mainstreaming framework, empowering women and ensuring that MSE support programmes and projects are designed in such a way that they offer equal opportunities to all. The need for collecting and sharing gender-disaggregated data to facilitate gender responsive planning and policy formulation is also recognized. However, the institutional set-up for this process is not adequately spelt out. The need for analytical work for monitoring these strategies is also neglected or not explicitly emphasized. This study, by laying the foundation for analytical work on the in-depth understanding of growth in women-owned enterprises should help the government's efforts to realize a gender-responsive MSE policy. In sum, this *Sessional paper* provides the issues that need to be examined in detail to inform policy formulation. The prerequisite for policy intervention is sound empirical information on issues where action is required. The findings of this study therefore, stand to provide a concrete input in the design of effective and gender-responsive MSE policy in Kenya.

The growth of women-owned enterprises continues to attract a lot of scholarly attention. This attention which has largely been developed in the industrialized countries revolves around the definition of the term growth (Rauch *et al.*, 2006) and an analysis of the factors involved especially prior knowledge (Shane and Venkataraman, 2000) and transformational leadership (Eagly *et al.*, 2003).

1.2. Research Problem

Women-owned enterprises in Kenya suffer from high mortality rates, operate informally thus, incur the penalties of informality, rarely grow or graduate to high value-adding activities and very little transformation occurs among them (GoK, 2005; McCormick, 2001). These shortcomings compromise the current government's efforts that are aimed at wealth and employment creation, poverty alleviation and redistribution of wealth and policy formulation to enhance growth of this important sector as indicated in the *Sessional Paper* Number 2 of 2005. Appropriate policies are therefore needed to spur growth in women-owned enterprises. A prerequisite for policy intervention is sound empirical information on issues where action is required. However, data on the factors that influence growth of women-owned enterprises is scanty in Kenya. In the developed world transformational leadership and prior knowledge have been associated with growth of women-owned enterprises (Bruni, Gherardi and Poggio, 2004; Eagly *et al.*, 2003; Beasley, 1999; Fischer, Reuber and Dyke, 1993). It is not clear whether these factors lead to enterprise growth in the Kenyan context. This study, therefore, sought to examine the effects of transformational leadership and prior knowledge in women-owned enterprises in order to spur growth in Kasarani division of Nairobi County, Kenya.

1.3. Objectives of the Study

1.3.1. General Objective

To examine the effects of transformational leadership and prior knowledge on the growth of women-owned MSEs in Kenya.

1.3.2. Specific Objectives

- i) To establish the relationship between transformational leadership and growth of women-owned MSEs Kasarani Division of Nairobi County.
- ii) To determine the relationship between prior knowledge and the growth of women-owned MSEs Kasarani Division of Nairobi County.
- iii) To establish the combined effects of transformational leadership and prior knowledge on the growth of women-owned MSEs Kasarani Division of Nairobi County.

1.4. Research Questions

- i) What is the relationship between transformational leadership and the growth of women-owned MSEs in Kenya?
- ii) What is the relationship between prior knowledge and the growth of women-owned MSEs in Kenya?
- iii) What are the combined effects of prior knowledge and transformational leadership on the growth of women-owned MSEs in Kenya?

1.5. Significance of the Study

This study has academic, policy and practical implications. Academically, this study not only attempts to apply entrepreneurship concepts into the growth of women-owned enterprises but also seeks to represent enterprise growth from a woman's way of being, thinking and doing. This is quite unlike the common and restrictive gender dualism approach. In addition this study attempts to document the contingent effects of prior knowledge and transformational leadership on growth of women-owned enterprises. This

is unlike in the current literature where both prior knowledge and transformational leadership are treated as mutually independent determinants of growth. Thus it is expected that this study would eventually deepen the understanding of growth in women-owned enterprises.

The policy relevance of this study rests on its empirical basis for identifying policy options to enhance the growth of women-owned enterprises. It is, therefore, of value to those who seek to target women enterprises with offerings (such as the government and other service providers) and the women entrepreneurs themselves who can benefit from a greater insight into their growth.

1.6. Scope of the Study

This study focused on women who run MSEs in Kasarani Division in Nairobi that employ between two and fifty employees. Specifically, this study sought to establish the link between prior knowledge, transformational leadership and growth of this sample of women-owned enterprises.

1.7. Limitations of the Study

A limitation of this study relate to its nature of being cross-sectional in nature. Growth is a process that occurs over time implying that a longitudinal approach would have been appropriate.

1.8 Organization of the Thesis

The first chapter described the context and the background of the research problem. It also outlined the general and specific objectives, research questions, significance, scope and limitations of the study.

The second chapter reviews literature on women-owned enterprises, the concept of growth, transformational leadership and prior knowledge. It also describes the conceptual framework that was used to examine the growth of women-owned Micro and Small Enterprises (MSEs).

The third chapter identifies the research design. It also describes the study area, study population and sampling procedures. The chapter also offers a detailed description of key variables of the study. The data collection instruments and procedures are then outlined. Data analysis procedures employed in the study are then discussed.

The fourth chapter presents and discusses the findings of this study. It begins by providing the general profile of the study respondents. It then describes the patterns of growth in the sampled women-owned enterprises. The findings on the attributes of transformational leadership and prior knowledge and their effects on growth are then presented. The fifth chapter offers a summary of the study and presents the conclusions and recommendations of the study.

CHAPTER TWO

REVIEW OF LITERATURE

2.0. Introduction

This chapter reviews literature on women-owned enterprises, the concept of growth, transformational leadership and prior knowledge. It also describes the conceptual framework that was used to examine the growth of women-owned Micro and Small Enterprises (MSEs).

2.1 Historical Background of the Behaviours of Women Entrepreneurs

Two theoretical orientations have emerged that seek to explain the origins of the behaviours of female owner-managers. These are the liberal feminist and social feminist theories. Fischer, Reuber and Dyke (1993) notes that the liberal feminist theory is rooted in liberal political philosophy which encompasses basic beliefs in the equality of all beings, and in human beings as essentially rational, self-interest-seeking agents. The liberal feminist theory attributes gender-based differences to the variations in power and opportunity accorded men and women in society. Thus, differences in the achievements of men and women are ascribed to the inability of women to realize their full potential because they are denied equal access to opportunities in the labour markets and to resources. This in turn has hindered women from acquiring the skills and capabilities necessary to compete on equal basis with men.

According to the liberal feminist theory, gender differences in performance cease to exist once equal access to resources is ensured (Carter, Williams and Reynolds, 1997). Bruni,

Gherardi and Poggio (2004) suggest that due to the constraints women face in a male dominated environment, women have been forced to develop an ability to feel and anticipate the actions of others. Therefore the concern for relational aspects and the flexibility they have natured in so many supporting roles as well as their everyday coordination of family and work responsibilities is a valuable organizational exploitable resource. Consequently, it should be expected that women exploit relational aspects to grow their businesses.

In contrast, the social feminist theory, which emanates from the social learning theory and psychoanalysis, holds that differences between men and women exist from their earliest moments in life and result in fundamentally different ways of viewing the world (Beasley, 1999). These differences are seen in the way women and men construct and interpret reality and how these influence the formation of their values and intentions (Carter, Williams and Reynolds, 1997). Men and women are inherently different because of differences in their socialization, background training and experiences encountered prior to entry into particular work positions. The differences that emerge in nurturing result in different self-perceptions, motivations and belief structures. Consequently, women adopt different approaches to work which may or may not be as equally effective as those adopted by men (Fischer, Reuber and Dyke, 1993). Thus social learning theories highlight the role of prior experience in explaining subsequent behaviour of women in enterprise. It is therefore, important to establish empirical evidence of prior knowledge and its effect on the growth of women-owned enterprises. This study was intended to provide for this knowledge gap. Shane and Venkataraman (2000) and Ardichvili,

Cardozo and Ray (2003) suggest that prior knowledge influences entrepreneurial behavior specifically education, networks and experience in women. However, entrepreneurship literature is largely silent on sex differences in acquisition of prior knowledge.

2.2. The Concept of Entrepreneurship

Entrepreneurship can be conceptualized as the discovery of opportunities and the subsequent creation of new economic activity often via the creation of a new organization (Venkataraman, 1997). Entrepreneurship is often discussed under the title of the entrepreneurial factor, the entrepreneurial function, entrepreneurial initiative and the entrepreneurial behavior.

The entrepreneurial factor is understood to be a new factor in production that is different to the classic ideas of hard labour and capital which must be explained via remuneration through income for the entrepreneur along with the shortage of people with entrepreneurial capabilities. Its consideration as an entrepreneurial function refers to the discovery and exploitation of opportunities or to the creation of an enterprise. Entrepreneurial behavior is seen as behavior that manages to combine innovation, risk-taking and pro-activeness (Miller, 1983). In other words, it combines the classic theories of the innovative entrepreneur (Schumpeter, 1934), the risk-taking entrepreneur that occupies a position of uncertainty as proposed by Knight (1921) and the entrepreneur with initiative and imagination who creates new opportunities. Entrepreneurial initiative covers the concept of creation, risk-taking, renewal or innovation inside or outside an existing organization.

Entrepreneurship could be said to be a process by which individuals, either on their own or within organizations pursue opportunities (Stevenson and Jarillo, 1990; Busenitz *et al.*, 2003). It has recently been claimed that if managers and businessmen of many firms were to adopt entrepreneurial behavior when developing strategies, firms would be facing a much brighter future than current perceptions suggest (Lee and Peterson, 2000).

The entrepreneur's central activity is that of business creation, which can be studied at an individual and/or at group level, analyzing psychological aspects and social variables of education, background on the family either at an environmental level using variables that enable business development, or by analyzing aspects of the economic, social and cultural environments (Bird, 1989; Murphy, Liao and Welch, 2006). The study of entrepreneurs as individuals analyses the variables that explain their appearance, such as personal characteristics, the psychological profile (the need to achieve, the capacity to control, tolerance and ambiguity and a tendency to take risks) or non-psychological variables (education, experience, networks and the family).

Entrepreneurship is, therefore, an essential element of economic progress as it manifests its fundamental importance in different ways for example: by assessing, identifying and exploiting business opportunities; by creating new firms and/or renewing existing ones by making them dynamic; and by driving the economy forward – through innovation, competence, job creation and by generally improving the wellbeing of the society (Rauch *et al.*, 2006). Entrepreneurship affects all organizations regardless of the size, age and whether they are considered private or public. Its importance for the economy is reflected

in its visible growth as a subject of interest for the economic press and in academic literature. For this reason, it is a matter of interest to academics, businessmen and governments all over the world (Machado, St-Cyr and Mione, 2003).

The study of entrepreneurship leads to attempts to answer a series of questions such as: What happens when entrepreneurs act? Why do they act? And how do they act? (Stevenson and Jarillo, 1990). Why, when and how do opportunities for the creation of goods and services come into existence? Why, when and how do some people and not others discover and exploit these opportunities. Why, when and how are different models of action used to exploit entrepreneurial opportunities (Shane and Venkataraman, 2000; Bruyat and Julien, 2000). These questions guided this research.

2.3. The Nature of Female Entrepreneurship

Since the 1980s, an emerging body of literature has attempted to examine the role of the woman in enterprise (Moore and Buttner, 1997). This body of knowledge is commonly known as female entrepreneurship. Female entrepreneurship may simply be defined as the identification and exploitation of opportunities for gain by females. If these opportunities have to be fully beneficial, women-related studies especially on the area of growth have to be researched on.

Literature on female entrepreneurship may be categorized into five thematic areas. These include sectoral distributions of women enterprises, patterns of female entrepreneurship, barriers to women entrepreneurship, motivations of women entrepreneurship and the managerial styles of women entrepreneurship (Bruni, Gherardi and Poggio, 2004). Most

literal works report that a great majority of women entrepreneurs are not only concentrated in commerce and especially services but also began work in that area (McCormick, 2001). Patterns of female entrepreneurship (Stevenson and St-Onge 2005; Gakure, 2003) have also been examined in previous studies on female entrepreneurship.

Similarly, barriers against female entrepreneurship have also found attention in previous studies. Three main types of barriers against female entrepreneurship namely lack of networks, status and credibility, are generally identified (McCormick, 2001; Gakure, 2003). These three thematic areas are normally criticized for their tendency to devalue the role of the woman in enterprise (Bruni, Gherardi and Poggio, 2004). Consequently, these thematic areas obscure some legitimate resources inherent in women enterprises.

Literature on the motivations of women entrepreneurs and the organizational and managerial methods of women entrepreneurs tends to surmount the devaluation of the female gender. The entry of women into entrepreneurship seems to be a complex mix of constraints and opportunities. Thus both external coercions and subjective aspirations propel women into entrepreneurship. This discourse has constructed the female as a resource, and discovers female abilities. However, motivation is a necessary but not sufficient condition for women enterprise. To address this concern, the fifth thematic area focused on the management styles of women entrepreneurs (Bruni, Gherardi and Poggio, 2004).

Some emergent literature tells us that firms set up and run by women tend to display distinctive features (Eagly *et al.*, 2003). A number of activities and behaviors have been identified as common to the enterprise culture of women. During the start-up and development phases of their enterprises, women tend not to use a deliberate approach. That is, women prefer using a less distinct and rational sequence of actions (Chaganti, 1986). Literature further shows that women display distinct abilities in transformational leadership (Brush, 1992) which may influence the growth of their businesses.

Transformational leadership involves the leader's ability to make group members become less interested in themselves and more interested in the group (Burns, 1978; Rosener, 1990). Studies have emphasized on some of the characteristics of the women entrepreneurs' leadership styles. For instance, Moore and Buttner (1997) observe that women entrepreneurs tend to encourage the participation of all employees at different levels of decisions, share power and information with them, stimulate and motivate them. Brush (1992) argue that women's attitude towards power tends to be relational consensual with little emphasis on authority and communication. Other characteristics mentioned are true concern over quality of services provided and an emphasis on social objectives (Machado, St-Cyr and Mione, 2003). This leadership style raises employee satisfaction and results in higher performance levels (Chaganti, 1986). Therefore transformational leadership influences the growth of women-owned businesses (Rosener, 1990). Some other literature also indicates that women's past experiences and backgrounds shape their subsequent behaviors and performance (Fischer, Reuber and Dyke, 1993; Beasley, 1999). These two streams of literature are yet to be adequately

linked. To address this concern, this study established a conceptual framework that linked the growth of women-owned enterprises, with transformational leadership and women's prior knowledge.

2.4. Entrepreneurship Theories

A theory is a systematic grouping of interdependent concepts and principles that give a framework to, or, ties together a significant area of knowledge. A theory can be said to be a set of interrelated contrasts on concepts and prepositions that present a systematic view or phenomenon by specifying relations among variables. The purpose of theories is to explain or predict phenomena. Entrepreneurship, just like any other field of study, has a number of theories. Some of them include the following:-

2.4.1. Frank Knight's Risk Bearing Theory

Frank Knight first introduced the dimension of risk-taking as a central characteristic of entrepreneurship (1921). This theory considers uncertainty as a factor of production and holds the main function of the entrepreneur as acting in anticipation of future events. The entrepreneur earns profits as a reward for taking such risks. According to Knight, it is not change that gives rise to profits, but uncertainty and the possibility of incorrectness of expectations. If uncertainty characterizes the environment, the problem is no more represented by the actual execution of activity; the issue is deciding what to do and how to do it. This primary function is the entrepreneurial function; the endeavour of deciding how various objectives are to be achieved and of predicting which objectives are worth achieving competes to the entrepreneur, a specialist who is prepared to bear the cost of uncertainty (Knight, 1921). The exercise of entrepreneurship is usually associated with

uncertainty bearing and has something to do with imperfect knowledge. Recent theories emphasize that the entrepreneur does not merely deal with the consequences of imperfect knowledge but rather concerns the regards of discovering and using new knowledge.

If Knight's work and subsequent developments identify in the capability of treating uncertainty, a crucial determinant of the entrepreneurial decision, according to alternative perspectives, mere differences in risk aversion cannot explain the special role of entrepreneurs because independent risks can be insured by means of capital markets. These approaches assign the entrepreneur the role of coping with the unknown, that is, to produce an effort to get things done but to deal with unforeseen events where risks can fail to be assured (Bird, 1989). It is out of the works of Knight that the general equilibrium theory of the firm under uncertainty was developed by Kihlstrom and Laffont (1979).

2.4.2. The Psychological Theory

This theory was first proposed by McClelland (1965). This theory considers entrepreneurs as people who do things in a better way and makes decisions in times of uncertainty. The dream to achieve big things overpowers monetary or other external incentives. McClelland's theory holds that people have three motives for accomplishing things that is the need to achieve; the need for affiliation; and the need for power. The need for achievement and the need for power are the two major drivers to entrepreneurship. However, it is pertinent to note that McClelland failed to prove the sense of frustration that drives people to entrepreneurship.

2.4.3. Israel Kirzner's Theory

Kirzner (1997) represents the Neo-Austrian approach to entrepreneurship and be focused on the question of whether a market economy works, and, if it does so, what is the process that leads the economy towards equilibrium. He claims that initially the economy is in disequilibrium and the competition among alert entrepreneurs leads to equilibrium. He advocates that profit opportunities stimulate entrepreneurship. He contends that the alertness in an entrepreneur is a peculiar form of knowledge that cannot be obtained through a rational investment policy. He states that entrepreneurs are profit-seeking speculators characterized by a kind of superior knowledge that enables them to gain from the ignorance of others (Kirzner, 1997).

Kirzner's entrepreneurship model holds the following: that the entrepreneur subconsciously discovers an opportunity to earn money by buying resource or producing the resource and then sell it at a profit; that the entrepreneur finances the venture by borrowing money from a capitalist; that the entrepreneur uses the funds for his entrepreneurial venture; and that the entrepreneur pays back the capitalists, including interest, and retains the pure entrepreneurial profit. In conclusion, Kirzner's considers the entrepreneur's alertness to recognize opportunity more characteristic than innovation in defining entrepreneurship. The entrepreneur either remedies or corrects errors of the customers (Kirzner, 1997).

2.4.4. Max Weber's Sociological Theory

Weber held religion as the major driver of entrepreneurship, and stresses on the spirit of capitalism which highlights economic freedom and private enterprise. The sociological

theory of entrepreneurship holds social cultures as the driving force of entrepreneurship. The entrepreneur becomes a role performer in conformity with the role expectations of the society. He based such role expectations on religious beliefs, taboos and customs. He stated that capitalism thrives under the protestant work ethics that haps on these values. The right combination of discipline and an adventurous free-spirit define the successful entrepreneur (Brush, 1992).

2.4.5. Joseph Schumpeter's Theory

Schumpeter (1934) was another famous contributor to the theory of entrepreneurship. According to him, innovation is an essential function of the entrepreneur. He contends that entrepreneurship is not necessarily invention but it turns invention into a profitable venture. Schumpeter saw entrepreneurship as a fundamental factor in the economic development process and the entrepreneur as an innovator. According to Schumpeter an entrepreneur in the process of exploiting what was previously in use can further improve it into a new arrangement of economic value, that is, innovation (Schumpeter 1942). Schumpeter rejects the equilibrium analysis and he believes that human economic development is the history of continuous creative destructions by entrepreneurs. The entrepreneur is an innovator, not an imitator in the production. Thus, the reward of innovation and taking entrepreneurial risky activities is profit. Schumpeter viewed the profit as the result of innovation and also the inducement to innovation. With his analysis unlike Marshall (1890), Schumpeter is able to explain how the system works and where the profits come from.

2.4.6. Alfred Marshall's Theory

Marshall in his principles of Economics (1890) held that land, labour, capital and organization are the four factors of production and further considered entrepreneurship as the driving factor that brings these four factors together. The characteristics of a successful entrepreneur according to Marshall include among others: thorough understanding of the industry; good leadership skills; foresight on demand and supply changes and the willingness to act-on such risky foresights. Successful entrepreneurs, however, depend not on possession of the above skills, but on the economic situations in which they attempt their endeavours. Many economists have modified Marshall's theory to consider the entrepreneur as the fourth factor itself instead of organization, and which co-ordinates the other three factors.

Most of the theories of entrepreneurship are mainly designed to answer questions like how market systems work and what the relationship between entrepreneurship and profit is. For the Marshallian theory, which indicates the existence of perfect information and perfect competition assumptions fails to address the two questions accurately. Schumpeter's theory is the closest to the reality regarding the work of market system and creation of profit. However, he gives too much importance to individual innovations and ignores the effects of generations and previous failures to discover innovations. Kirzner's alert entrepreneur is an arbitrageur and sees profit opportunities and exploits them (Kirzner, 1997). However, his model fails to explain the above questions accurately. The model sees the mistakes in Marshallian model and tries to correct them.

2.5. The Concept of Growth in Enterprises

After an enterprise has been launched, it has to be followed by growth, which can be rapid or slow and often involves an expansion of the organization's scope and the size of the operations. In all cases, however, growth should follow a tangible business strategy, which includes a plan to meet the growing human and financial resource needs; delegation of responsibilities from the entrepreneur to other employees; a process of dealing with and negotiating inevitable conflicts and a coherent plan to measure progress.

While conceptually the meaning of the term growth is clear, different studies operationalize the term differently. However, a dividing line can be drawn between objective and perceptual/subjective measure of enterprise growth. Objective measures consist of economic and financial measures such as sales growth, profits, owner income, and number of employees (Lerner and Almor, 2002). Perceptual/subjective measures on the other hand, include non-financial goals and global success ratings made by entrepreneurs. Both types of measures produce biases. Perceptual/subjective measures often fail to capture financial aspects of organizational performance and may be subject to common method variance. Objective measures overcome these problems but may be affected by factors beyond the control of entrepreneurs.

An alternative view is to consider growth of enterprises as multidimensional in nature. It is advantageous to integrate different dimensions of organizational performance in empirical studies (Rauch *et al.*, 2006). Thus it is possible to view for instance non-financial goals such as technology acquisitions and increase in sales revenue over time as

different aspect of organizational performance, each revealing important and unique information than it does separately. Moreover, it is desirable to measure both such dimensions at the same level. Further, growth as defined by women is not commonly examined in past literature. To address this concern this study shall examine growth from a woman's perspective.

There are a number of newer measurement approaches for growth that are discussed by various authors, for example the Balanced Score Card (Kaplan and Norton, 2001) and business models, which consider both objective and subjective measures of growth. Women friendly measures of growth are really used in literature. Therefore, brief growth measurement scales that are relevant in female entrepreneurship are needed. Katou and Budhwar (2008) and Chenhall and Langfield-Smith (2007) describe suitable multiple organisational performance variables.

This measurement scale captures effectiveness (if the enterprise meets its objectives), efficiency (if the enterprise uses the fewest possible resources to meet its objectives), development (if the enterprise is developing its capacity to meet future opportunities and challenges), satisfaction (of all participants; stakeholders, employees, customers), innovation (for products and processes), and quality (percent of products of high quality).

This growth measurement scale was adapted in this study.

The analysis of growth in women-owned MSEs highlights three variables that have the potential to impact on the growth of women-owned enterprises. These include

environmental factors, firm characteristic and entrepreneurial factors. A majority of studies on women-owned enterprises such as Naituli, Wegulo and Kaimenyi (2003), Stevenson and St-Onge (2005), Boohene and Kotey (2005) and Kibas (2006) reflect the Lewinian framework (Lewin, 1935) which describes behavior via the interaction between a person and environment. Because of varying theoretical bases describing the interaction between individual and environmental factors, such studies take various forms and allow many types of individual, firm and environmental factors to interact. Consequently, there is considerable plurality within such studies regarding which factors or interactions hold greater explanatory sway. Such plurality is detrimental to sound policy and practical guidance.

A few studies have investigated specific factors among women. Among these many factors, the manager's role seems to be of a particular importance to the growth of women-owned enterprises. For instance, Lerner and Almor (2002) examined the role of capabilities (skills, resources, planning, and previous experience in industry) on the growth of women owned enterprises. Mistick (2004) has examined the role of juggling of maternal duties and business work on the growth of women-owned enterprises. These studies show that the unique characteristics of women influence the growth of their enterprises.

Various studies have reported that gender influences business performance as a result of its close association with decision-making, business management, strategy formulation and the functional areas emphasized (Carter, Williams and Reynolds, 1997; Mukhtar,

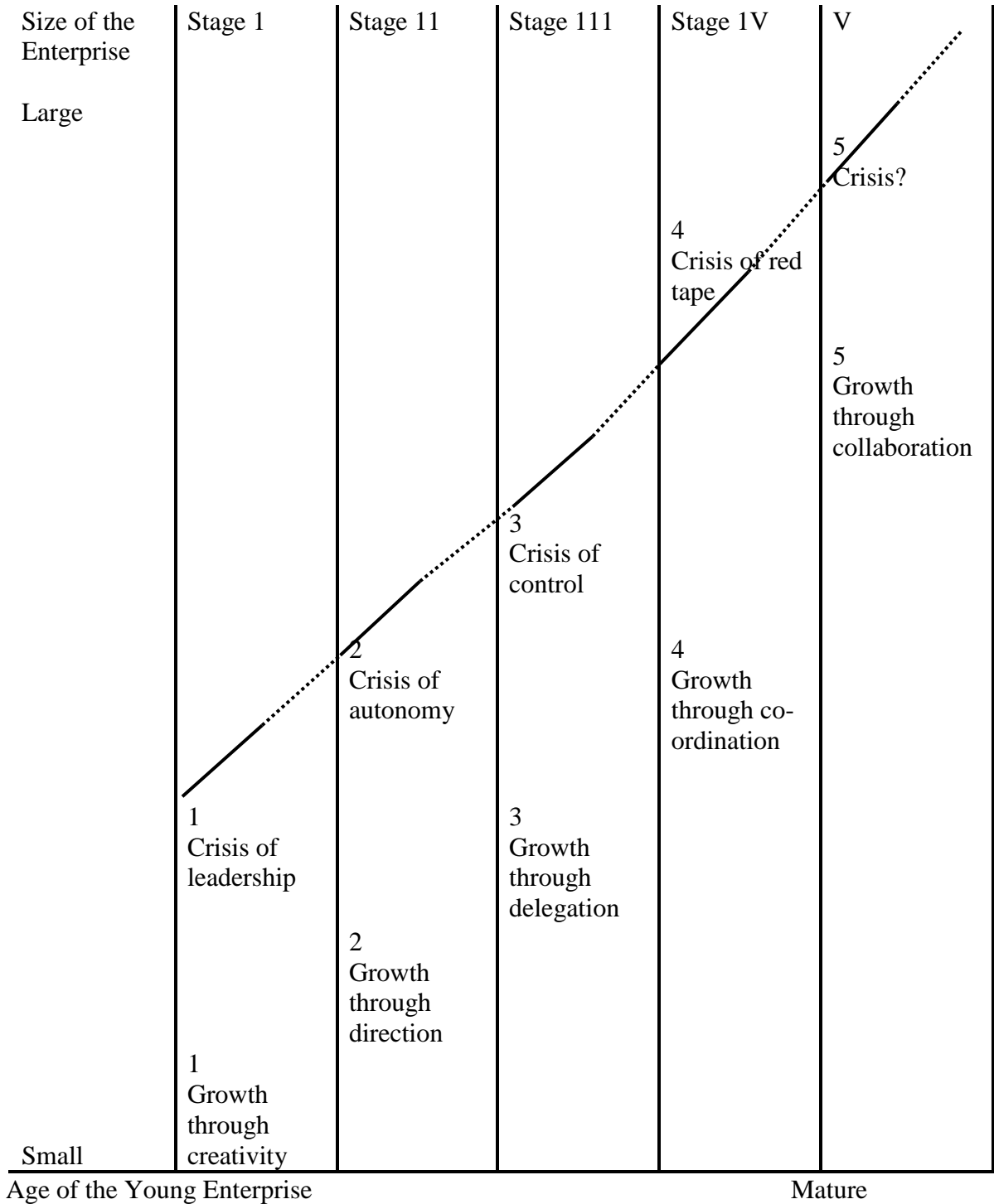
2002). Transformational leadership style is more informal, more people-oriented and more interactive and participative (Chaganti, 1986; Moore and Buttner, 1997). This leadership style raises employee satisfaction and results in higher performance levels (Chaganti, 1986). Also Machado, St-Cyr and Mione, (2003) points that female entrepreneurial style can be better described using relational dimensions-mutual enrichment, collaboration, share of information, empathy and care which are associated with firm performance, particularly with retention of employees and “*spirit de corps*”.

2.5.1. Growth Models

The growth of small and medium enterprises (SMEs) is a major driver of the economy because SMEs contribute to employment growth at a higher rate than large firms. This is clearly demonstrated by the fact that about 99.8 per cent of the enterprises in the European Union are SMEs, which employ 67% of European workforce and generates 57% of the revenue (European Statistical Data Support, 2008).

The important economic contribution of SMEs has aroused significant interest from both international organizations and academic researchers whose goals include public policies to trigger growth in SMEs, ultimately enhancing overall economic performance. Accordingly, since 1970's many researchers have worked to establish an explanatory framework for the growth of SMEs. However, despite the considerable attention paid to SME growth, to date, no theories have been able to adequately explain why some SMEs grow while others fail (Tambunan, 2011). The complexity of the problem, the multidisciplinary nature of the related variables and the difficult in generating a generic model that fits the various types of SMEs is largely to blame (Gibb and Davis, 1990).

It is important to note that there is extensive body of literature on the concept of organizational life cycle which attempts to model the stages companies move through as they evolve from start-up to mature organizations (Churchill and Lewis, 1983; Kazanjian, 1988; Dodge and Robbins, 1992; Terpstra and Olsen 1993; Geiner, 1998). A review of the five stages of Small Business Growth Model by Churchill and Lewis (1983) is therefore in order. These five business growth stages are graphically presented in Figure 2.1.



Source: Greiner (1998)

Key: Evolution stages — Revolution stages

Figure 2.1: The Business Life Cycle

According to Churchill and Lewis (1983) categorizing the problems and growth patterns of SMEs in a systemic way that is useful to entrepreneurs seems at first an uphill task. SMEs vary widely in size and capacity for growth. They are characterized by independence of action, differing organizational structures and varied management styles. Yet on closer scrutiny, it becomes apparent that they experience common problems arising at similar stages in their development. This point of similarity can be organized into a framework that increases understanding of the nature, characteristic and problems of enterprises. For the owners and managers of SMEs, such an understanding can aid in assessing current challenges, for example, the need to upgrade an existing computer system or hire and train second-level managers to maintain planned growth. Again, such understanding can help in anticipating the key requirements at various points. Such knowledge can also help in anticipating the key requirements at the various stages. The framework also provides a basis for evaluating the impact of present and proposed governmental regulations and policies on SMEs. The five-stage model by Greiner (1998) can be described as follows:

Stage 1: Existence

In this stage, the main problems of the enterprise are obtaining customers and delivering the products or services contracted for. Among the key questions that an entrepreneur needs to ask are: Can the enterprise get enough customers, deliver the products and provide services well enough to become a viable business? Can the enterprise expand from one key customer or pilot production process to a much broader sales base? Does the enterprise have enough money to cover the considerable cash demands of this start-up phase? At this state, the organization is a simple one. The owner does everything and

directly supervises subordinates who should be of at least average competence. Systems and formal planning are minimal to nonexistence. The main goal at this stage is to remain alive. The owner is the business, performs all the important tasks and is the major supplier of energy, direction and capital with relatives and friends.

However, at this stage, the main challenge is that the enterprise has yet to stabilize either production or product quality. Another challenge at this early stage is that the founder-manager typically dominates the decision-making process. There may be a constant inflow of new employees that are paid relatively low wages with little or no benefits. At this stage, there is also typically no dominant strategy and this allows the entrepreneur the flexibility to adapt strategy without substantial commitment of resources. Again, at this level, there are less formal structures and loose control systems. There is no established culture and formal ethical standard have not been established. The focus at this stage is on “doing” and not contemplating. In the absence of other normative factors for example companies where the entrepreneur was formally employed, the entrepreneur’s personal value system becomes the organizational template for addressing issues with moral implications (Humphreys *et al.*, 1993). In some cases the enterprises never gain sufficient customer acceptance on product capability to become viable. In these cases, the owners close the business when the start-up capital runs out and if they are lucky, sell the enterprise for its assets value. In some cases, the owners cannot accept the demands the enterprise places on their time, finances and their energy and therefore they quit. These enterprises that remain in business become stage two enterprises.

Stage 11: Survival

In reaching this stage, the enterprise has demonstrated that it is a workable business entity. It has enough customers and satisfies them sufficiently with its products or services to keep them. The key problem thus shifts from mere existence to the relationship between revenues and expenses. The main issues at this stage are: In the short run, can the owner generate enough cash flow to break even and to cover the repair or replacement of his capital assets as they wear out? Can the business, at a minimum, generate enough cash flow to stay in business and to finance growth to a size that is sufficiently large, given the industry and the market niche, to earn economic return on assets and labour? (Greiner, 1998).

In this stage, the organization is still simple. The enterprise may have a limited number of employees supervised by a sales manager or a general foreman. Neither of them makes major decisions independently but instead carries out the rather well defined orders of the owner. Systems development is still synonymous with the enterprise. In the survival state, the enterprise may grow in size and profitability and move on to stage three. It may, as many enterprises do, remain at the survival stage for some time earning marginal returns on invested time and capital and eventually go out of business when the owner gives up or retires (Greiner, 1998).

Stage 111: Success

The decision facing entrepreneurs at this stage is whether to exploit the enterprises accomplishments and expand or keep the enterprise stable and profitable, providing a base for alternative owner activities. At this stage, the enterprise has attained true

economic health, has sufficient size and product-market penetration to ensure economic success and at the same time, earns average or above average profits. An enterprise can stay at this stage indefinitely; provided environmental changes do not destroy its market niche or ineffective management do not reduce its competitive abilities (Churchill and Lewis, 1983).

Organizationally, the enterprise has grown large enough to an extent that it requires functional managers to take over certain duties performed by the owner managers. The managers should be competent but need not be of the highest caliber, since their upward potential is limited by the corporate goals. Cash is plentiful and the main concern is to avoid a cash drain in prosperous periods to the detriment of the enterprises' ability to withstand the inevitable rough times. In addition, professional staff members come on board. However, the owner manager and the business increasingly move apart to some extent because of the owner's activities elsewhere and to some extent because of the presence of other managers (Churchill and Lewis, 1983).

Many companies remain in the success stage. The product-market niche of some enterprises does not permit growth. Other owners actually choose this route. If the company can continue to adapt to environmental changes, it can continue as it is, be sold or merged at a profit or subsequently be stimulated into growth. If the company cannot adapt to changing circumstances, it will either fold or drop back to a marginally surviving company. The owner consolidates the company and marshals resources for growth. The owner-manager takes the cash and the established borrowing power of the company and

risks it all in financing growth. Among the important tasks are to make sure the basic business stays profitable so that it will not overrun its source of cash and to develop managers to meet the needs of the growing business. The second task requires hiring managers with an eye to the company's future than its current condition. Systems should be installed with special attention to forthcoming needs. Operational planning which involves the owner deeply must be put in place. Thus, the owner is far more active in all the phases of the company's affairs. If this stage is successful, the company can proceed into stage four. If on the other hand, the stage is unsuccessful, the causes may be detected on time otherwise retrenchment to survival stage may be possible prior to bankruptcy or a distress sale (Churchill and Lewis, 1983).

Stage 1V: Take-off

In this stage, the key problems are how to grow rapidly and how to finance that growth. If this is the case, the owner has to ask himself two questions: The first question is, if the owner is able to delegate responsibility to others to improve the managerial effectiveness of a fast growing and increasingly complex enterprise. Again, the question that follows on delegation is whether the action will be true delegation with controls on performance and a willingness to see mistakes made or will it be abdication, as is so often the case. The other questions is whether there will be cash to satisfy the great demands growth brings which often requires a willingness on the owner's part to tolerate a high debt-equity ratio and a cash flow that is not eroded by inadequate expense, controls or ill-advised investment brought about by owner impatience. The key managers must be very competent to handle a growing and complex business environment. The owner and the business become reasonably separated, yet the company is still dominated by both the

owner's presence and stock controls (Churchill and Lewis, 1983). This is a pivotal period of a company's life. If the owner rises to the challenges of a growing company, both financially and managerially, it can become a big business. If not, it can usually be sold at a profit provided the owner recognizes his/her limitations soon enough. Too often, those who bring the business to the Success Stage are unsuccessful in Stage four, either because they try to grow too fast and run out of cash or are unable to delegate effectively enough to make the company work.

It is, of course, possible for the company to transverse this high-growth stage without the original management. Often the entrepreneur who founded the company and brought it to the Success Stage is replaced either voluntarily or involuntarily by the company's investors or creditors. If the company does not make the big time, it may be able to retrench and continue as a successful and substantial company at a state of equilibrium or it may drop back to Stage three or if the problems are too extensive, it may drop all the way back to the survival stage or even fail.

Stage V: Resource Maturity

The greatest concerns of a company entering this stage are: to consolidate and control the financial gains brought by the rapid growth; and to retain the advantages of small size including flexibility of response and the entrepreneurial spirit. The company must expand the management force fast enough to eliminate the inefficiencies that growth can produce and professionalize the company by use of such tools as budgets, strategic planning, management by objectives and standard cost systems and do this without stifling its entrepreneurial qualities. A company in Stage five has staff and financial resources to

engage in detailed operational and strategic planning. The management is decentralized, adequately staffed and with an experienced team. Systems are extensive and well developed. The owner and the business are quite separated, both financially and operationally. The company now has arrived. It has the advantages of size, financial resources and managerial talents. If it can preserve its entrepreneurial spirit, it will be a formidable force in the market.

2.5.2. Management Factors That Influence Growth of Women Owned MSEs

There are several factors that change in importance as the business grows and develops. These factors are prominent in determining ultimate success or failure of the business. The factors relate either to the enterprise or the owner-manager (Davidsson, Achtenhagen and Naldi, 2010). Those that relate to the business include: financial resources including cash and the borrowing power; personnel resources that relate to numbers, depth and quality of people particularly at the management and staff levels; systems resources in terms of degree of sophistication of both information, planning and control systems and Business resources, including customer relations, market share, supplier relations, manufacturing and distribution processes, technology and reputation, all of which give the company a position in its industry and market. Those that relate to the owner-manager include: owner's goals for himself/herself and for the business; owner's operational abilities in doing important jobs such as marketing, inventing, producing, and managing distribution; owner's ability and willingness to delegate responsibility and to manage the activities of others; and owner's strategic abilities for looking beyond the present and matching the strengths and weaknesses of the company with his/her goals (Greiner, 1998).

It is important to note that as a business moves from one stage to another, the importance of the factors change. The factors are seen as alternating among three levels of importance, that is: key variables that are absolutely essential for success and must receive high priority; factors that are clearly necessary for the enterprise's success and which must receive some attention; and factors that are of little immediate concern to top management. If the above factors are categorized on the basis of their importance at each stage of the business's development, one gets a clear picture of changing management demands (Terspstra and Olsen, 1993; Greiner, 1998),

It is, therefore, important to note that those owner-managers who want their businesses to grow through the five stages must ask themselves the following questions: Do I have the quality and diversity of people needed to manage a growing company? Do I have now, or will I have shortly, the systems in place to handle the needs of a larger, more diversified company? Do I have the inclination and ability to delegate decision making to my managers? Do I have enough cash and borrowing power along with the inclination to risk everything to pursue rapid growth? Such questions will pave way for success and rapid growth if the business will succeed. The researcher is of the opinion that this five-stage growth model would be worthy applying for if an entrepreneur wishes to grow his business to success.

It is important to note that as a company grows through the stages, greater distance is placed between ownership and management especially where the firm goes public and

develop a diverse and distant stockholder base. However, with the founder becoming more experienced as a manager and employing other managers, decision making becomes a group effort and is arguably based less on self-interest and more on correctness of the act itself. Further, public accountability, the professionalizing of management and the emergence of strong organizational norms, reward systems, and structures are all factors that would suggest the more established company should have a heightened sense of ethical requirements.

Although Churchill and Lewis (1983) model resulted in vast popularity among entrepreneurs and academic researchers, the model has been widely criticized for its limitations, including the emphasis it places on internal factors while putting less focus on external factors. This limitation could threaten the validity of the model. Another critique about the model is that few longitudinal studies have been done which are needed to clearly understand the process of growth. Another area of concern is on the self-reporting instruments because respondents are normally asked to recall events that happened long ago. Accordingly, some events might be omitted and others exaggerated according to respondents' point of view.

2.6. Leadership

Leadership is regarded as a critical factor in the initiation and implementation of the transformations in organizations. If leadership wants to engender a positive impact on individuals, teams, and organizations, both practitioners and researchers have argued that earlier leadership paradigms such as directive versus participative leadership, consideration versus initiating structure, autocratic versus democratic leadership, and task

versus relations-oriented leadership should be broadened (Avolio and Bass, 1995; Bass and Avolio, 1990; Conger, 1993; Ekvall and Arvonen, 1991; Puffer and McCarthy, 1996).

With respect to the management of transformation processes in organizations, there is a strong need for leaders who are more change-centred. These leaders place value on the development of a clear vision and inspire followers to pursue the vision. In this way they provide a strong motivational force for change in followers. Anderson and King (1993) also concluded that besides a participative leadership style, a clear vision or mission is most likely to foster innovation. Leaders who enhance followers' confidence and skills to devise innovative responses, to be creative, and to take risks, can also facilitate the change over processes in organizations (Howell and Avolio, 1989).

2.6.1. Review of Leadership Theory

An examination of the leadership literature suggests an evolving series of schools of thought from the "Great Man" and Trait" theories to transformational leadership theory. At least five categories of leadership theories are discussed in literature (Tarabishy *et al.*, 2005; Sashkin, 1995; Hersey and Blanchard, 1969). The key characteristics of these five leadership theories are summarized in Table 2.1. While early theories tend to focus upon the characteristics and behaviors of leaders, contemporary theories highlight the role of followers and the contextual nature of leadership.

Table 2.1: Evolution of Leadership Theories from “Great Man” to Transformational Leadership

“Great Man” Theories	It holds that leaders are exceptional people, born with innate qualities and destined to lead. The use of term “man” is suggestive that leadership is masculine.
Trait Theories	Many traits or qualities associated with leader are widely discussed in literature. Traits usually describe some positive or virtuous human attribute such as ambition or zest of life.
Behavioral Theories	These concentrate on what leaders actually do rather than on their qualities. Different patterns of behaviors are observed and categorized as styles of leadership. This area has probably attracted most attention from practicing managers.
Situational Leadership	This approach sees leadership as specific to the situation in which it is being exercised. For example, while some situations may require an autocratic style, others may need a more participative approach. It also proposes that there may be differences in required leadership styles at different levels in the same organization.
Contingency Theory	This is a refinement of the situational viewpoint and focuses on identifying the situational variables which best predict the most appropriate or effective leadership style to fit the particular circumstances.
Transactional Theory	This approach emphasizes the importance of the relationship between leader and follower, focusing on the mutual benefits desired from a form of contact through which the leader deliver such things as rewards, or recognition in return for the commitment or loyalty of the followers.
Transformational Theory	The central concept here is change and the role of leadership in envisioning and implementing the transformation of organizational performance.

Adapted from: Tarabishy *et al.*, 2003; Sashkin, 1995; Hersey and Blanchard, 1969

2.6.2. Leadership and Entrepreneurship

The role of leadership in the growth of enterprises is a constant point of debate among scholars, researchers and practitioners. The word leadership means different things to different people. However, Bird (1989) suggests that leaders think and act strategically, that is, they do right things. The concept of leadership in business has mainly been examined from a management perspective.

The earliest analysis of the concept of leadership in management focused on identifying and measuring the specific personal characteristics of leaders, under the assumption that great leaders are born, not made. This approach is largely referred to as the Born “Great Man” or “Great Person” theory of leadership. It holds that there are certain, specific, measurable personal traits and characteristics that clearly distinguish leaders from other market actors. Tarabishy *et al.*, (2005) have argued that no specific traits or personal characteristics stand out as strong and certain markers of leadership. To address this concern management literature refocused its attention to the behaviors of the entrepreneurial leader.

Consequently, the leader was described as one who lends his vision, leadership style and strategy to the very essence or the core of the business. Thus effective leaders exhibit high quantities of both task and relationship-centered behavior, while leadership itself is characterized by a high degree of task-oriented activity (Tarabishy *et al.*, 2005). Research has consistently failed to confirm that effective leaders actually engage in such behavior (Sashkin and Rosenbach, 1998; Sashkin, 1995). Hersey and Blanchard (1969) have also

attempted to examine the concept of leadership using a contingency approach. In this approach employee motivation (high or low) and skills (high or low) are assessed to determine whether to engage in directive or supportive behavior, both or neither (that is, to delegate).

Fernald and Solomon (1986) associate entrepreneurs with leadership functions such as providing vision to the development of a new product, service, or organization. McGrath and MacMillan (2000) fuse the concepts of entrepreneurship (Schumpeter, 1934), entrepreneurial orientation (Covin and Slevin, 1986) and entrepreneurial management (Stevenson and Jarillo, 1990) with leadership. Gupta and MacMillan (2002) argue that entrepreneurial leaders must create a scenario of possibilities that stirs the imagination of their subordinates, and the entire network of stakeholders, rather than merely identify opportunities to satisfy their own self-interest. Entrepreneurial leaders frame the vision of the scenario, absorb uncertainty about the value of opportunities, and remove obstacles in the path of value realization.

Two streams of literature have emerged to explain the concept of transformational leaders. The first one is the Visionary Leadership Theory (Sashkin, 1995; Sashkin and Rosenbach, 1998). This theory is built on the foundation of Lewin's classic formulation which considers behavior as a function of the person and the situation (Lewin, 1935). The second stream of literature focuses on entrepreneurial leadership. This approach integrates leadership and entrepreneurship concepts. An entrepreneur is a person who recognizes and exploits an opportunity (Venkataraman, 1997). That person then creates

an organization to service that opportunity. That person is also a transformational leader. This individual is also called the entrepreneurial leader. Lippitt (1987) defines the entrepreneurial leader as able to take risks, innovate, focus on the task, assume personal responsibility, and possess an economic orientation.

Table 2.2: Key Behaviours of Entrepreneurial Leaders

Aspect	Lippitt (1987)	Fernald and Solomon (1996)	Gupta and MacMillan (2002)	Tarabishy <i>et al.</i> , (2005)
Opportunity Recognition	Economic orientation	Development of: i) A new product ii) A new service iii) Organization	Identify opportunities	Entrepreneur creative
General Leadership Aspects	Focus on task	Visionary Decision Maker	Provide vision	Confident Visionary
Transformational Leadership Aspects	Assume responsibility	Builds committed characters Motivator Facilitates transformation	Stirs the imagination subordinates, and entire network of stakeholders	Reward Equity Follower-centered Principled Communicator
Other Key Characteristics	Risk taker	Risk taker proactive	Entrepreneurial orientation	Proactive Capable Manager Dynamic Market Leader Credible

Source: Adopted from Various Sources

Tarabishy *et al.*, (2005) argued that entrepreneurial leaders not only recognize opportunities but also direct and manage the business they create through its various lifecycles. Thus the role of an entrepreneurial leader is an evolving concept. Table 2.2

summarizes the key behaviors of entrepreneurial leaders as described in literature (Lippitt, 1987; Fernald and Solomon, 1996; Gupta and MacMillan, 2002; Tarabishy *et al.*, 2005).

In summary this literature isolates vision, problem solving, decision-making, risk taking, opportunity recognition and strategic initiatives as the key characteristics of entrepreneurial leaders. Thus such leaders create visionary scenarios, motivate and commit a cast of characters for the discovery and exploitation of strategic value creation in an organizational setting. Moreover, entrepreneurial leaders are capable of facilitating proactive transformation (Venkataraman and Van de Ven, 1998) and should prove universally effective in mobilizing efforts to redirect the firm, to seek new opportunities and to nurture growth. While attempts have been made to profile the characteristics of entrepreneurial leaders few studies have attempted to examine whether the same set of characteristics are applicable in both male and female entrepreneurs. This study sought to establish the profiles of female entrepreneurial leaders.

2.7. Transformational Leadership

By definition, transformational leadership is highly dependent on the over-changing context including the needs of the followers, the strength and the weakness of the organization and the keen ability to discern the opportunities in future trends. Leaders are expected not only to react to change, but be agents of change when necessary. It describes a pattern of ongoing learning and relating rather than a pool of information on a specific set of skills to be learnt and applied in new situations (Bass and Avolio, 1995;

2000; Popper and Zakkai, 1994; Den Hartog, Van Muijen and Koopman, 1997; Avolio, Bass and Jung, 1999).

The origin of the concept of transformational leadership is usually associated with the work of Burns (1978 in Bass, 1997) and expanded by Bass (1985) where the distinction between transformational and transactional leadership was identified and clarified. The transactional–transformational distinction views leadership as either a matter of contingent reinforcement of followers by a transactional leader or the moving of followers beyond their self-interests for the good of the group, organization, or society by a transformational leader (Den Hartog, Van Muijen and Koopman, 1997; Powell and Graves, 2003). Passive leadership behaviours have been added as an accompaniment of this distinction and in its current form it is generally referred to as the full range model (Bass, 1990; Den Hartog, Van Muijen and Koopman, 1997). This makes it a hybrid explanation that incorporates various theoretical approaches making it a relatively comprehensive leadership model. Yukl (1999) however contends that some important leadership behaviours have been omitted and that this should be regarded as a weakness of the model.

Transformational leadership involves heightened motivational levels of both the leader and follower through the leader's active engagement and connection with their followers (Bass 1985, Bass and Avolio, 2000; Kouzes and Posner, 1993). This leadership style involves mobilizing subordinates to want to struggle for mutual aspirations (Bass, 1997; 1985). Consequently, transformational leaders, motivate subordinates to surpass

individual self-interests for the good of the organization by setting high performance standards and putting mechanisms in place for subordinates to achieve those standards (Powell and Graves, 2003). The transformational leader is said to focus on the mission of the organization and strategies for achieving them and uses vision to create symbols for sub-ordinates thereby instigating and achieving change through communication and expressiveness (Fairhurst 2001).

Transformational leaders use power in a way that makes followers less dependent on the leader. Transformational leadership is a management style which seeks to foster positive interactions and trust relations with/among a firm's internal teams, share power and information with them and encourage them to subordinate their personal aims and interests to collective ends. To develop and build group members' commitment to common goals and purpose, transformational leaders appeal to broad human moral and psychological needs through interpersonal relations. Moral needs include a sense of goodness, righteousness, duty, and obligation, and psychological needs include esteem, autonomy, and self-actualization. Riebe (2003) has described the primary characteristics of this management approach as being collaborative, community-oriented, and value driven.

Bass (1985) further elaborated on processes enabling transformational leaders to alter the behaviors and attitudes of individual members. First, inspiration motivation is the ability of leaders to provide a clear sense of mission, which leaders in turn convey to members and develop a sense of loyalty and commitment. Second, individualized consideration is

the leader's treatment of each member as a unique individual and the leader's willingness to delegate assignments or projects to individual members, which stimulate and create learning experiences. Third, intellectual stimulation is the leader's provision of opportunities for group members to rethink traditional procedures and to examine situations in new and novel ways. Lastly, is idealized influence which displays the capability of a leader to act as a role model where the transformational leader becomes admired, respected and trusted by his/her followers.

Bennis and Nanus (1984) describe five behaviors that transformational leaders portray. These include seeking attention through vision, conveying meaning through communication and gaining trust through positioning. Others include deploying self through positive self regard and managing risk. A similar list of the behaviors of transformational leaders is offered by Kouzes and Posner (1993). Sashkin (1995) broadens this list to include creative leadership and culture building (principled leadership). Principled leadership refers to the degree to which a leader is effective in inculcating values and beliefs designed to shape an organizations' culture. Table 2.3 summarizes the key behaviors of transformational leaders as described by Bass (1985), Bennis and Nanus (1984), Kouzes and Posner (1993) and Sashkin (1995).

Table 2.3: Key Behaviours of Transformational Leaders

Bass (1985)	Bennis and Nanus (1984)	Kouzes and Posner (1993)	Sashkin (1995)
Idealized Influence	Management of attention	Challenging the process	Capable Management
Individualized Consideration	Management of Communication	Inspiring a shared Vision	Reward Equity
Intellectual Stimulation	Management of Trust	Enabling Others to Act	Communication Leadership
Inspirational Motivation	Management of Respect	Modeling the Way	Credible Leadership
	Management of Risk	Encouraging the Heart	Caring Leadership Creative Leadership Confident Leadership Follower-Centered Leadership Visionary Leadership

Source: Bass (1985), Bennis and Nanus (1984), Kouzes and Posner (1993) and Sashkin (1995).

An examination of transformational leadership has produced many definitions and typologies, reflecting varied cultures, circumstances, personalities, needs and outcomes. Leaders develop unique relationships with their followers, instilling hope, conviction and shared vision. As Bardwick (1996) summarized: “Leaders create followers because they generate: confidence in people who were frightened; certainty in people who were vacillating; action where there was hesitation; strength where there was weakness;

expertise where there was floundering; courage where there was cowardice; optimism where there was cynicism; and conviction that the future will be better”.

Different circumstances demand different skills from leaders (Ackoff, 1999; Popper and Zakkai, 1994; Senge *et al.*, 2000). During periods of relative calm and stability, leaders are challenged to maintain and improve systems, keep staff engaged, and anticipate future trends. However, with the ever-increasing pace and global turbulence, stability seems to be a condition of the past. Today’s leaders must be able to respond to constant change and lead their organizations in not simply surviving but transforming their structure, functions, funding, and methods of delivery to effectively advance the mission (Ackoff, 1999). The construct of transformational leadership has evolved to describe the characteristics of leaders who are most effective in navigating turbulent circumstances and facilitating dramatic organizational change of the myriad of models for examining and measuring leadership behaviors and differentiating types of leadership from each other.

Bass and Avolio’s (2000) conceptualization of transformational leadership (as measured by the multi-factor leadership questionnaire) has longevity, validity and widespread use in research on effective leadership (Ackoff, 1999; Avolio and Bass, 1995; Avolio *et al.*, 1999; Sosik and Megerian, 1999). It describes leaders who embody creativity, insight, persistence, intuition, positive energy, sensitivity and who are able to forge visionary collaborations (Bass and Avolio, 1993).

Members of transformational teams care about each other, they intellectually stimulate each other, and they identify with the team goals. These teams are high-performing. Transformational leaders enhance commitment, involvement, loyalty and performance of followers (Bass, 1985). Such leaders help deal with stress among followers. They can be either directive or participative, authoritarian or democratic requiring higher moral development. It is important to note that transformational leadership involves leaders gaining the respect, trust and confidence of others and transmitting a strong sense of mission to them. It includes leaders communicating a vision with fluency and confidence, increasing optimism and enthusiasm and setting high expectations for themselves and followers. It involves a relationship between a leader and the subordinates that is personal and not based on formal, institutional rules, regulations, rewards, or punishment.

On the other hand, transformational leadership can be seen as an expansion or extension of transactional behavior and is defined in terms of the leader's effect on followers (Felfe, Tartler and Liepmann, 2004). Followers feel admiration, loyalty, trust and respect towards their leaders. A transformational leader is able to influence followers by connecting their self concept to the mission of the organization or the group and by addressing and modifying their values and self-esteem (Kark, Shamir and Chen, 2003). As a result, followers' behavior becomes self-expressive and will express a greater willingness to contribute to group objectives. Furthermore, transformational leaders influence followers by shifting goals away from personal interest towards self-factualization and the greater good and they are motivated by the fear of disappointing the leader (Den Hartog, Van Muijen and Koopman, 1997).

Yukl (2002) stated that transformational leadership could also be defined on the basis of its effect as transforming the values and priorities of followers and motivating them to perform beyond their expectations. Transformational leadership on followers' performance is often explained as stemming from followers' development and empowerment, which increases both their ability and their motivation. It also includes empowering behaviors such as delegation of responsibility to followers, enhancing followers' capacity to think on their own and encouraging them to come up with new and creative ideas (Dvir and Shamir, 2003).

2.7.1. Characteristics of Transformational Leaders

Transformational leadership integrates ideas from trait, style and contingency approaches of leadership (Den Hartog, Van Muijen and Koopman, 1997). In light of findings throughout the years, some characteristics of transformational leaders can be stated as follows: They change the core values of followers for the benefit of the common interest by committing people and seeing them as ends not as means; they inspire followers to go beyond their own self-interest for the good of the organization with their vision (Bass and Avolio, 2000); they are capable of having profound and extraordinary effects on people by causing shifts in the beliefs, the needs, and the values of followers, so followers can become leaders themselves; they heighten the awareness of followers with vision they create and the strategies for reaching them (Avolio and Bass, 2004); they create self-confidence in followers by empowering them; they tend to direct specific activities as much as to alter moods, to evoke symbolic images and expectations, and to inspire desires and objectives (Den Hartog, Van Muijen and Koopman, 1997); they develop

higher level needs for followers such achievement, autonomy and affiliation, which can be both work and not related (Avolio and Bass 2004); and they work for developing higher level of autonomy, achievement and performance in followers, thus, taking the risk of being replaced by the followers they trained.

2.7.2. Components of Transformational Leadership

Transformational leadership is considered to be made of 5 sub-scales (Bass and Avolio, 1994). The conceptualisation of the sub-scales is summarised in Table 2.4. These sub-scales are regarded as separate dimensions and better leaders display each of the five behaviours to some degree. An effective leader is expected to obtain a rating of 3 (fairly often) on average for transformational leadership as well as on each of its five sub-scales on a scale ranging from 0 = not at all through 5 = frequently if not always.

2.7.2.1. Idealized Behaviour

This component refers to the charismatic actions of the leader that focuses on values, beliefs and a sense of mission (Antonakis, Avolio and Sivasubramaniam, 2003). These charismatic actions include talking about his/her important values and beliefs, emphasizing the collective mission and purpose as well as considering the ethical implications of his/her decisions. Avolio and Bass (1991) used the term charisma to refer to idealized influence or in other words being influential about ideals. At the highest level of morality, are selfless ideal causes to which leaders and followers may dedicate themselves.

Table 2.4: Transformational Leadership Styles and Behaviour

Transformational Style	Leader Behavior
Idealized behaviours (Living one's ideals)	<ul style="list-style-type: none"> Task about their most important values and beliefs Specifies the importance of having a strong sense of purpose Consider the moral and ethical consequences of decision Champion exciting new possibilities Talk about the importance of trusting each other
Idealized Attributes (Respect, trust and faith)	<ul style="list-style-type: none"> Instill pride in others for being associated with them Go beyond their self interests for the good of the group Act in ways that build others' respect Display a sense of power and competence Make personal sacrifices for others' benefit Resources others that obstacles will be overcome
Inspirational Motivation (Inspires others)	<ul style="list-style-type: none"> Talk optimistically about the future Talk enthusiastically about what needs to be accomplished Articulate a compelling vision of the future Express confidence that goals will be achieved Provide an exciting image of what is essential to consider Take a stand on controversial issues
Intellectual Stimulation (Stimulating others)	<ul style="list-style-type: none"> Re-examine critical assumptions to question whether they are appropriate Seek differing perspectives when solving problems Get others to look at problems from many different angles Suggest new ways of looking at how to complete assignments Encourage non-traditional thinking to deal with traditional problems Encourage re-thinking those ideas which have never been questioned before
Idealized Consideration (Coaching and developing)	<ul style="list-style-type: none"> Spend time teaching and coaching Treat others as individuals rather than just as members of the group Consider individuals as having different needs, abilities and aspirations from others Help others to develop their strengths Listen attentively to others' concerns Promote self development

Based on Bass (1990; 1997) and Bass and Avolio (1994; 1995)

2.7.2.2. Idealized Attributes

This refers to whether or not the leader is seen as charismatic, powerful and confident and if the followers would like to be associated with him/her. It is the attribution –followers give to their leader. Bass and Avolio (2000) states that idealized attributes includes socialized charisma of the leader where the followers feel trust, admiration, loyalty and respect of the leader. Trust is earned by the willingness to take personal risks and consistency in deciding and behaving.

It involves instilling pride in others, going beyond self interest, displaying a sense power and respecting others. Making personal sacrifices and availing resources to others is also an integral part idealized influences.

2.7.2.3. Idealized Influence

Idealized behavior and idealized attributes are normally combined and are referred to as idealized influence. Idealized influence is displayed when a leader envisions a desirable future, articulates how it can be reached, sets an example to be followed, sets high standard of performance and shows determination and confidence. Followers want to identify with such leadership. Avolio and Bass (1991) used the term charisma to refer to idealized influence, or in other words being influential about ideals. At the highest level of morality are selfless ideal causes to which leaders and followers may dedicate themselves. Idealized influence also refers to the socialized charisma of the leader,

whereby the followers feel trust, admiration, loyalty and respect for the leader (Bass and Avolio, 2000).

Idealized influence could also be defined as the capability to act as a role model whereby the leader becomes admired, respected and trusted. Trust is earned by the willingness to take personal risks and the consistency in deciding and behaving. Idealized influence is further divided into behavioral idealized influence and attributional idealized influence. This dimension of transformational leadership refers to those leaders who have a high personal regard and who engender loyalty from followers. Leaders who apply idealized influence set the tone for moral and ethical decision making and encourage followers to outperform their own expectations for the greater good (Avolio and Bass, 1994).

2.7.2.4. Intellectual Stimulation

Church and Waclawski (1998) found that transformational leaders frequently demonstrate innovative problem solving orientations. They accomplish this by challenging the status quo and encouraging their followers to create innovative solutions and alternatives to current practice. This dimension of transformational leadership thrives within a supportive climate where creativity and innovation are crucial for the leader's ability to arouse within followers an awareness of problems and recognition of their own beliefs and values (Bass and Avolio, 1995). Furthermore, followers are stimulated to question decisions and tackle challenging tasks by reframing problems (Bass, 1994; Felfe and Goihl, 2002; Felfe, Tartler and Liepmann, 2004). Intellectual stimulation can also be said to be the degree to which the leader challenges assumptions, takes risks and solicits

followers' ideas. Leaders who have this trait stimulate and encourage creativity in their followers.

Bass (1995) stated that the leaders who apply this dimension of transformational leadership challenge organizational norms, encourage divergent thinking and also push followers to develop innovative strategies. This helps in promoting intelligence, rationality and careful problem solving in followers, challenging followers to think creatively and to find solutions to difficult problems. Den Hartog, Van Muijen and Koopman (1997) claimed that intellectual stimulation encourages followers to question their own values, assumptions and beliefs and even of those of their leader. The leader welcomes the new ideas and solutions by the followers and this stimulates the followers to think about new ways for old problems. In this way, followers will be able to see and solve the unforeseen problems by the leader (Avolio and Bass 2004).

2.7.2.5. Inspirational Motivation

Den Hartog, Van Muijen and Koopman (1997) defined inspiration as the capacity of a leader to act as a model for subordinates. Inspirational motivation refers to the ways leaders take to inspire the followers to achieve both personal and organizational goals. The leader may do that by looking at the future optimistically and enthusiastically by providing a realizable and acceptable vision with clear communication and by presenting followers ways to reach them. In return, leaders create meaning, challenge and motivation in the followers work (Avolio and Bass, 2004). Inspirational motivation describes the role of creating and communicating the purpose and the vision of an organization in order to energize and unify followers.

Senge *et al.*, (2000) explored the concept of visionary leadership and concluded that truly inspirational motivation requires a leader to have keen insight into the deeply held hopes and values of her followers. In order to mobilize positive action, the leader's vision must resonate with the private yearnings of others. This refers to the way in which transformational leaders energize their followers by articulating a compelling vision of the future thus creating enthusiastic excitement, raising followers' expectations and communicating confidence that followers can achieve ambitious goals (Bass and Avolio, 2000). Inspirational Motivation pertains to the ability of the transformational leader to create an inspiring, motivating, convincing and attractive future vision. By the use of symbols and the display of optimism and power, leaders are able to encourage followers' belief in their ability to perform. This is achieved by using symbolic actions and persuasive language. It also refers to leaders with a strong vision for the future based on values and ideals.

2.7.2.6. Individualized Consideration

This dimension refers to treating followers as individuals and not just members of a group (Bass, 1990; 1997). The leaders satisfy their followers by advising, supporting and paying attention to their individual needs and motivate them to develop themselves. The goal of the leaders here is not only about recognizing and satisfying the needs of the followers, but also mentor and coach them to reach their full potential. To reach this goal, leaders also make sure that they redefine the organizational climate to a supportive one that promotes new learning opportunities for followers.

In addition to creating a vision and challenging others to think critically about their work, transformational leaders recognize each follower as an individual and provide recognition and support for the development of each person's full potential. A combination of mentoring and coaching helps individual employees to understand how their needs and goals relate to and support the organization's mission. As a result, followers of transformational leaders are often more satisfied and more willing to exert extra efforts in pursuit of agency goal (Bass, 1995; Den Hartog, Van Muijen and Koopman, 1997). Individualized consideration is displayed when leaders pay attention to the developmental needs of followers, support and coach them. The leaders delegate assignments as opportunities for growth.

According to Bass and Avolio (2000), individualized consideration could also refer to the leadership behavior that contributes to follower satisfaction by paying close attention to the individual needs of followers, acting as a mentor or coach and enabling them to develop and self-actualize. Felfe, Tartler and Liepmann (2004) contended that individualized consideration is a trait whereby the leader gives personal attention to his followers, taking into consideration their individual differences. The leader is continuously involved in a process of coaching and getting feedback linking the followers' needs to the organizational mission, providing opportunities for self-actualization and personal growth. Thus, individualized consideration behaviors including developmental, supportive and nurturing elements which focus on each individual follower's needs and growth potential are likely to convey the leader's concern about the welfare of the subordinates. This may lead to the activation of followers'

relational-self and is likely to be reciprocated by the subordinates, resulting in a high level of connection and personal identification with the leader. This dimension also refers to leader behaviors aimed at recognizing the unique growth and developmental needs of followers as well as coaching followers and consulting with them.

Transformational leadership has been demonstrated to positively affect followers' performance (Sagie, 1997; Lowe, Kroeck, and Sivasubramaniam, 1996) particularly in motivating followers to exceed performance expectations (Bass, 1995; Den Hartog, Van Muijen and Koopman, 1997). The promotion of transformational leadership has been shown to improve the financial performance of organizations (Bass and Avolio, 1995) as well as to increase overall organizational effectiveness (Bass, 1998; Bass and Avolio, 2000; Sosik and Megerian, 1999). Further, it has been associated with the need for doing business internationally and in multicultural environments (Bass, 1997; Church and Wacławski, 1999; Rosenzweig, 1998).

2.8. Transactional Leadership

Transactional leadership, which is often referred to as authoritative leadership involves a preoccupation with power and position and a need to get the job done. This leadership style involves a social exchange process between the leader and the follower (Bass, 1997). The leader usually clarifies what the followers need to do as their part of a transaction (for instance, successfully completion of a task) in order for the followers to receive a reward or avoidance of punishment (that is the satisfaction of the followers' needs). The reward is however contingent upon the fulfilment of the transaction (in other words, satisfying the leader's needs).

Transactional leadership is made up of two sub-scales namely active management by exception and passive management by exception (Bass and Avolio, 2000). In the case of active management by exception, the leader looks for mistakes, irregularities, exceptions, deviations from standards, complaints, infractions of rules and regulations, and failures and he or she takes corrective action before or when these occur (Bass, 1985). In this dimension, leaders transact with followers by rewarding efforts contractually, telling them what to do to gain rewards, punishing undesired action, and giving them extra feedback and promotions for good work. Such transactions are referred to as contingent rewards (CR).

On the other hand, passive management by exception implies that the leader is reactive and waits to be informed about errors and deviances before taking action. In this approach, leaders transact with followers by intervening only when followers deviate from expectations. These transactions are usually referred to as management-by-expectation.

Based on the timing of the leaders interventions a distinction is often made between active and passive management-by-exception (Bass and Avolio, 1993). In passive management-by-exception (PM) leaders intervene only after standards are met. In the more active form of management-by-exception (AM) leaders try to anticipate mistakes or problems.

2.9. Transactional Versus Transformational Leadership

Burns (1978, in Bass, 1997) and Bass (1985) originally proposed ideas that distinguished between transactional leadership and transformational leadership. In transactional leadership, the leader-follower relationships are based on series of exchanges or bargains between the leaders and the followers. Those leaders can be effective to the extent that they clarify expectations and goals, but they generally neglect to focus on developing the long-term potential of followers. On the other hand, transformational leaders move beyond these simple exchange processes. They set challenging expectations and enable their followers to achieve higher levels of performance both for the individual and the organization (Bass, 1985). Table 2.5 compares the key characteristics of transformational and transactional leaders.

Table 2.5: Comparison of Transformational and Transactional Leadership

Transformational Leadership	Transactional Leadership
Builds a man's need for meaning	Builds on man's need to get a job done and make a living
Is pre-occupied with purposes and values, morals and ethic	Is pre-occupied with power and position, politics and perks
Transcends daily affairs	Is short-term and hard data oriented
Is oriented towards long-term goals without compromising human values and principles	Focused on tactical issues
Releases human potential- identifying and developing new talent.	Relies on human relations to lubricate human interactions
Designs and redesigns jobs to make them meaningful and challenging.	Follows and fulfils role expectations by striving to work effectively within current systems
Aligns internal structures and systems to reinforce overarching values and goals.	Supports structures and systems that reinforce the bottom line, maximize efficiency and guarantee short-term profits

Source: Centre for Leadership, 2008

Some literature suggests that better leaders display both transactional and transformational styles to some degree. For instance, Powell and Graves (2003) contend that transformational leaders may be transactional leaders when necessary in order to attain some set objectives.

Contrasting literature regards transformational leadership and transactional leadership styles as separate dimensions. According to Bass and Avolio (1994) transformational leadership provides an ideal of leadership, given contemporary developments in the global business world. There is empirical evidence that supports the use of

transformational leadership in a rapidly changing technology environment (Howell and Higgens, 1990). Transformational leadership has also been linked to desirable shifts in employee expectations (Lowe, Kroeck, and Sivasubramaniam, 1996; Sagie, 1997). Moreover, the need for engaging in international and in multicultural environments requires transformational leadership (Church and Waclawski, 1999; Rosenzweig, 1998).

2.10. Transformational Leadership and Female Entrepreneurship

Interactive transformational leadership was the style employed by many of the women managers who were rising in the organizational ranks and moving into work roles traditionally occupied by men (Riebe, 2003). The entry of large numbers of women into workplace, the emergence of teams and the growing importance of successful team management had provided women with opportunities to showcase their leadership skills. But as a consequent of prevailing attitudes (Kossek, Market and McHugh 2003), including stereotyping in organizations (Ely, 1994), women often found themselves marginalized (Kanter, 1977) and denied access to power (Kanter, 1987). Highly visible but isolated (Sealy, 2010) they learnt from experience to employ an interactive style of transformational leadership because it could moderate the effects of gender biases (Lerner and Almor, 2002).

The style in which women in corporate life and women entrepreneurs use transformational leadership in their own companies has been relatively understudied, and to date little research, has addressed the impact of women's leadership styles in building trust among members of entrepreneurial teams within organizations (Moore, Moore and Moore, 2011). This study addressed this gap in knowledge.

There appears to be a number of related reasons why women lead this way. As entrepreneurs, women build on their organizational skills, employing an interactive approach to encourage both creativity and balance the authoritative command-and-control behaviors expected of a male boss with the more collaborative language and communication styles expected of a women leader (Moore, 2000). This can be depicted in the Figure 2.2 below:

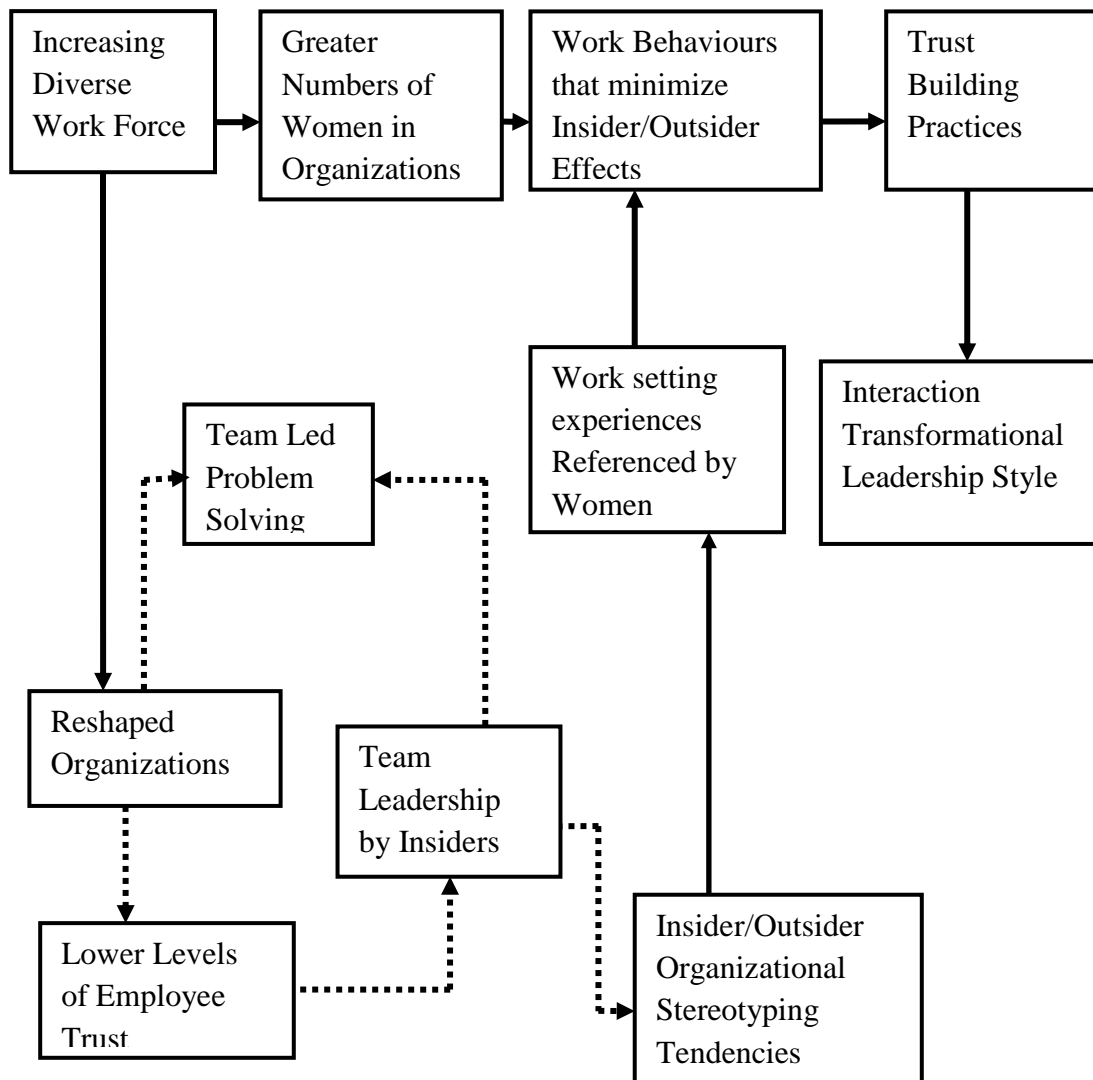


Figure 2.2: Emergence of Women's Leadership Approach

Source: Moore, Moore and Moore (2011)

As can be seen from the above table, transactions that foster venture innovations are frequently the result of collaborations that depend on open mindedness, shared vision and mature expectations of positive reciprocity. Such transactions arise from reciprocating patterns of trust that lead to inter-group and which may, in turn spawn inter-organizational trust, when there is a high degree of trustworthy behavior, then the resultant is trust and shared expectations among employees who may have no mutual experience or history of interaction (Mollering, 2006).

When there is a climate of trust, then efficiency, greater productivity, decreased absenteeism, lower rates of employee turnover, better safety records and higher levels of commitment are enhanced which increase to the organization's value (Neves and Caetano, 2006). This is also true when knowledge among employees is shared because the acquisition and utilization of knowledge is a special intangible economic asset. It is important to mention that transformational leadership style has the most significant positive impact on team performance because of its effects on moderating complex issues that could become contentious (Huettermann and Boener, 2009), its multi-cultural and personal appeal to women, its encouragement of employees learning, creativity and implementation skills, its ability to develop high quality leader-follower and the advantage it confers in building trust.

In organizations and small businesses, norms and values are continually referenced by employees with their distinct work environments, organizational and sub-organizational units within which the interactions occur (Rosener, 1990) notes that women are far more

likely than men to describe themselves as transferring subordinates' self-interest into concern for the whole organization. A female team leader in organizations is therefore likely to view her position in terms of supporting team members to assist in reaching their performance goals and go about this by employing a participative leadership style (Paris *et al.*, 2009). With effective communication as perhaps her most important leadership skill, she will focus on the sharing of power and information and other positive individual relationships to create a collaborative team environment (Keeffe, Darling and Mateson, 2008; Moore and Buttner; 1997; Moore, 2010).

As entrepreneurs, women take similar initiatives critical to the creation of a climate of trust. Construction of a trust climate involves several elements; each employee's personal propensity to trust, their past experiences and shared information among workers, individual perceptions of the owner normally reciprocate trustworthy behavior (Drath *et al.*, 2008). The women business owner tends to continually assess her actions, practices and behavior that impact employees because she knows it is through their experiences that they perceive the firm's overall fairness (Riebe, 2003). Better performance outcomes arise because in a high trust climate people show increased levels of loyalty, satisfaction and engagement and the resulting co-operation and free exchange of information to quicker and better decisions (Bass and Avolio, 1995). This can be shown in Figure 2.3 below:

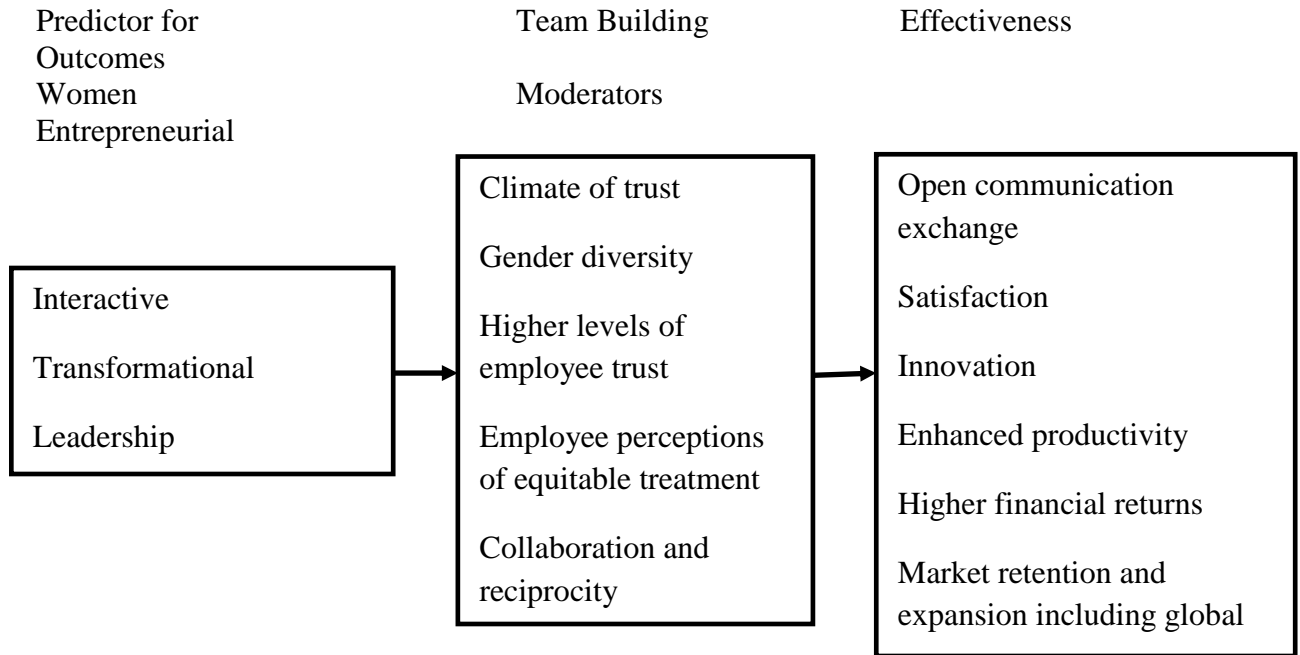


Figure 2.3: Entrepreneurial Women's Leadership Effectiveness

Source: Moore, Moore and Moore (2011)

Rosener (1990) calls women entrepreneurs' models of a leadership style which she labeled as non-traditional or transformational. Such entrepreneurs build a relationship of mutual stimulation and as elevation that converts followers into leaders and may convert leaders into moral agents. This occurs when leaders and followers engaged with others in such a way that leaders and followers raise one another to higher levels of motivation and morality (Burns, 1978 in Bass 1997).

Rosener (1990) suggests that one of the distinctive and characteristic features of women in leadership positions is their ability to engage in interactive leadership relationships with their managers and employees and a determination to empower others. Women see leadership as an on-going process, envisioning themselves as team leaders, as inspirational rather than directive, as participative rather than hierarchical, working to co-

ordinate and balance their interests and those of their employees and transforming these into shared goals. This is usually translated into forms of interactive and participatory leadership that empowers employees while achieving corporate goals. Thus, leadership is thought of as a two-way interaction where both the managers and employees are motivated and sometimes even changed (Bass, 1985). This study intended to establish whether women entrepreneurs in Kenya would enhance growth of their enterprises if they applied transformational leadership style.

2.11. Prior Knowledge

Prior knowledge refers to the sum of one's competencies which are derived from the unique backgrounds of individuals. According to Ardichvili, Cardozo and Ray (2003), the key indicators of Prior Knowledge include education, networks and experience. It can be said also that Prior Knowledge generally refers to an individual's distinctive knowledge about a particular subject matter such as education, work experience or unintentional experiential learning (Shepherd and De Tienne, 2005). The standard typology can be found in Shane (1999) and Ardichvili, Cardozo and Ray (2003) which presents three propositions regarding knowledge and opportunity recognition. The likelihood of successful entrepreneurial opportunity recognition will increase with prior knowledge of customer problems, prior knowledge of markets which might include information about supplier relationships, sales techniques or capital equipment requirements that differ across markets (Von Hippel, 1988) and prior knowledge of ways to serve markets. For example, a person who had previously worked in a market as a customer manufacturer or supplier might already possess information that is not publicly

available about how a new technology might influence that market. This prior knowledge can help one to discover an opportunity in which to use new technology (Bosma, 2008).

From the above argument, it can be suggested that prior knowledge about markets might influence their discovery of which market to enter to exploit a new technology. New information about a technology might be complimentary with information about ways to serve markets, leading to discovery of the entrepreneurial opportunity to require prior information about processes. An entrepreneur's ability to recognize an opportunity in a new technology might be enhanced by prior knowledge about how the new technology could be used to create a product or service. A new technology might change a production process, allow the creation of a new product, provide a new method of distribution, permit new materials to be used, generate new sources of supply or make possible new ways of organizing (Schumpeter, 1934).

People's prior knowledge about how to serve markets might influence their discovery of how to use a new technology to serve a market. New information about a technology might be complimentary with prior information about a customer problem such that discovery of the entrepreneurial opportunity might require prior information about customer needs. The locus of innovation often lies with the user of a new technology because users cannot articulate easily their needs for not yet developed solutions to problems (Von Hippel 1994). Individuals who lack familiarity with the customer's problem find it difficult to recognize solutions to those needs when the solutions come along (Bosma, 2008). This process leads entrepreneurs to start new companies to solve

customer problems that they learned from working with users in their previous employment (Von Hippel, 1988). This suggests that people's prior knowledge of customer problems will influence their discovery of products and services to exploit a new technology. This can be well explained by the following illustration (Figure 2.4):-

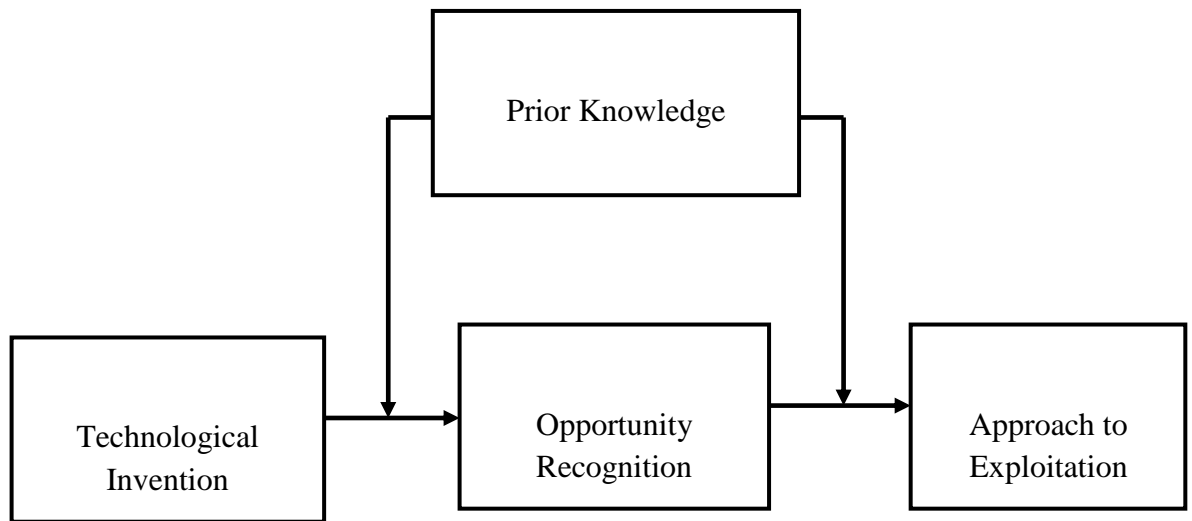


Figure 2.4: Prior Knowledge and the Discovery of Entrepreneurial Opportunity

Source: International Conference (Economics, Trade and Development (2011))

The above table illustrates that prior knowledge moderates the relationship between the attributes of a technology and the recognition of entrepreneurial opportunities. It also illustrates that prior knowledge moderates the relationship between the attributes of the opportunity as recognized and how the entrepreneur chooses to exploit the opportunity.

Accumulating relevant prior knowledge appears to help entrepreneurs to think in a more intuitive way, which is possibly related to higher alertness. As Venkataraman (1997) writes, a potential entrepreneur's prior knowledge directs his gaze towards certain opportunities and away from others. This is likely why some entrepreneurship research

attempts to demonstrate that entrepreneurs rely more on heuristics than others and that entrepreneurs with some prior knowledge are likely to focus on relevant information in their environment which can encourage opportunity identification. As Shepherd and De Tienne (2005) explain, individuals with prior knowledge have an increased ability to recognize important connections between concepts which increase their ability to recognize entrepreneurial opportunities.

Prior knowledge is generally not effective in isolation. Cognitive properties necessary to value prior knowledge are also seen as playing an important role (Shane and Venkataraman 2000). Opportunities can only be identified if some relevant prior knowledge is processed along with cognitive properties for understanding its relevance. Shane and Venkataraman (2000) suggest that information and cognitive properties are two main factors that determine whether entrepreneurs discover particular opportunities. These two factors, information and cognitive properties can be explained in Shane (1999)'s empirical study. This case study concludes that prior knowledge and experiences are the antecedents of entrepreneurial recognition. The information individuals possess can be viewed as ones' prior knowledge and experiences. The cognitive properties in valuing opportunities are dependent on the prior information one possess.

2.12. Key Indicators of Prior Knowledge

According to Ardichvili, Cardozo and Ray (2003), Prior Knowledge has three main indicators which include education, networks sand experience. Each of these indicators is discussed here below:

2.12.1. Education

Education is one of the factors that impact positively on growth of firms. Those entrepreneurs with large stocks of human capital, in terms of education and/or vocational training are better placed to adapt their enterprises to constantly changing business environments (King and McGrath, 1998). Prior knowledge gained from education (referred to as general human capital) facilitates the integration and accumulation of new knowledge, providing individuals with enhanced abilities to identify opportunities (Shane, 1999). Davidsson and Honing (2003) found that years of education had a positive influence on the chance that a person would identify new opportunities.

Intuitively, one might expect higher levels of formal education to spur SMEs growth by enhancing firm capabilities. It could also be implied that formal education could provide entrepreneurs with a greater capacity to learn new production process and product design and other specific technical knowledge conducive to firm expansion which would increase the entrepreneur's flexibility. Empirical evidence suggests that firms with better educated entrepreneurs are more efficient (Burki and Terrell, 1998) however, greater complexity emerges when examining the relationship between education and MSEs' growth in developing economies Kenya included.

MSE owners and workers in developing countries often have low levels of education. One of the reasons for this is that despite the recent advances, primary education completion rates remain only fifty-five percent in sub-Sahara Africa, seventy-eight percent in South Asia and eighty-nine percent in Latin America (World Bank, 2001). In addition, MSEs tend to have less educated owner-managers and workers than large firms

(Soderborn and Teal, 2001). Educational disparities across firm size are more striking at the university level. For example, twenty-one percent of micro enterprise owners in Chile have degrees compared to forty-two percent of small firm and fifty-five percent of medium firm owners (Alvarez and Crespi, 2003). The lower level of educational attainment among MSE owners and workers is remarkable when contrasted with developed countries, where, those with higher educational levels are more likely to be self-employed (Woodruff, 1999). One major reason for this contrast is that the poor in developing countries often create survival oriented MSEs due to lack of alternative employment opportunities.

On the growth of MSEs, an inter-American Development Bank study found that secondary school attainment did not have impact on the growth in Latin America (Kantis, Angellini and Koenig, 2004). On the other hand, numerous studies in Sub-Sahara Africa suggest that entrepreneurs completing secondary schools have more rapidly growing firms in Kenya and Zimbabwe, but found no significant effect on primary education on the expansion of MSEs (Parker, 1995; Liedholm and Mead, 1999). Some clarity emerges when recognizing the threshold effect of education. MSEs with more highly educated owners tend to grow faster but a country's threshold must be reached to observe this growth effect. For example, whereas a threshold of secondary education may identify high growth potential in the African countries, a higher threshold of university education appears to exist in Latin America. Latin American entrepreneurs with high growth firms were found to be university graduates (Kantis, Angellini and Koenig, 2004). Despite various potential benefits, education may also affect MSEs performance negatively if the

owners divert their attention to other attractive opportunities. Research on small manufacturing firms in Chile found that university education did not induce higher efficiency in the sense that some highly educated owners, who got distracted by other activities paid little attention to monitoring their labour force (Alvarez and Crespi, 2003).

According to women entrepreneurs in Kenya (2008) lower levels of educational attainment puts women entrepreneurs at a disadvantage compared women. While gender gap in primary education in Kenya is decreasing in recent years, the gap remains high at secondary and tertiary education levels. Lower education does not emphasize entrepreneurial skills. It decreases the chances that women will have the knowledge needed to excel in business. Lack of sufficient education and training for women contributes to MSEs success. In addition, women are usually less educated than men, making them less equipped to manage an enterprise (Common-wealth Secretariat, 2002). Since education is one of the indicators of prior knowledge, this study established whether the level of educational attainment of women entrepreneurs would have a positive effect on the enterprise growth.

2.12.2. Experience

Women enter business from a wide variety of backgrounds and with a wide range of experiences. The provision of business start-up training and advice needs to accommodate these very different experiences. Life experiences provide valuable information and unmet needs and can stimulate the process of generating business ideas. Entrepreneurs' past experiences provide good ground for the development of basic skills needed in the management of an enterprise. Women's past experiences and backgrounds

could shape their subsequent behavior and by extension, their performance (Bruni, Gherardi and Poggio, 2004; Fischer, Reuber and Dyke, 1993; Beasley, 1999).

Owners of MSEs acquire a substantial amount of management skills and knowledge while operating their enterprises. Work experiences may contribute to MSE growth either directly by expanding the capabilities of owners of MSEs and employees through acquisition of skills and knowledge; and indirectly by expanding entrepreneurs' social networks. Entrepreneurs with more years of work experience typically have fast growing enterprises. For example, one empirical study found that Kenyan entrepreneurs with at least seven years of work experience expanded their enterprises more rapidly than those without such experience (Parker, 1995).

Prior experience is important and helpful especially if that experience has been gained from the same sector or in MSEs. Prior experience proves to be important in developing economies-for example, a panel survey of one thousand entrepreneurs in the Netherlands found that entrepreneurs' prior experience, when in the same industry as their start-ups, improves firm growth, survival and profitability (Bosma *et al.*, 2004). In Latin America, a study of high growth entrepreneurs provides insights about the importance of not only skills but also business contacts gained during past employment (Kantis, Angellini and Koenig, 2004). Among Latin-American and East Asia entrepreneurs, contacts were found to be a key benefit of work experience, helpful in identifying business opportunities, obtaining financing and other resources and alleviating management challenges. It is unfortunate that some developing countries are characterized by a systemic lack of

opportunities to gain relevant work experience. In particular, Africa has few medium size enterprises for entrepreneurs to gain work experience, a phenomenon known as “the missing middle”. For this and other reasons MSE owners and workers in Ghana have an average of only five years of work experience, compared to ten years for their counterparts in large firms (Barr, 1998).

2.12.3. Social Networks

This section explores the relationship between social networks and women-owned MSEs growth. Networks refer to the nature and extent of one’s involvement in various informal networks and formal civic organizations (Grootaert *et al.*, 2004). Research that has looked at the management of female-owned enterprises has often alluded to the important role of networks in the survival and success of individual firms (Olm, Carsrud and Alvey, 1988, Aldrich, Reese and Dubini, 1989; Rosa and Hamilton, 1994). Gender differences in the way networks are created and used have been cited as having an influence on certain aspects of the management process that is enabling improved access to finance and the development of strong relationship with financiers (Carter and Rosa, 1998). Rosa and Halmiton (1994) have argued that networking is both critical to, and should be greater among female entrepreneurs than male entrepreneurs. On the other hand, Aldrich (1989) suggested that female owner networking levels are lower than male owners. Brush (1997) concluded that women are less welcome in social networks and therefore are not able to access much information. This implies that social structures and the way women socialize influence the human and social capital endowments with which they start their business.

Granovetter’s (1973) classic article describes the social perspective as interpersonal networks, including weak-tie network, strong-tie network and mentors. Further literature

demonstrates that extended networks have positive associations with opportunity recognition (Hills, Lumpkin and Singh, 1997; Ardichvili, Cardozo and Ray, 2003). It is important to note that social networks are important in enterprise success. Social contacts are a key resource for the entrepreneur since they provide information, resources and moral support (Burt 2000; Adler and Kwon, 2002). Therefore entrepreneurs need to cultivate diverse, wide-ranging friendship.

Having an extensive social network is therefore a valuable asset, which can help an entrepreneur obtain access to information as well as credit. While social networks can enhance MSE growth in any context, they can be critical to firms' growth prospects in environments with pervasive market failures. Existing literature points to the role social networks can play in helping entrepreneurs overcome obstacle relate to transaction costs, contact enforcement and regulation. Examples include buyer-seller bargaining with acquaintances in Morocco's bazaar economy (Geertz, 1978); the overwhelming preferences of Ghanaian firms to do business with individuals they already know (Fafchamps, 2000); Jewish diamond merchants in New York lending gems to each other overnight for inspection without contacts to save on lawyer fees (Porter and Landolt, 1996). Quantitative studies confirm the importance of social networks, for example an econometric study of small-scale manufacturing in Ghana found that entrepreneurs with larger and more diverse sets of networks are more productive (Barr, 1998). Networks, however, can be expensive or inaccessible to those entrepreneurs not doing well or can be included to provide equal access to resources for marginalized entrepreneurs such as women. Social networks may be deeply rooted in societal traditions, making them

difficult for outsiders to gain entrepreneurial opportunities. Sustainability of social network is also an issue. If networks grow, a great number of participants offer increased resources for MSEs but the networks usefulness may also decline as it becomes more inclusive.

It is important to confirm whether prior knowledge could have effects on the growth of enterprises. This is one of the gaps that this study tried to address. The three indicators of prior knowledge, that is, education, experience and social networks of female entrepreneurs were addressed by this study to confirm whether they influence the growth of women-owned enterprises. An emergent body of female entrepreneurship literature indicates that a woman is a resource that can be evaluated (Moore and Buttner, 1997; Bruni, Gherardi and Poggio, 2004). Recognizing a woman as a resource, allows a clearer understanding of gender differences in MSE growth. Further, this literature indicates that among others, the role of the woman in the growth of MSEs is largely under-represented.

Women tend to assess their performance in terms of intrinsic terms, adopt an evolutionary approach to business development and display distinct abilities in transformational leadership (Rosener, 1990). Furthermore, they possess a unique flexibility and ability to co-ordinate family and work responsibilities (Mistick, 2004). Such unique constellation of competencies is largely a function of female entrepreneurs' background and prior knowledge (educational attainment, prior experience and networks) (Fischer, Reuber and Dyke, 1993; Beasley, 1999). Empirical studies have mainly focused on the direct link between individual strands or configurations of either prior knowledge

(Fischer, Reuber and Dyke, 1993; Beasley, 1999; Gakure, 2003; Kibas, 2006) or transformational leadership (Chaganti, 1986; Rosener, 1990; Brush, 1992; Moore and Buttner, 1997) while little attention has been devoted to understand the interrelationship between prior knowledge and transformational leadership. The question on whether prior knowledge affects the growth of women owned enterprises directly or through transformational leadership is an issue that has not been settled empirically. Figure 2.1 below presents this relationship schematically. To date, little is known on the differential roles of prior knowledge and transformational leadership in the growth of women-owned enterprises.

2.13. The Conceptual Framework

Figure 2.5 below presents the conceptual model that illustrates the nature of relationship between growth, transformational leadership and prior knowledge. Transformational leadership seeks to foster positive interactions and trust relations with/among a firms' internal teams, share power and information with them and encourage them to subordinate their personal aims and interests to collective ends (Bass, 1985). Prior knowledge refers to the sum of ones competencies which is derived from the unique backgrounds of individuals such as education, networks and experience (Ardichvili, Cardozo and Ray, 2003). The presented conceptual framework with its strong roots in theory advances suggests that two sets of factors namely, a woman's background and leadership style may be used to explain the growth of women-owned MSEs. Both sets of factors are normally examined in literature independently. In other words, literature has mainly focused on the direct link between transformation leadership and growth of women-owned enterprises on one hand and prior knowledge and growth on the other.

However, there are indications that both sets of factors may have greater explanatory powers if examined together than when taken alone. This study therefore, sought to validate this observation.

Independent Variables

Dependent Variable

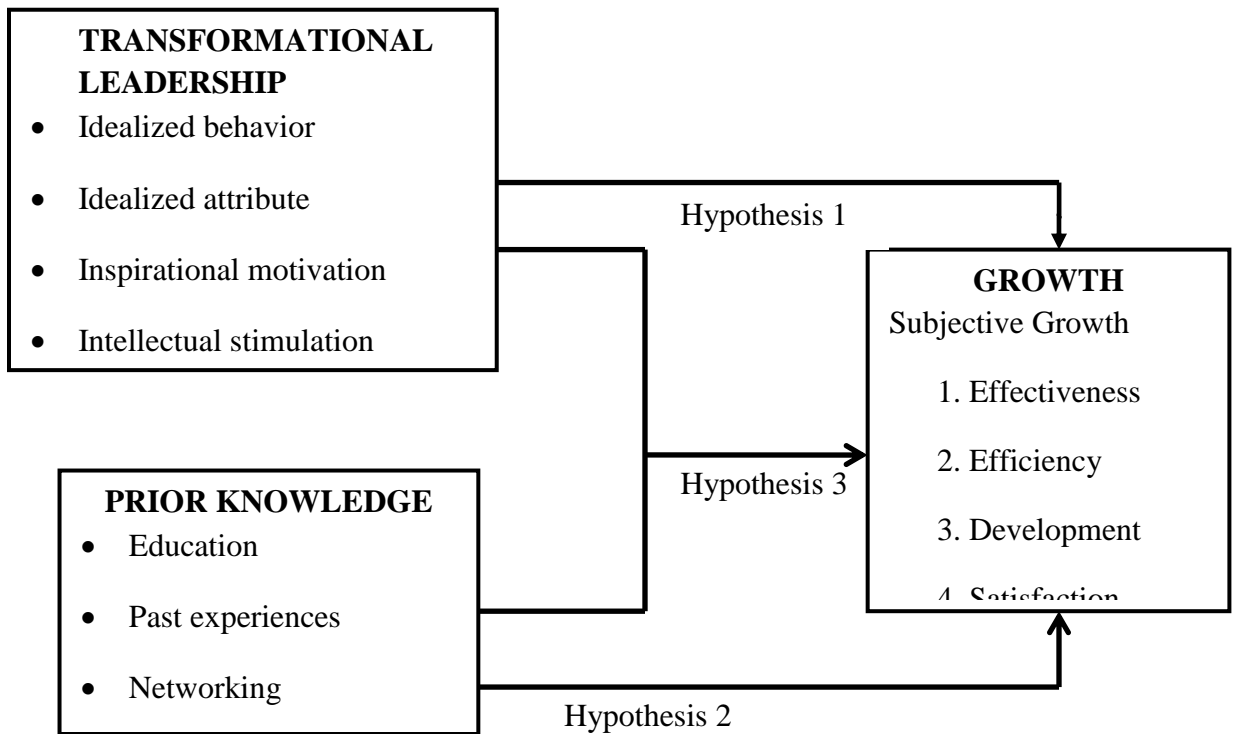


Figure 2.5: Schematic Diagram on the Growth of Women-Owned Enterprises

Source: Researcher 2012

Transformation leadership has a direct relationship with growth of women owned enterprises (Hypothesis 1). Prior knowledge is also shown to have a direct on growth (Hypothesis 2). Finally both transformational leadership and prior knowledge have simultaneous effects on growth (Hypothesis 3). This study initially examined the magnitude and direction of the individual effects of transformational leadership and prior knowledge on growth. It then sought to establish whether the combined effects of transformational leadership and prior knowledge had superior explanatory powers than

when each of them is considered individually. This is a major contribution of this study to existing literature. This serves as a major step towards developing a clear and unifying theoretical and methodological direction in the emerging topic of female entrepreneurship.

2.14. Summary of Literature Review and Research Gaps

The chapter has shown that new leadership theories such as transformational leadership provide answers to the competitive challenges and innovations faced by organizations, especially MSEs. Transformational leaders can facilitate these changeover processes by placing value on the development of a vision and by inspiring followers to pursue that vision. Consequently, enterprises have begun to incorporate the philosophy behind the transformational leadership model into their management development programmes. Within all of the theories, frameworks, and approaches to leadership identified in the chapter there is an underlying message that leaders need to have a variety of factors working in their favour. Effective leadership is not simply based on a set of attributes, behaviours, or influences. It is evident that one needs to have a wide range of abilities and approaches that he/she can draw upon. A leader using the transformational leadership style has integrity; sets clear goals; clearly communicates a vision; sets a good example; expects the best from the team; encourages; supports; recognizes good work and people; provides stimulating work; helps people see beyond their self-interests and focus more on team interests and needs; and inspires. How these aspects related to prior knowledge and growth of the women-owned enterprise was the focus of this study. The study was expected to explore the profiles of female entrepreneurial leaders to establish whether they could spur growth in women-owned enterprises. Secondly, the study sought to

establish whether there was any effect between the independent variables and the transformational leadership and prior knowledge with the dependent variable, growth in women-owned enterprises. Thirdly, according to Moore, Moore and Moore (2011), the style in which women in corporate life and women entrepreneurs apply transformational leadership in their own companies has been relatively not been studied. This study addressed this knowledge gap. Common-wealth Secretariat (2002) indicated that women are less educated than men and therefore are less equipped to manage positive growth. This study addressed the issue of prior knowledge and its indicators namely education, past experience and networks in order to establish whether or not the indicators would spur growth of women-owned enterprises. This study was conducted to establish the effects of transformational leadership and prior knowledge on the growth of women-owned enterprises.

2.15. Study Hypothesis

Specifically this study tested, three hypotheses which included:

1. There is a statistical association between transformational leadership and the growth of women owned enterprises.
2. There is a statistical relationship between prior knowledge and the growth of women owned enterprises.
3. The combined effect of transformational leadership and prior knowledge on the growth of women-owned MSEs is statistically significantly on the growth of women owned enterprises.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1. Introduction

This chapter begins by identifying the research design. A description of the study area follows. The study population and sampling procedures are discussed next. A detailed description of key variables is offered in the next section. Data collection instruments and procedures are then outlined. A discussion of the data analysis procedures employed in this study is then offered.

3.2. Research Design

This was a cross-sectional survey of women owned enterprises. The rationale for this design was to seek to describe the current situation in regard to effects of prior knowledge and transformational leadership on the growth of women-owned MSEs in Kasarani Division of Nairobi County. Surveys are useful in examining the relationship between phenomena and in policy derivation (Saunders *et al.*, 2003). Using the survey approach helped to obtain a holistic picture of growth dynamics in women- owned enterprises.

3.3 Locale

This research was conducted in Kasarani Division of Nairobi County. This area was chosen primarily due to its high density of MSEs in the country (Central Bureau of Statistics, International Centre of Economic Growth and K-Rep Holdings Limited, 1999).

Further, anecdotal evidence suggests that women own a large number of MSEs in this area.

3.4 Target Population

The target population of this study included all the women-owned MSEs in the study site that had between 2 and 50 employees. The population was heterogeneous since it comprised of MSEs operating in varied disciplines. These included salons and barber shops; green groceries; retail kiosks; food kiosks; hardware stalls; second hand clothes stalls; and cereals stalls. The MSEs are characterized by the following attributes: owner managers; less than 50 employees; premised in a mix of formal and informal shelters; location along major pathways within residential areas; and family-owned. The total population of this study included 1,759 women-owned enterprises. The list of women-owned MSEs in Kasarani Division of Nairobi was constructed from lists provided by Nairobi City Council (NCC) and City's Public Health office. The distribution of the target population is as shown in Table 3.1 below.

Table 3.1: Distribution of the Target Population

	ROY	GIT	KAS	MAT	GE	KW	Frequency	%
Salons and Barber shops	23	68	46	16	13	42	208	11.8
Green Groceries	44	81	58	53	44	58	338	19.2
Retail Kiosks and Shops	68	37	71	44	26	102	348	19.8
Food Kiosks	18	56	57	23	31	54	239	13.6
Hardware Stalls	28	72	65	14	8	44	231	13.1
Second Hand Clothes Stalls	51	46	82	22	11	52	264	15.0
Cereals Stalls	33	30	34	16	3	15	131	7.4
Total	265	390	413	188	136	367	1759	100.0
% of the total	15.1	22.2	23.5	10.7	7.7	20.9	100.0	

Source: Nairobi City Council SMEs Licensing Registry (2009)

ROY = Roysambu; GIT = Githurai; KAS = Kasarani; MAT = Mathare; GE = Garden Estate; KW = Kahawa West

3.5 Sampling Design and Sample Size

3.5.1. Sampling Procedures

Simple random sampling was used in arriving at the sample of the study. Initially, the selection of businesses was based on their industry. As shown in Table 3.2 above, the population of the study was heterogeneous. They included salons and barber shops; green groceries; retail kiosks; food kiosks; hardware stalls; second hand clothes stalls; and cereals stalls. Secondly, simple random sampling was applied in the selection of the

female owned businesses. Simple random sampling was considered an appropriate method of sampling because the population was scattered and hence the need to eliminate bias in selection of sample units.

3.5.2. Sample Size Determination

From the constructed sampling frame, simple random sampling procedures were used to select the study sample. The sample size formula (Black, 2005) was used to compute the sample size. This formula is applied for large sizes of population, especially where the actual size may not be known but estimates can be provided, just as was the case in this study. The need to allow for the margin of error of 5 percent allows for the sample results to be generalized with utmost precision.

$$n = \frac{Z^2 pqD}{d^2} \quad \text{Where, } n = \text{the sample size}$$

Z = the standard normal deviate (1.96)

p = the proportion of the target population estimated to have transformational leadership. (This proportion is unknown hence it is estimated to be 0.5).

$$q = 1 - p = 1 - 0.5 = 0.5$$

d = margin of error, taken to be 5% in this study

D (the design effect) = 1

$$\text{Thus, } n = \frac{1.96^2 \times 0.5 \times 0.5 \times 1}{0.05^2} = 384$$

Proportional allocation was used in selection of the total number of respondents from each location (strata). Therefore, proportionately, a sample percentage of 21.8% was chosen from each of the selected stratum using simple random sampling technique (Table 3.2).

Table 3.2: The Sampling Matrix

	ROY	GIT	KAS	MAT	GE	KW	Total
Salons and Barber shops	23	68	46	16	13	42	208
	21.8%	21.8%	21.8%	21.8%	21.8%	21.8%	21.8%
	5	15	10	3	3	9	45
Green Groceries	44	81	58	53	44	58	338
	21.8%	21.8%	21.8%	21.8%	21.8%	21.8%	21.8%
	10	18	13	12	10	13	74
Retail Kiosks and Shops	68	37	71	44	26	102	348
	21.8%	21.8%	21.8%	21.8%	21.8%	21.8%	21.8%
	15	8	15	10	6	22	76
Food Kiosks	18	56	57	23	31	54	239
	21.8%	21.8%	21.8%	21.8%	21.8%	21.8%	21.8%
	4	12	12	5	7	12	52
Hardware Stalls	28	72	65	14	8	44	231
	21.8%	21.8%	21.8%	21.8%	21.8%	21.8%	21.8%
	6	16	14	3	2	10	51
2 nd Hand Clothes Stalls	51	46	82	22	11	52	264
	21.8%	21.8%	21.8%	21.8%	21.8%	21.8%	21.8%
	11	10	18	5	2	11	58
Cereals Stalls	33	30	34	16	3	15	131
	21.8%	21.8%	21.8%	21.8%	21.8%	21.8%	21.8%
	7	7	7	3	1	3	29
Total	265	390	413	188	136	367	1759
	21.8%	21.8%	21.8%	21.8%	21.8%	21.8%	21.8%
	58	85	90	42	30	80	384

Source: Researcher Computations (2012)

ROY = Roysambu; **GIT** = Githurai; **KAS** = Kasarani; **MAT** = Mathare; **GE** = Garden

Estate; **KW** = Kahawa West

3.6. Data Collection

3.6.1. Research Instrument

The study relied on primary data. Data from the MSEs was collected through administration of a structured questionnaire (See Appendix A). The questionnaire contained structured closed questions covering issues of enterprise growth, prior knowledge assessment and transformational leadership. The closed questions enabled responses of the respondents to be limited to stated alternatives.

3.6.2. Variables

The dependent variable for this study was growth. This was measured subjectively using multiple organisational performance variables (Chenhall and Langfield-Smith, 2007; Katou and Budhwar, 2008) which were assessed under the philosophy of a perceived rating of the organisation's performance on a five-point scale ranging from 1 = poor to 5 = Excellent. Recognising the potential problems with self-report measures, to ensure the reliability and the validity of the indexes and to minimize random fluctuations and anomalies in the data the respondents were asked to report performance over the past 3 years. Six dimensions of performance namely effectiveness, efficiency, development, stakeholder satisfaction, quality products and innovation were examined. Each respondent's score on these six items was summed up to obtain a growth index.

Two sets of independence variables were measured in this study namely transformational leadership and prior knowledge (Table 3.3). Transformational Leadership items were meant to capture the emotional involvement of women entrepreneurs with their enterprises, work and personal life balance, orientations towards problems and plans, methods used to achieve commitment and hold people accountable and the strategies

used to win and appreciate employees. The actual items used in this study are offered in the attached questionnaire (See Appendix 1). Selected items in The Multifactor Leadership Questionnaire Form 5X (MLQ 5X) were used to assess transformational leadership. This is the most widely used measure of leadership (Eagly *et. al.*, 2003). The MLQ 5X consists of 36 items that measure transformational leadership, transactional leadership, and laissez-faire leadership (Bass and Avolio, 1995). Each of the 36 items contributes to only one factor and the score for that factor is the average of the relevant items. In this study, only the transformational leadership style was assessed. Each respondent completed a self-assessment form on which the female entrepreneurs rated how often one practiced each item of the transformational leadership style on a range from 0 (not at all) to 4 (frequently, if not always). An effective leader is expected to obtain a rating of 3 (fairly often) on average for transformational leadership as well as on each of its five scales (Bass and Avolio, 1995). Support for the reliability and validity of the MLQ 5X questionnaire has been based on a database consisting of 14 separate studies (Avolio, Bass and Jung, 1999) in addition to other studies (Eagly *et al.*, 2003) and has been used in a large number of studies (Center for Leadership Studies, 2000).

Prior knowledge was made up of three items namely level of education, networks and experience. Education was measured using total number of years in formal education, experience was measured using the number of trainings (workshops, seminars, conferences) attended by the woman entrepreneur in the last three years. Networks were measured as the number of years the entrepreneur has been a member of a business association. General experience was measured using the age of the female entrepreneur in years. Number of previous employers was also used to measure general experience.

Entrepreneurial experience was measured using number of businesses previously established by the female entrepreneur. Two items were used to measure managerial experience namely number of years in current sector less age of current enterprise and number of years in management employment if any. A five point Likert scale item (1 = strongly disagree to 5 = strongly agree) was used to measure satisfaction with previous work experiences. For the family background, three items were used namely: the type of family (1 = nuclear family 2 = extended family, 3 = other type of family), religious background (1 = Christian, or otherwise) and employment status of parents (1 = father businessman, or otherwise).

Several control variables were also assessed. These included age of business, access to external credit, interactions with business support organizations, ownership of business site and motivation; factors that have been shown to influence growth of women owned enterprise in previous studies (GoK, 2005, Gakure, 2003; Kibas, 2006). Age of business was calculated as the number of years since business start-up. Access to credit was measured as the amount of money borrowed in the last twelve months for business operation. Interactions with support organizations took a dichotomous variable with participation taking one, otherwise zero. Ownership of business site was labeled one and otherwise zero. Motivation had two options, either the business was established to exploit an opportunity or out of necessity.

Table 3.3: Variable Definition and Data Requirements

Variable	Operationalization	Measures/Indicators
Growth	(i) Subjective Measurement scale	Effectiveness, Efficiency, Development, Stakeholder satisfaction, Innovation, Quality (Katou and Budhwar, 2008)
Prior Knowledge	Education i) Formal education ii) External trainings Networks Past Experience 1. Entrepreneurial experience 2. Industry experience 3. Breadth of experience 4. Family background 5. Age	- Highest level of Educational Attainment - Total number of trainings attended Membership in business association - Previous number of businesses. - Number of previous formal Jobs - Age of Entrepreneur - Parents in business
Transformational Leadership	1. Idealized Attributes 2. Idealized Behavior 3. Inspirational Motivation 4. Intellectual Stimulation 5. Individualized consideration	Multifactor Leadership Questionnaire

Source: Researcher (2012)

3.6.3. Pilot Study

A pilot study was conducted with 40 women-owned enterprises in the study area before the final survey. These enterprises did not form part of the final sample size. Pre-Testing was conducted to check the questionnaires structure and the sequence, meaning and

ambiguity of questions. This process assisted in illuminating any potential problems of the research instrument and provided a basis for design or structural changes. This was also done to test the reliability, validity and workability of the instrument.

3.6.4. Validity of Instruments

A research instrument is said to be valid if it measures what it is supposed to measure. Validity is the degree to which results obtained from the analysis of the data actually represent the phenomenon under study (Mugenda and Mugenda, 2003). External validity which has to do with the representation of the sample with regard to the target population was done on women-owned MSEs that were over two years old and those that had between 2-50 employees. It also helped to estimate the completion time for administering the research tools. Responses from this exercise were only used to improve the quality and administration of the research tools for the study. Besides, the draft questionnaires were given to two selected persons knowledgeable in research to ascertain the items suitability in obtaining information according to research objectives of the study. Both experts were purposively identified by the researcher for purposes of validation.

3.6.5. Reliability Tests

Mugenda and Mugenda (2003) define reliability as a measure of degree to which a research instruments yields consistent results or data after accepted trials. Reliability of measurements concerns the degree to which a particular measuring procedure gives similar results over a number of repeated trials. After the pilot study, reliability scores were computed using SPSS. To measure this reliability, the Cronbach Alpha technique was employed.

3.6.6. Data Collection Procedures

The researcher collected data with the assistance of trained research assistants. The research assistants were trained on various skills which include respondent approach, the nature of the study and the administration of the study questionnaires. The researcher and the research assistants went through all questions in the questionnaire guide in details, the objectives and assumptions for them to be able to ascertain a fully completed one.

3.7. Data Analysis

The survey data was initially summarized using frequencies, percentages, means and standard deviation (SD). Data was also presented using tables.

The growth of women-owned enterprises was initially examined using reliability analysis and its Cronbach alpha (α) established. A growth index was then computed by summing up the different dimensions of growth as suggested by Katou and Bundwar (2008). It was then summarized using mean (\pm SD). A frequency distribution table was then used to establish the patterns of growth of women-owned MSEs.

The attributes associated with transformational leadership skills in women-owned MSEs in Kenya were examined using mean (\pm SD) and correlation analysis. Further, the five sub-scales of transformational leadership were reduced into a single factor using factor analysis. Then the reliability analysis of this item was computed. The association between the computed transformation leadership index and growth were examined using correlation analysis.

The indicators of prior knowledge were summarized using mean (\pm SD) for continuous variables and frequencies and percentages for categorical variables. The relationships between the different indicators of prior knowledge and growth were then established using correlation analysis.

A correlation analysis was conducted to identify the magnitude of the simultaneous relationship of transformational leadership and prior knowledge on enterprise growth. The correlation analysis was also used to examine multicollinearity. Then a multiple linear regression model was used with growth index as the dependent variable and transformational leadership and prior knowledge as the independent variables. The coefficient of determination (R^2) was used to interpret the goodness of fit of the regression model.

The Estimated Regression Model

$$Y_i = \beta_0 + \beta_1 (TL_i) + \beta_2 (PK_i) + \varepsilon$$

Where:

Y = Growth of the i^{th} MSE

TL = Transformational Leadership Index of i^{th} MSE

PK = Prior Knowledge of i^{th} MSE

β are coefficients to be estimated and ε is the error term.

This model was estimated using least squares regression technique. The level of significance for this study was considered as $\rho < 5\%$. All the quantitative analyses for this study were conducted using the Statistical Package for Social Sciences (SPSS) Version 18.

3.8. Ethical Considerations

The confidentiality of the respondents was maintained. The Helsinki protocols were adhered to. Further, authorization of this study was sought from the National Council for Science and Technology and a letter of authorization referenced NCST/RRI/12/1/SS-011/955/4) was obtained.

3.9. Chapter Summary

This chapter described the methods that were used to find answers to the research questions outlined in chapter one. Descriptive research design was used for this study. The questionnaire was the principal data collection instrument. Quantitative techniques of analysis were identified as the most appropriate for the collected data. The next chapter presents the findings from the field study. The findings were presented using tables and charts.

CHAPTER FOUR

RESULTS AND DISCUSSION

4.1. Introduction

This chapter presents and discusses the findings that were gathered in an attempt to achieve the objectives of this study. The first section presents the general profile of the study respondents. The second section describes the patterns of growth in the sampled women-owned enterprises. The third section presents the findings on the attributes of transformational leadership and their effects on growth while the fourth section presents findings on the relationship between prior knowledge and growth of women-owned MSEs. The findings on the simultaneous effects of prior knowledge and transformational leadership on the growth of women-owned MSEs are offered in the fifth section. The final section of this study offers a discussion of the findings of this study.

4.2. The General Profile of the Respondents

This section seeks to present findings on the general profile of the sample respondents. The section is sub-divided into three sub-sections. The first sub-section focuses on the general demographic profile of the respondents while the second focuses on the previous employment profile of the respondents. The third sub-section offers a profile of the surveyed women-owned enterprises.

4.2.1. The Demographic Profile of Respondents

This study targeted 384 women-owned MSEs in Kasarani Division of Nairobi County. However, due to stratification and subsequent rounding of the proportion of enterprises to whole numbers in different sub-sectors, 400 women-owned MSEs were eventually

surveyed. The summary of the general demographic profile provides an overview of how the sample was constituted and distributed by attributes such as gender, highest level of education attained, the family type, and size (Table 4.1). The mean age for the sampled women was 32.5 (SD = 7.5) years. The findings indicate that the sample was fairly split between the age categories of less than 30 years and between 31 and 50 years. This indicates that the sample was largely diverse across age groups.

Table 4.1: The Demographic Profile of Respondents

Variable	Categories	Number of responses (n = 400)	%
Age bracket	Below 30 years	190	47.5
	31-50 years	198	49.5
	Above 50 years	12	3.0
Highest level of education attained	Primary	72	18.0
	Secondary	173	43.3
	Tertiary college	147	36.8
	University graduate	8	2.0
Family Type	Nuclear	357	90.2
	Extended	18	4.5
	Others	21	5.3
Number of children aged below 16 years	None	71	17.8
	One	128	32.0
	Two	127	31.8
	Three	65	16.3
	Four	9	2.3

Source: Research Data (2012)

The study results further indicate that all the respondents had attained at least primary level education, with most having attained secondary level education. This is an indicator that the sampled respondents were likely to have been acquainted with basic business management skills, including leadership skills.

Over 90% of the sampled respondents were drawn from the nuclear family type. The rest of the respondents indicated that they were from either extended or single parent type of families.

Finally, the findings indicate that over 80% of the sampled women entrepreneurs were parents of between one and four children aged below 16 years. This shows that most of the respondents had family responsibilities to attend in addition to their daily business duties.

4.2.2. Previous Employment Profile of the Study Respondents

Assessment of the previous employment profile of the respondents was based on five attributes namely: whether or not the respondents had engaged in formal employment; the level of satisfaction derived from past employment; number of previous employers; whether or not the respondents had engaged previously in managerial positions; and if so, the years of experience in managerial positions (Table 4.2). The data shows that 49 out of the 400 sampled respondents (13.3%) had never been employed. Further, 37.3 % of the respondents had only one previous employer. The remaining respondents had switched employers for more than once.

The results further indicate that most of the sampled respondents (69.3%) had never been engaged in formal employment. Further, slightly over 4% of the surveyed respondents were satisfied with their previous formal employment.

The findings in Table 4.2 further show that about two-thirds of the sample (67.3%) had never held managerial positions during their past employment history. However, out of the 131 respondents who reported to have held managerial positions, most of the respondents (40.5%) had served for more than four years. This indicates that the sample was largely comprised of a mix of respondents; those with past managerial and leadership experience and those without managerial/leadership experience. These results were critical in assessing the nature of prior knowledge of the respondents.

Table 4.2: Past Employment Profile of Sampled Entrepreneurs

Variable	Categories	Number of responses (n = 400)	%
Number of previous employers	None	49	12.3
	One	149	37.3
	Two	133	33.3
	Three	44	11.0
	Four and Above	25	6.3
Past engagement in formal employment	Yes	123	30.7
	No	277	69.3
Rating of satisfaction derived from past employment	Very dissatisfied	11	2.8
	Fairly dissatisfied	32	8
	Not certain	63	15.8
	Fairly satisfied	17	4.2
	Not applicable	277	69.2
Past engagement in managerial positions	Yes	131	32.8
	No	269	67.3
Number of years in past managerial positions	One	18	13.7
	Two	45	34.4
	Three	15	11.5
	Four and above	53	40.5
	Total	131	100.0

Source: Research Data (2012)

4.2.3. The Business Profile of the Surveyed Enterprises

The surveyed enterprises were relatively young with the modal class being between 2 and 5 years old (Table 4.3). The mean age of the sampled businesses was 5.4 years (SD = 3.1). Most of the surveyed respondents had operated in their current business sector for less than 5 years. This indicates that most of the surveyed women had limited experience in the business sectors that they operated in.

Table 4.3: The Business Profile of the Surveyed Enterprises

Variable	Categories	Frequency	% of the Total
Age of business (years)	Not more than one year	16	4.0
	2-5 years	220	55.0
	6-10 years	139	34.8
	More than 10 years	25	6.2
Number of years in the current business sector	Below 5 years	206	51.5
	5-10 years	17	43.5
	More than 10 years	20	5.0
Legal status of the businesses	Corporate	3	0.7
	Sole proprietorship	341	85.3
	Partnership	56	14.0
Borrowed money for business operations	Yes	138	34.5
	No	262	65.5
Sources of Credit for sampled women MSEs	Friends and Relatives	36	25.9
	Self-Help Groups	65	46.8
	Commercial Banks	37	27.3

Source: Research Data (2012)

Over 85% of the surveyed enterprises were operated as sole proprietorships. Further, majority of the businesses were either owner-managed or managed with support from immediate family members. These results are an indicator of capacity constraints.

The surveyed enterprises were also constrained in accessing formal finance. In the 12 months preceding the study, a majority of the sampled businesses (65.5%) had not borrowed money for business operations. Moreover, most of these enterprises (46.8%) had only obtained finances from informal sources (self-help groups, relatives and friends).

4.3. The Patterns of Growth of Women-Owned MSEs

The descriptive statistics and correlation coefficients of the different dimensions of growth are offered in Table 4.4. The six items measuring growth had correlations ranging from $r = 0.07$ to 0.60 with each other (Table 4.4), suggesting reasonable factorability. Development of capacity and coming up with new products had non-significant statistical associations with meeting enterprise objectives.

A growth index was computed by summing up the six dimensions of growth. The overall mean of the computed growth index was $3.01 (\pm 0.46)$. This growth index had satisfactory psychometric properties (Cronbach's $\alpha = 0.61$) and there was no significant change in its internal reliability by deletion of any item. The surveyed women rated meeting business objectives highest at a mean of $3.60 (\pm 0.61)$ and coming up with new products lowest at a mean of $2.51 (\pm 1.01)$.

Table 4.4: Correlation Analysis of the Dimensions of Growth

	Mean	SD	1	2	3	4	5	6
The enterprise:								
1. Meets its objectives	3.60	0.61	1					
2. Uses the fewest possible resources to meet its objectives	2.86	0.62	0.53*	1				
3. Develops its capacity to meet future opportunities and challenges	2.74	0.72	0.07	0.21*	1			
4. Satisfies all participants, stakeholders, employees and customers	3.03	0.89	-0.21*	-0.15*	0.42*	1		
5. Comes up with new products and processes	2.51	1.01	0.06	0.21*	0.27*	0.37*	1	
6. Offers products of high quality	3.32	0.77	0.15*	0.30*	0.10*	0.14*	0.60*	1

*Significance $\rho < 0.05$

Source: Research Data (2012)

4.4.The Relationship between Transformational Leadership and Growth of Women-owned Enterprises

This section begins by offering the descriptive statistics of the different attributes of transformational leadership. It then examines the validity and internal reliability of the

components of transformational leadership as assessed by the MLQ. It ends by providing data on the relationships between transformational leadership and enterprise growth.

4.4.1 The Attributes of Transformational Leadership

This sub-section presents findings on various attributes demonstrated by the respondents based on the five attributes of the transformational leadership scale namely: idealized attributes; idealized behaviours; inspirational motivation; intellectual stimulation; and individual consideration. All these five sub-scales had satisfactory Cronbach's alpha scores (Table 4.5).

Table 4.5: Reliability Assessment Statistics

Factor	Factor Indicators	Cronbach's Alpha
Idealized Attributes	I Instill pride in others for being associated with them; I go beyond self-interest for the good of the group; I act in ways that build others' respect for me; I display a sense of power and confidence	0.82
Idealized Behaviour (IB)	I talk about my most important values and beliefs; I specify the importance of having a strong sense of purpose; I consider the moral and ethical consequences of my decisions; I emphasize the importance of having a collective sense of mission	0.73
Inspirational Motivation (IM)	I talk optimistically about the future; I talk enthusiastically about what needs to be accomplished; I articulate a compelling vision of the future; I express confidence that goals will be achieved	0.77
Intellectual Stimulation (IS)	I seek differing perspectives when solving problems; I get others to look at problems from many different angles; I re-examine critical assumptions to question whether they are appropriate; I suggest new ways of solving old problems	0.69
Individual Consideration (IC)	I spend time teaching and coaching; I help others to develop their strengths; I treat others as individuals rather than just as a member of the group; I make personal sacrifices for other's benefits	0.74

Source: Research Data (2012)

The sampled respondents had a summary idealized attribute score that was above the validated benchmark levels (Table 4.6). This reflects relatively high idealized attributes amongst the respondents. The idealized attribute scale identifies respondents who are able to build trust in their followers. The respondents are therefore able to inspire

power and pride in their organizational teams, by going beyond their own individual interests and focusing on the interests of the enterprise and of its members.

Table 4.6 Descriptive Statistics of Dimensions of Transformational Leadership

Sub-scale	Mean (± SD)	Normative Values* Mean (95% CI)	Difference (Mean- normative value)
Idealized Attributes	2.95 (0.47)	1.50 (2.53, 2.69)	1.46
Idealized Behaviors	2.76 (0.59)	2.75 (2.28, 2.97)	0.02
Idealized Motivation	3.25 (0.66)	2.50 (2.67, 3.00)	0.76
Intellectual Stimulation	2.18 (0.61)	2.25 (2.72, 2.98)	-0.02
Individualized Consideration	2.02 (0.66)	2.75 (2.59, 2.64)	-0.56

* Source: Bass and Avolio, 2000; 1995

The surveyed respondents had an average score on the idealized behaviors scale that is within the global standards. This scale identified respondents who act with integrity and manifested positive and highly valued behaviors, like dominance, consciousness, self-control, a high moral judgment, optimism and self-efficiency. They talk about their most important values and beliefs; they focus on a desirable vision and almost always consider the moral and ethical consequences of their actions. They also zero in on building a commonly shared sense of a vision or mission for the team or group.

The respondents had a higher average score on the inspirational motivation scale. This shows that the sampled respondents are able to promote positive expectations as well as inspire and motivate their employees, partners, or associates within their enterprises. It also indicates how well the respondents communicate their goals, manipulate images, and

help others find meaning in their work. The respondents appear to articulate, in simple ways, shared goals and mutual understanding of what is right and important. They further provide visions of what is possible and how to attain them and enhance meaning and promote positive expectations about what needs to be done.

High rating on inspirational motivation items indicates the ways in which the sampled female entrepreneurs take to inspire their followers to achieve both personal and organizational goals. The findings are indicative that they look at the future optimistically and enthusiastically by providing a realizable and acceptable vision with clear communication and by presenting followers ways to reach them. The values, that the respondents adopt, can also be adopted easily by the employees. Thus, this suggests that their inspirational traits impacts cohesion through visioning behaviors that involving rapport building between the leaders and their followers. Past studies have already shown that a leader who promotes confidence in achievement and execution of goals and tasks, speaks optimistically about the future and provides an exciting image of organizational change, exhibits idealized, inspirationally motivating behaviors (Bass and Avolio, 2000).

The respondents had a relatively low average score on the intellectual stimulation scale. This scale was used to identify respondents who were able to encourage creative thinking. This result suggests that the surveyed respondents had challenges in stimulating the ideas and values of their employees. Further, the result indicates that the sampled respondents rarely take critical approaches in solving problems that arise from within their enterprises. Through intellectual stimulation, transformational leaders help others to

think about old problems in new ways. They are encouraged to question their own beliefs, assumptions, and values, and, when appropriate, those of the leader. As a consequence, associates develop the capacity to solve future problems unforeseen by the leader. Associates learn to tackle and solve problems on their own by being creative and innovative. A key measure of a leader's effectiveness is how capable the associates are able to identify new innovative ways of solving old or future problems (Bass and Avolio, 2000; Hisrich and Brush, 1984).

Low scoring on the attributes of intellectual stimulation indicates deficiencies in conflict management and problem solving between the sampled female entrepreneurs and their followers. Effective conflict management can lead to better team performance, as leaders and followers are not dragged down by infighting and indecision. Using intellectually stimulating behavior, such as seeking differing perspectives, suggesting new ways of how to look at problems and encouraging non-traditional thinking, may promote functional, task-oriented conflict within the team. A leader's use of intellectual stimulation exhibits her belief that when teams promote and manage enterprise conflict, the resulting innovation can lead to better team performance and decision-making. Bass (1990) noted that this dimension is characterized by the leader's ability to make others think about new ways of performing work, new ways of looking at work, and to be creative in their own problem-solving methods. Low ratings exhibited in Table 4.6 indicate that innovation and creativity have been emerging challenges facing the sampled enterprises. This directly impacts on the attainment of their future goals and realization of their vision.

The study respondents had a lower average score on the aspect of individual consideration when compared to the global benchmark. The individual consideration subscale of transformation leadership identifies individuals who are able to coach others. It means understanding and sharing in others' concerns and developmental needs and treating each individual uniquely. In addition, individualized consideration represents an attempt on the part of leaders to not only recognize and satisfy their associates' current needs, but also to expand and elevate those needs in an attempt to maximize and develop their full potential.

The low score on the individual consideration attributes is indicative that the understanding and sharing in others' concerns and their personal developmental needs are not issues of great concern to the sampled women MSEs' owners. Individual consideration shares some aspects of the mentoring concept. It deals with a focus that expands the individual's development, providing feed-back between parties and making the individual feel included in the work. Mentoring is a good framework for this dimension because of the focus on trust. The reported results show that there is minimal mentorship between the sampled female MSEs owners and their followers (staff and family support members).

A considerate leader recognizes and demonstrates acceptance of the followers' individual differences in terms of needs and desires. By doing this, the transformational leader fosters two-way communication through effective listening. The sampled enterprises owners could be relating with their staff and partners in a passive mode but still leading

given that the item on making personal sacrifices for the benefits of others scored a high average.

4.4.2 The Psychometric Properties of the Transformational Leadership Measurement Scale

Initially, the factorability of the 5 sub-scales of transformation leadership style as assessed by the MLQ was examined. Several well-recognized criteria for the factorability of a correlation were used. Firstly, the five sub-scales had correlations ranging from $r = 0.38$ to 0.64 with each other (Table 4.7), suggesting reasonable factorability. Secondly, the Kaiser-Meyer-Olkin measure of sampling adequacy was 0.82 , above the recommended value of 0.60 , and Bartlett's test of sphericity was statistically significant ($\chi^2(10) = 682.36, p < 0.05$). The diagonals of the anti-image correlation matrix ranged from 0.82 to 0.85 , supporting the inclusion of each sub-scale in the factor analysis. Finally, the communalities ranged from 0.47 to 0.71 , further confirming that each sub-scale shared some common variance with the other sub-scales of transformational leadership. Given these overall indicators, factor analysis was conducted with all the 5 sub-scales of transformational leadership.

Table 4.7 Descriptive Statistics and Correlation Coefficients of the Sub-scales of Transformational Leadership

	Mean	SD	1	2	3	4	5
1. Idealized Attributes	2.95	0.47	1				
2. Idealized Behaviour	2.76	0.59	0.64*	1			
3. Inspirational Motivation	3.25	0.66	0.46*	0.51*	1		
4. Individual Consideration	2.18	0.61	0.39*	0.44*	0.50*	1	
5. Intellectual Stimulation	2.02	0.66	0.49*	0.60*	0.42*	0.38*	1

* Significance $\rho < 0.05$

The factor analyses yielded a one factor solution for transformational leadership (Table 4.8). This single factor (transformational leadership summary score) explained 58.69 percent of the variance. The Cronbach's alpha coefficient of this factor was satisfactory ($\alpha = 0.82$), and was not affected by the removal of any of the sub-scales. This single factor had a mean of 2.63 (SD = 0.46).

Table 4.8 Factor Loadings Based on Principle Components Analysis for the 5 Dimensions of Transformational Leadership

Aspect of Transformational Leadership	Factor Loading
Idealized Attributes	0.79
Idealized Behaviour	0.85
Inspirational Motivation	0.75
Individual Consideration	0.69
Intellectual Stimulation	0.76
Eigenvalue	2.94
Explained Variance (%)	58.70

Source: Research data (2012)

4.4.3 Relating Transformational Leadership to Growth of Women-Owned MSEs

This section presents findings on the relationship between transformational leadership and growth of women-owned MSEs in Kenya. A simple linear regression model was used to determine this relationship (Table 4.9). The model had satisfactory properties ($F = 195.35$, $\rho < 0.05$). The growth of the sampled women MSEs was positively and significantly associated with transformational leadership. A one unit increase in transformational leadership was associated with a 0.57 increase in growth. Further, transformational leadership explained 33% of the variation in growth.

Table 4.9: Test of Relationship between Enterprise Growth and Transformational Leadership

	β	SE	Standardized Beta	t-statistic	ρ - Value
(Constant) Intercept	1.50	0.11		13.65	< 0.05
Transformational Leadership Index	0.57	0.04	0.57	13.98	< 0.05
$R^2 = 33\%$, $F = 195.35$, $\rho < 0.05$					

Dependent Variable = Enterprise Growth Index

Source: Research Data

4.5. Relationship Between Prior Knowledge and Growth of Women-Owned MSEs

In this section, the indicators of prior knowledge are initially assessed. Secondly, the role of prior knowledge on enterprise growth is examined.

4.5.1. Indicators of Prior Knowledge

Assessing prior knowledge was achieved by examining the entrepreneurial profile of the respondents on the basis of five attributes namely: number of training sessions attended

in the past three years; membership to business associations; number of other businesses ever started; number of other businesses ever started; engagement of parents in business activities; and number of contacts with business advisors in the past one year (Table 4.10).

Table 4.10: Indicators of Prior Knowledge

Variable	Categories	Number of responses	% of the total
Number of training sessions attended in the past three years	None	312	78.0
	More than One	88	22
Membership to business associations	Yes	58	14.0
	No	344	86.0
Number of other businesses ever started	None	251	62.7
	One	113	28.3
	More than Two	36	9.0
Engagement of parents in business activities	Yes	208	52.0
	No	192	48.0
Number of contacts with business advisors in the past one year	None	275	68.8
	Once	110	27.5
	Twice	15	3.7

Source: Research Data (2012)

The reported findings indicate that a majority of the respondents (78%) had never attended any training session, seminar, or conference in the past three years. Further, only 14% of the sampled women were members of business associations.

The findings also indicate that a majority of the sample respondents (62.7%) had never engaged in another line of business while the rest had attempted to run other forms of businesses in the past; some once (28.3%), [others twice (6.7%), thrice (1.5%) or four

times (0.8%)]. The findings show that the sample was fairly distributed amongst respondents from family backgrounds where the parents engaged in business (52%) and those whose parents never engaged in business (48%). Finally, the findings of Table 4.10 indicate that a majority of the sample respondents (68.8%) reported that they had never contacted a business advisor (accountants, lawyers or consultants) for advisory services in the past year. The laxity in seeking advisory services amongst the sampled MSEs would be attributed to fear of incurring huge expenditure especially considering that most informal MSEs perceive such services to be “unnecessary” and “expensive”.

Low scoring in the number of training sessions attended in the past three years is attributable to a number of factors. First, the women could be lacking formal training due to the fact that their businesses are informal in nature and would not warrant prior training to set up. These included salons and barber shops; green groceries; retail kiosks and shops; food kiosks; hardware stalls; second hand clothes stalls; and cereals stalls. All these types of businesses do not warrant technical skills to run on day to day basis. Secondly, the respondents could have avoided such trainings due to the costs involved. Thirdly, there could be no established institutions within Kasarani that target such segment of trainees. The respondents also reported to have little engagement in formal business associations. This is attributable to the fact that a majority of them were in their first time business venture and the fact that most of them reported not to be in need of business advisory services. The few who engage in formal businesses associations do so as a way of savings and credit advancement to members, and offer advisory to each other.

4.5.2 Relationship between Prior Knowledge and Growth of Women-Owned MSEs

A multiple regression model was used to establish the relationship between the various dimensions of prior knowledge and growth of women-owned MSEs (Table 4.11). The model had satisfactory properties ($F = 8.98$, $\rho < 0.05$). The selected indicators of prior knowledge explained 8% of the variation in growth. The growth of the sampled women MSEs was positively and significantly associated with the number of trainings attended. A one unit increase in the number of trainings attended was associated with a 0.19% increase in growth. Further, having parents in business was associated with a reduction of 18% in growth. A one year increase in age was associated with a 0.1% reduction in growth. Contact with business consultants was associated with a 14% reduction with growth.

Table 4.11: Test of Relationship between Enterprise Growth and Prior Knowledge

	Unstandardized		Standardized	t
	Coefficients		Coefficients	
	β	SE	Beta	
(Constant)	3.32	0.10		32.53
Parents with business*	-0.18	0.04	-0.20	-4.13
Age in years*	-0.01	0.003	-0.11	-2.12
Number of training*	0.19	0.06	0.17	3.26
Number of contacts with consultants*	-0.14	0.05	-0.14	-2.61
$R^2 = 8\%$, $F = 8.98$, $\rho < 0.05$				

* Significant at $\rho < 0.05$

Source: Research Data (2012)

These results should not be construed to mean that prior knowledge attributes are not necessary for the growth of the business. This can possibly be explained by the fact that many of the studied women are not very active in business networks; they had not attended formal business training sessions; had not engaged in formal employment in the past; had no past experience in managerial positions; were engaged in their first ever business venture; had little business experience from the family; and had little or no contacts with business advisors in the past. Prior entrepreneurial experience provides a source of information and skills which are useful also to the pursuit of opportunity (besides the recognition of opportunity). Shane (2000) argues that general business experience, industry experience, functional experience in marketing, product development or management, and previous start-up experience all provide some of the information and skills that increase the likelihood of opportunity exploitation, and eventual enterprise growth.

4.6. The Effects of Transformational Leadership and Prior Knowledge on Growth

The third objective of the study sought to show the effects of prior knowledge and transformational leadership on growth. A multiple linear regression model was applied to address this objective. The simultaneous effects of prior knowledge and transformational leadership on growth are shown in table 4.12. Transformational leadership had a positive and statistically significant association with growth ($\beta = 0.57, \rho < 0.05$). Further, obtaining business credit was related to an increase of 16% in growth. Indicators of prior knowledge had negative relationship with growth. Having parents in business was associated with a decline in growth ($\beta = - 0.13, \rho < 0.05$). Contact with consultants was

also inversely related to growth ($\beta = -0.12$, $\rho < 0.05$). The age of a business was associated with a 0.1% reduction in growth.

Table 4. 12 The Combined Effects of Transformational Leadership and Prior Knowledge on the Growth in Women-owned Enterprises

Variables	Standardized Coefficients (β)		
	Transformational Leadership	Prior Knowledge	Combined Effects
Transformational leadership	0.57		0.57
Parents with business		-0.20	-0.14
Age of the entrepreneur		-0.11	-0.11
Number of trainings		0.17	0.17
Business contacts		-0.13	-0.13
Age of the business		-0.09	-0.09
P value	0.05	0.05	0.000
F Value	195.35	8.98	274.98
Adj. R ²	33%	8%	41%

Source: Research Data (2012)

The interpretation of the findings of Table 4.12 yields a number of observations. More importantly, the regression results convey how firm growth results from the interaction of a number of variables, offering a framework based on leadership style and prior knowledge. Transformational leadership combined with prior knowledge lead growth of women-owned enterprises. First, prior knowledge and experience had unexpected associations with growth of women-owned MSEs. This is in contrast to entrepreneurship literature (Alsos and Kaikkonen, 2006; Ardichivilli and Cordozo, 2002). This finding is attributable to the low levels of capital and skills intensity required in start-up and day to day running of the enterprises. Women-owned firms face multiple challenges. Although

evidence shows they are as effective as male owner/managers, women often use their firms as part of household survival strategy and opt not to grow. Any development practitioner or businessperson can attest that MSE owners acquire a substantial amount of skills and knowledge while operating their firms. Such work experience proves to be highly important for developing capabilities within MSEs, as entrepreneurs with more years of work experience typically have faster-growing MSEs.

Secondly, MSE growth defined simply as an increase in the number of firm employees may not be sustainable, but growth accompanied by improvements in productivity is likely to contribute to the desired development effects discussed earlier, such as broad-based economic growth. Firms exhibiting fast growth tend to be more productive than are their slow-growth competitors (Hisrich and Brush, 1984). This implies that the nature of leadership applied by the team leaders matter a lot. This also explains the link between transformational leadership and growth. The types of businesses covered under the study are usually sole proprietorships or partnerships with support from family for day to day operations.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1. Introduction

The first section of this chapter offers a summary of the study. The second section presents the conclusions of this study. The last section offers recommendations of this study.

5.2. Summary

There is debate in literature that transformational leadership is essential to the growth of women-owned MSEs. However, empirical evidence on the role of transformational leadership on the growth of women-owned enterprises in Kenya is yet to be assembled. The purpose of this study was to examine the effects of transformational leadership and prior knowledge on the growth of women-owned enterprises in Kasarani Division in Nairobi County. A total of 400 women-owned MSEs were surveyed using a structured questionnaire. The Multifactor Leadership Questionnaire (MLQ) was used to measure transformational leadership while prior knowledge was measured using educational attainment, networks and experience of women entrepreneurs. Regression models were used to examine the effects of transformational leadership and prior knowledge on enterprise growth. Transformational leadership was found to have a positive and statistically significant relationship with enterprise growth ($\beta = 0.57, \rho < 0.05$). Having parents in business and obtaining business advice were found to have negative associations with growth. The age of the business and obtaining credit for business operations were positively associated with enterprise growth. These results cast doubts on

the role of prior knowledge on enterprise growth. They also support the need to offer credit to women owned businesses in order to enhance their growth. Further, the results of this study suggest that enhancing transformational leadership in women-owned enterprises is a viable policy option.

5.3 Conclusions

The purpose of the study was to examine the effects of transformational leadership and prior knowledge on the growth of women-owned MSEs in Kenya. The reported data shows that most of the surveyed enterprises were experiencing moderate growth. The results show that on average, the respondents were able to meet their business objectives, utilize resources effectively, satisfy stakeholders and offer quality products. Innovation and building the capacities of the businesses were two notable problematic areas.

The study findings confirmed previous literature that shows that transformational leadership is driven by five attributes namely idealized attributes; idealized behaviors; inspirational motivation; intellectual stimulation; and individual consideration. Three attributes scored highly among the sample (idealized attributes; idealized behaviors; and inspirational motivation) while low scoring was reported on two attributes (intellectual stimulation and individual consideration). High scoring on idealized influence attributes (idealized attributes and idealized behaviors) indicates that idealized influence is linked to charisma. Charisma development helps in mentorship and in resolution of conflicts. Idealized influence leaders serve as role models for their employees, allow them to identify with a shared organizational vision, and overcome obstacles in ways that breed pride and belief in employees. High scores rating on inspirational motivation items

indicate the ways in which the sampled female entrepreneurs take to inspire their followers to achieve both personal and organizational goals. Low scoring on the individualized consideration attributes shows that understanding and sharing in others' concerns and their personal developmental needs are not issues of great concern to the sampled women MSEs' owners. Individual Consideration shares some aspects of the mentoring concept. Low scoring on intellectual stimulation attributes indicates deficiencies in conflict management and problem solving between the sampled female entrepreneurs and their followers. Effective conflict management can lead to better team performance, as leaders and followers are not dragged down by infighting and indecision. This could have contributed to possible slow growth experienced in the sampled enterprises because teamwork is diminished, and speed of decision-making and execution of tasks is curtailed. Transformational leadership was further found to be positively associated with growth of women-owned enterprises. This result supports literature that suggests that transformational leadership is essential in the development of women-owned enterprises. Therefore enhancing transformational leadership is a viable option for boosting the growth of women-owned enterprises.

This study also cast doubts on the role of prior knowledge on enterprise growth. The study findings indicate that a majority of the respondents had never attended any training session, seminar, or conference in the past three years, as a way expanding their entrepreneurial and analytical skills base. Participation in business associations was also minimal among the study respondents. The reported results also revealed that the respondents lack adequate exposure to business advisory services (accountants, lawyers

or consultants) either due to ignorance or lack of capacity to finance the same. Further, having parents in business and obtaining business advice from consultants were negatively associated with enterprise growth. The profiled business heritage had a negative influence on enterprise growth. This observation is contrary to entrepreneurship literature which highlights the role of prior knowledge in the performance of businesses. The reported weak business heritage needs to be addressed in order to enhance the growth of women owned MSEs.

5.4. Recommendations of the Study

5.4.1. Recommendations for Policy

There is need to formulate policies and programs on education and training in order to foster transformational leadership in women entrepreneurs. The presented results suggest that enhancing intellectual stimulation and individualized consideration among women entrepreneurs are avenues that can be pursued. The MLQ paradigm can be used to enhance the formulation and implementation of meaningful educational and training programs for women entrepreneurs. Proper coordination in the various government departments to establish quality training programs emphasizing on women leadership and knowledge in business is required.

It is also recommended that prior knowledge in the form of business heritage and consulting for women-owned enterprises should be rejuvenated. Training programs can be initiated to enhance business attitudes, skills and knowledge. Such programs can focus on innovation and development of capacity. The government of Kenya should appoint and register business consultants for consistent business advice and accountability.

Further, business heritage needs to be improved through proper documentation of business activities in a business plan by the entrepreneurs.

5.4.2. Recommendations for Further Research

There is need to identify the cost-benefit analysis of programs that can be used to train transformational leadership in women entrepreneurs. Currently, interventions that can enhance transformational leadership are not clearly understood. Identifying such interventions and their costs and advantages is an important research endeavor.

This study established that 41% of the variation in growth is explained by both transformational leadership and prior knowledge. It is important to explain the remaining variance. Studies that can explain other determinants of growth in women-owned enterprises are therefore required.

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APPENDICES

APPENDIX A: QUESTIONNAIRE

Questionnaire Number _____

ENTREPRENEUR'S PROFILE

1. Year of birth _____
2. Highest level of education attained None Primary Secondary College
University
3. Number of trainings /seminars/conferences in the last three years _____
4. Family type Nuclear Extended Other, please specify _____
5. Are you a member of business association? Yes No
6. Have you ever been employed? Yes No
7. If yes in question 6 above state the number of previous employers _____
8. Have you ever been in management position? Yes No
9. If yes in question 8 above, for how many years? _____
10. How many other businesses have you ever started? _____
11. Were your parents in business? Yes No
12. How many times have you contacted business advisors (such as accountants, lawyers and business consultants) in the last one year? _____
13. Number of children below 16 years, if any _____

BUSINESS PROFILE

14. Year business established _____ 15. Number of employees at start up _____
16. Number of employees in year 2008 _____

17. Legal status of your business Corporate Group Sole proprietorship Partnership

18. Main products offered _____

19. Number of years in the current sector _____

20. Projected number of employees at end of year 2010_____

21. Have you borrowed money for business operations in the last twelve months?

Yes No

If yes, state the amount of money borrowed Kshs _____ and the source of credit _____

22. Why did you start the business? To exploit an existing opportunity It was a necessity (had no option)

23. My business premise is Rented Leased Has a temporal occupation license

Personally owned Free occupation Other, please specify _____

TRANSFORMATIONAL LEADERSHIP

24. Read carefully the descriptive statements that are listed below. Judge how frequently each statement fits you.

Use the following Key: 0 = Not at All, 1 = Once in a While, 2 = Sometimes, 3 = Fairly Often, 4 = Frequently, If not Always

Aspect of Transformational Leadership	I:	0	1	2	3	4
Idealized behaviours (Living one’s ideals)	Task people about their most important values and beliefs					
	Specifies the importance of having a strong sense of purpose					

	Consider the moral and ethical consequences of decision					
	Champion exciting new possibilities					
	Talk about the importance of trusting each other					
Inspirational Motivation (Inspires others)	Instill pride in others for being associated with them					
	Go beyond their self interests for the good of the group					
	Act in ways that build others' respect					
	Display a sense of power and competence					
	Make personal sacrifices for others' benefit					
	Assure others that obstacles will be overcome					
Idealized Attributes (Respect, trust and faith)	Talk optimistically about the future					
	Talk enthusiastically about what needs to be accomplished					
	Articulate a compelling vision of the future					
	Express confidence that goals will be achieved					
	Provide an exciting image of what is essential to consider					
	Take a stand on controversial issues					
Intellectual Stimulation (Stimulating others)	Re-examine critical assumptions to question whether they are appropriate					
	Seek differing perspectives when solving problems					

	Get others to look at problems from many different angles					
	Suggest new ways of looking at how to complete assignments					
	Encourage non-traditional thinking to deal with traditional problems					
	Encourage re-thinking those ideas which have never been questioned before					
Idealized Consideration (Coaching and developing)	Spend time teaching and coaching					
	Treat others as individuals rather than just as members of the group					
	Consider individuals as having different needs, abilities and aspirations from others					
	Help others to develop their strengths					
	Listen attentively to others' concerns					
	Promote self development					

BUSINESS GROWTH

25. Thinking about your enterprise in the last three years, how would you rate the following aspects of growth?

Use the following Key: 1 = Poor, 2 = Fair, 3 = Good, 4 = Very Good, 5 = Excellent

Aspect of Growth	1	2	3	4	5
The enterprise meets its objectives					
The enterprise uses the fewest possible resources to meet its objectives					
The enterprise develops its capacity to meet future opportunities and challenges					
The enterprise satisfies all participants; stakeholders, employees,					

customers					
The enterprise has come up with new products and processes					
The enterprise offers products of high quality					
Overall, the enterprise offers high quality services					

Name of Enumerator _____ Date _____

APPENDIX B: RESEARCH AUTHORIZATION PERMIT

REPUBLIC OF KENYA

**NATIONAL COUNCIL FOR SCIENCE AND TECHNOLOGY**

Telegrams: "SCIENCETECH", Nairobi
 Telephone: 254-020-241349, 2213102
 254-020-310571, 2213123.
 Fax: 254-020-2213215, 318245, 318249
 When replying please quote

P.O. Box 30623-00100
 NAIROBI-KENYA
 Website: www.ncst.go.ke

Our Ref: NCST/RRI/12/1/SS-011/955/4

Date: 12th July, 2011

Joyce Muthoni Gakobo
 Kenyatta University
 P. O. Box 43844
NAIROBI

RE: RESEARCH AUTHORIZATION

Following your application for authority to carry out research on "Effects of prior knowledge & transformational leadership on growth of women-owned micro and small enterprises Kasarani Division, Nairobi, Kenya" I am pleased to inform you that you have been authorized to undertake research in Nairobi Province for a period ending 31st December, 2011.

You are advised to report to the Town Clerk, Nairobi City Council, the District Commissioner, Kasarani District & the Chief Executive Officers of Selected Women-owned Micro & Small Enterprises in Kasarani before embarking on the research project.

On completion of the research, you are expected to submit **one hard copy and one soft copy** of the research report/thesis to our office.

DR. M. K. RUGUTT, Ph.D, HSC
DEPUTY COUNCIL SECRETARY

Copy to:

The Town Clerk
 Nairobi City Council
NAIROBI

THIS IS TO CERTIFY THAT:

Prof./Dr./Mr./Mrs./Miss..... JOYCE MUTHONI
..... GAKOBO

of (Address) KENYATTA UNIVERSITY
..... P.O BOX 43844 NAIROBI

has been permitted to conduct research in

.....Location,

.....District,

..... NAIROBIProvince,

on the topic EFFECTS OF PRIOR KNOWLEDGE

AND TRANSFORMATIONAL LEADERSHIP

ON GROWTH OF WOMEN -OWNED MICRO

AND SMALL ENTERPRISES. KASARANI

DIVISION, NAIROBI, KENYA

for a period ending 31ST DECEMBER, 2011

NCST/RRI/12/1/SS-011/955/4
Research Permit No.....

Date of issue..... 12/07/2011

Fee received..... KSH. 1,000



.....
Applicant's
Signature

J. Muthoni
.....
Secretary
National Council for
Science and Technology

APPENDIX C: GOOGLE MAP OF STUDY LOCALE

map of kasarani area nairobi - Google Maps

<https://maps.google.co.ke/maps?q=map+c>



Address **BlockA Area**
KCA University, Nairobi

You can enter notes here.

