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## INFLUENCE OF ENTREPRENURIAL WORKING ENVIRONMENT ON EMPLOYEE PRODUCTIVITY AMONG SMALL AND MEDIUM ENTERPRISES

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### ABSTRACT

The purpose of the study was to determine the influence of entrepreneurial working environment on employee productivity among small and medium enterprises in Kitale town, Kenya. The specific objectives of the study were to; examine entrepreneurial working environment, establish employee productivity and to find out the relationship between entrepreneurial working environment and employee productivity among small and medium enterprises in Kitale town. The study used both descriptive, cross-sectional and correlation research designs. A total of 14 SME hotels with a total of 92 regular employees were sampled to participate in the study. The sampling method used was census since the population was small. The research instruments reliability test had a cronbatch's alpha value of 0.884 which was above the threshold. The results indicated that SMEs hotels have not embraced entrepreneurial working environments in their work places which will allow employees to be motivated to exploit their potential and improve on productivity. The study results also showed that employee productivity is low implying that they may not be achieving their set targets which affects performance of SMEs hotels. The study results also revealed that there was a significant relationship between entrepreneurial working environment and employee productivity. The study recommendations were;the SMEs hotels

are facing stiff competition from world class hotels, to remain relevant and in productive operations, they should embrace creation of entrepreneurial environment where their employees will feel motivated and valued. The SMEs hotels should consider recruiting entrepreneurial human resources who will easily utilize their unique skills and talents to benefit the enterprises they work with and the county government of Trans Nzoia and national government should draft a policy to provide incentives to SMEs hotels while operating in uncertain business environments..

**Keywords:** Entrepreneurial Environment, Productivity, Small and Medium Enterprises, Employee, Hotel

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## INTRODUCTION

Noble (2014) argued that any successful business knows much of its success is due to diligent workers with excellent productivity. While most human resource professionals acknowledge that their job entails establishing policy, procedures, and programs governing people management, few attempt to connect such elements to increasing employee output in terms of volume, speed, and quality in relation to revenue generated per employee. It's important to motivate all employees to reach their full potential and maximize their level of productivity. Organizations that recognize and encourage increased productivity are likely to be more successful than their counterparts that don't (Sahay, 2015). Owino (2016) argued that for productivity to take place, there is need for an effective working environment which makes employees satisfied, happy and hardworking. It's important to make employees happy since they are the biggest assets of any organization. Creating better and higher performing entrepreneurial environment requires an awareness of how workplace impacts behavior and how behavior itself drives workplace productivity (Armstrong & Murlis, 2017). This study sought to determine the Influence of entrepreneurial working environment on employee productivity among small and medium enterprises

### **Objective and Significance of the Study**

The purpose of the study was to determine the Influence of entrepreneurial working environment on employee productivity among small and medium enterprises

### **Specific Objectives**

The specific objectives of the study were to;

1. Examine entrepreneurial working environment among small and medium enterprises in Kitale town
2. Establish employee productivity among small and medium enterprises in Kitale town
3. Find out the relationship between entrepreneurial working environment and employee productivity among small and medium enterprises in Kitale town

### **Null hypothesis**

There is no significant relationship between entrepreneurial working environment and employee productivity among small and medium enterprises in Kitale town

## LITERATURE REVIEW

Studies by Mugisha (2016) affirmed that people are very happy to have a job, but many of them no longer feel that their workplace is a second home, although much of their time is spent in the office. This often leads them to feel forced to accommodate with the

uncomfortable environment, which is a key determinant of employees productivity in regards to their work. How well the workplace engages an employee impacts their desire to learn skills and their level of motivation to perform. Chandrasekar (2015) argued that organizations must step outside their traditional roles and comfort zones to look at new ways of working. They have to create working environments where people enjoy what they do, feel like they have a purpose, have pride in what they do and can reach their potential. Boles et al. (2014) affirmed that when employees are physically and emotionally fit, they will have the desire to work which leads to increased productivity at the workplaces. Baldwin et al. (2014) argued that supervisors can stimulate the spirits of the employees when they make them realize their value within the organization. When employees feel valued, they work with high spirits that influences their productivity. According to Putter (2015), supervisory support identifies which area of their employees needs to be improved and as a result helping them to apply the learned skills upon completing their job hence improving employee productivity. Lee & Steers (2017) argued that employee commitment is an essential element in increasing employee productivity. Employee productivity increases by minimizing negative aspects of human resource such as turnover, absenteeism, lateness, withdrawal behavior and resistance to change by using incentives to instill employee commitment. Additionally, employee commitment achieved through incentives improves employee productivity by augmenting employee job productivity, employee engagement, job satisfaction, and employee welfare

### **Theoretical Review**

#### **Motivational Theory**

Zhao (2010) argued that motivation was the total factors, internal and external that stimulated the desire and energy in people to be continually interested and committed to a job, role or subject, or to make an effort to attain a goal. Therefore entrepreneurial motivation represented the sum of factors that influenced a person to engage in entrepreneurial activities. Kirkwood and Walton (2012) emphasized that a society that had a higher level of motivation had a higher number of active entrepreneurs, the individuals with a high need to achieve were those who liked to solve their own problems, set achievable targets. Further, Kirkwood and Walton argued that motivational theory stated that individuals who had a strong need to achieve became entrepreneurs and succeed better than others.

#### **Need Achievement Theory**

McClelland (1958) focused on human values and motives that lead entrepreneurs to exploit opportunities and to take advantage of favorable trade conditions. The entrepreneur is concerned with need for achievement (n-achievement). The n-achievement is a desire to do well, not so much for the sake of social recognition or prestige, but for the sake of an inner feeling of personal accomplishment. The n-achievement guides the actions of entrepreneur, those with high n-achievement behave in an entrepreneurial way. So it is better to develop n-achievement among individuals to ensure high scale of economic development. McClelland identified two characteristics of entrepreneurship. First doing things in a new and better way. Secondly, decision making under uncertainty. This motive is called as the tendency to strive for success in situations involving an evaluation of one's performance in relation to some standard of excellence. People having high need for achievement are more likely to succeed as entrepreneurs. According to McClelland, individuals with high need achievement will not be motivated by monetary incentives but that monetary rewards will constitute a symbol of

achievement for them. Similarly, they are also not interested much for social recognition or prestige but their ultimate goal is personal accomplishment. That is why McClelland suggests that in order to raise the level of achievement motivation, parents should set high standards for their children. McClelland, argued that a person has three types of needs at any given time; need for achievement to get success with one's own efforts, need for power to dominate and influence others and need for affiliation and maintain friendly relations with others

**Conceptual Framework**

The conceptual framework of the study indicated that the independent variable was entrepreneurial working environment that was measured in terms of; work incentives, relationship with co workers and supervisory support whereas the dependent variable was employee productivity that was measured in terms of tasks completion and output.

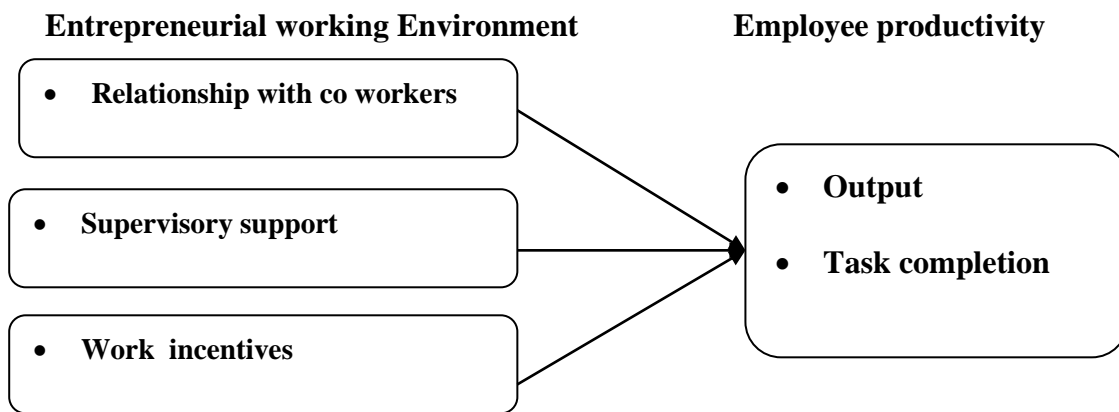


FIGURE 1. CONCEPTUAL FRAMEWORK

**METHODOLOGY**

**Research Design**

The researcher applied descriptive, cross-sectional and correlation designs. Descriptive design was used to collect descriptive data for objective 1 and 2 which was analyzed using descriptive statistics of mean and standard deviation, whereas cross sectional design was used to collect data at one point in time while correlation design was used to determine the relationship between entrepreneurial working environment and employee productivity of SMEs in Kitale town.

**Sample Size Determination**

The study targeted 14 SME hotels with a total population of 92 regular employees who work in different departments. A sample size of 92 was used from the target population in the study, since the target population was small, census sampling method was used .

Table 1  
*Target Population and Sample Size*

<b>Respondent category</b>	<b>Target Population</b>	<b>Sample Size</b>
Security	20	20
Food production and Service	35	35
Accommodation	25	25
Accounts	12	12
<b>Totals</b>	<b>92</b>	<b>92</b>

**Data Collection Instrument**

Data collection instrument used was a structured questionnaire which employed a four point Likert scale as indicated in Table 2

Table 2

*Likert Scale*

Scale	Response	Mean range	Interpretation
1	Strongly agree	3.25-4.00	Very High
2	Agree	2.50-3.24	High
3	Disagree	1.75-2.49	Low
4	Strongly disagree	1.00-1.74	Very Low

**Reliability of the Instrument**

The research instruments were tested for reliability and a cronbach's alpha value of 0.884 was obtained which was above the recommended scale of 0.7.

**RESULTS AND DISCUSSION****Descriptive Statistics**

The study analyzed demographic characteristics of respondents and the results are shown in Table 3.

Table 3

*Demographic Characteristics of Respondents*

Bio-data characteristics	Response	Frequency	Percentage
Gender	Male	47	51.1%
	Female	45	48.9%
Age	18-24 years	16	17.4%
	25-32 years	53	57.6%
	33-44 years	23	25.0%
Education	Certificate	23	25.0%
	Diploma	31	33.7%
	Degree	38	41.3%
Department	Food production and Service	35	32.3%
	Accommodation	25	23.0%
	Security	20	21.7%
	Accounts	12	13.0%
Years worked	0-1 years	31	33.7%
	2-3 years	39	42.4%
	4-5 years	22	23.9%

n=92

The gender of respondents was analyzed and it was found that 47(51.1%) of the respondents were male while 45(48.9%) were female. The implication of the findings was that more males worked with SMES in hotel industry than female employees. Considering the age of the respondents majority of the respondents, the results indicated that those between 18-24 years were 16(17.4%), 25-32 years were 53(57.6%) and those between 33-44 years were 23(25%), the results implied that most of the employees were youthful. In relation to the education level of respondents, the findings revealed that respondents with certificate level of education were 23(25%), Diploma level were 31(33.7%) and degree level were 38(41.3%), the results implied that most of the employees were literate enough to participate in the study. In relation to the departments that respondents belonged in, the findings indicated that food production and service had 35(32.3%), accommodation 25(23%), security 20(21.7%) and accounts 12(13%), the implications were that most of the employees worked in service department. In relation to the number of years that they had worked with the hotel, 0-1 year was 31(33.7%),

those of 2-3 years 39 (42.4%) and those of 4-5 years were 22(23.9%). This implied most of the employees had worked in their respective hotels long enough to respond to the study questions.

The study had the objective of examining the entrepreneurial working environment among SMEs in Kitale town. The results are shown in Table 4.

Table 4  
*Examining the Entrepreneurial Working Environment*

Entrepreneurial working environment	Mean	SD	Interpretations
Work Incentives	2.43	0.44	Low
Relationship with co workers	2.62	0.31	High
Supervisory support	1.25	0.20	Very low
<b>Grand Mean</b>	<b>2.47</b>	<b>0.30</b>	<b>Low</b>

n=92

**Legend 1:** 1.00- 1.74= Very low; 1.75 - 2.49 = Low level; 2.50 - 3.24 = High 3.25 - 4.00 = very High

The results in from Table 4 vividly indicates that the hotel SMES in Kitale town have not embraced entrepreneurial working environment fully since there is low work incentives represented with a mean of 2.43 and SD of 0.44.while supervisory support was also found to be very low with a mean of 1.25 and SD of 0.20. The grand mean for entrepreneurial working environment was low with a mean of 2.47 and SD of 0.30. The implications of these findings indicate that hotel SMEs in Kitale town are yet to create favorable and conducive working conditions which will allow employees to be motivated to exploit their potential and improve on productivity. The study findings are in agreement with Kerke (2016) and Chandrasekar (2015) who stated that working environment is crucial to every business, as it ensures safety at the workplace in the organization. There are many organizations that provide their employees with safety, in their daily activities that has a correlation with employee productivity and that organizations must step outside their traditional roles and comfort zones to look at new ways of working. They have to create working environments where people enjoy what they do, feel like they have a purpose, have pride in what they do and can reach their potential

The study had also the objective of establishing employee productivity among SMEs in Kitale town. The results are presented in Table 5.

Table 5  
*Establishing Employee Productivity among SMES*

Employee Productivity	Mean	SD	Interpretation
Tasks completion	1.90	0.60	Low
Output	2.10	0.45	Low
<b>Grand Mean</b>	<b>2.49</b>	<b>0.52</b>	<b>Low</b>

n=20

**Legend 1:** 1.00- 1.74= Very low; 1.75 - 2.49 = Low level; 2.50 - 3.24 = High 3.25 - 4.00 = very High

The study results from Table 5 on establishing of employee productivity at hotel SMES in Kitale town, it was found that there was low task completion by employee with a mean of 1.90 and SD of 0.60 while there was also a low output with a mean of 2.10 and SD of 0.45.

The overall grand mean for employee productivity was low at 2.49 and SD of 0,52. The implications of the results is that the employees are not achieving their set targets which affects performance of hotel SMEs in Kitale town. The study findings agree with Sinha (2014) and Baldwin et al (2014) who stated that employee's productivity depends on willingness and openness of employees on doing their job could increase their productivity and that supervisors to work with their employees and stimulate their spirits so as to feel their value within the organization.

The study had the objective of determining the relationship between entrepreneurial working environment and employee productivity among SMEs in Kitale town. The results are shown in Table 6

Table 6

*Relationship between Entrepreneurial Working Environment and Employee Productivity*

		Entrepreneurial working environment	Employee productivity
Entrepreneurial working environment	Pearson Correlation	1	.884**
	Sig. (2-tailed)		.000
	N	92	92
Employee productivity	Pearson Correlation	.884**	1
	Sig. (2-tailed)	.000	
	N	92	92

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

The study conducted Pearson correlation moment analysis and the findings indicated that there was a strong positive relationship between entrepreneurial working environment and employee productivity with a correlation of 0.884\*\* with a p value (0.000) that is less than the level of significance of 0.005. This means that the higher the level of entrepreneurial working environment, the higher the employee productivity.

### Hypothesis Testing

The study tested the null hypothesis and the results had the P – value (0.000) which was less than the level of significance (0.005) hence rejected the null hypothesis that “There was no significant relationship between entrepreneurial working environment and employee productivity among SMEs in Kitale town. The study results are in agreement with Dorgan (2014) who indicated that an entrepreneurial working environment plays an important role towards employee's productivity. Furthermore most employees spend fifty percent of their lives within indoor environments, which greatly influences their marital status, actions, abilities and productivity.

## CONCLUSION AND RECOMMENDATION

### Conclusion

The study concluded that entrepreneurial working environment has a significant relationship with employee's productivity and overall performance of enterprises. That favorable and conducive working environment motivates employees to go an extra mile to innovate new ways to exploit opportunities to improve their productivity and thereby increasing the competitive advantage of organizations they work with.

### Recommendations

The study puts forward the following recommendations;

1. The hotel SMEs are facing stiff competition from world class hotels, to remain relevant and in productive operations, they should embrace creation of entrepreneurial environment where their employees will feel motivated and valued
2. The hotel SMEs should consider recruiting entrepreneurial human resources who will easily utilize their unique skills and talents to benefit the enterprises they work with.
3. The county government of Trans Nzoia and national government should come up with a policy to provide incentives to hotel SMEs while operating in uncertain business environments.

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### **Conflict of Interest Statement**

No conflict of interest has been declared by the authors.