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EFFECT OF ENTREPRENEURIAL SKILLS ON ORGANIZATIONAL PERFORMANCE OF SMALL AND MEDIUM ENTERPRISES IN NAKURU CITY- KENYA

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ABSTRACT

The objective of the study was to establish the effect of entrepreneurial skills on the performance of Small and Medium Enterprises in Nakuru city- Kenya. Entrepreneurial skills influence the performance of Small and Medium Enterprises in Kenya. The low business performance of SMEs in Kenya may be attributed to weak managerial and technological, low market share, the shortage of capital, the narrow range of the market. One of the ways of tackling the poor performance of SMEs is improving their entrepreneurial skills. The purpose of research is to determine how entrepreneurial skills influence the level of performance of SMEs in Kenya. The main objective of this study was to examine the effect of entrepreneurial skills on organizational performance of small and medium sized firms. It examined the relationship between the specific entrepreneurial skills of communication and literacy levels and firm performance. To achieve this, data was collected from a sample of 20 small and medium sized enterprises. The results indicated that there is a strong significant influence of entrepreneurial skills on organizational performance. Thus, in order to improve organizational performance, the entrepreneurs should

increase the entrepreneurial skills in running their business so as gain competitiveness and ensure survival in the fiercely competitive field of SMEs

Key words: communication skills, Entrepreneur**. en**trepreneurial skills, Organizational Performance, SMEs performance, SMEs, enterprise.

1. Introduction

SMEs play an important role in reducing unemployment and poverty. However, despite their significant socio-economic contribution, the failure rate among SMEs in South Africa is high. Small and medium size enterprises (SMEs) play a pivotal in economic development of many countries. Their roles include creation of employment opportunities; poverty reduction and economic growth of many countries. These benefits can be attributed to the ability of entrepreneurial skills in improving their business performance**.** Entrepreneurship plays an essential role in the economy's growth and creates many job opportunities for a country (Atandi, 2021). Entrepreneurial activity is a nation's long-term economic growth driver and is broadly accepted as the main feature of economic change. Entrepreneurship mainly focuses on converting business concepts into economic prospects. The people who own and operate enterprises are known as entrepreneurs and possess entrepreneurial skills that will contribute to the performance of their businesses. Review of extant literature revealed that the ability of the SMEs to achieve higher performance has been inhibited by lack of skills on the part of the entrepreneurs. Despite all government interventions and supportive mechanisms, SMEs fail to grow from micro to small and small to medium and eventually large enterprise as it will be expected.

Entrepreneurial skills complement an entrepreneur to analyze situations, opportunities, and environment and assist the business manager in managing and assuming a business's risk and reward. Entrepreneurs have a way of surviving complex problems, unlike the non-entrepreneurs who lack critical entrepreneurial skills (Mwangi, 2020). The enterprise owner will therefore determine an enterprise's performance. The relationship between a business and the business owner indicates that an entrepreneurial, business-minded owner will grow their business to maturity due to their administrative competencies. The entrepreneurial skills essential for the success of small and medium enterprises include; motivation, financial management skills, human resource management skills, ability to gather resources, communication skills, managerial skills, marketing, and technical skills, among others.

2. Statement of the problem

SMEs play a very critical role in the Kenyan economy contributing almost 80 % of jobs and 30 % GDP. However , the sector is characterized by high early failure due several challenges including inaccessibility to finance and lack of entrepreneurial skills among other factors .Extant literature has recognized the crucial role entrepreneurial skills in the success of SMEs as

supported by the human capital theory (Becker, 1964) which postulates that investment in knowledge, skills and the abilities enhances the productive capacity, competencies to engage in a more enterprising, innovative and flexible manner in a dynamic business environment . Studies have indicated that lack of business growth and low survival rate have resulted to the inability of SMES to contributing to Kenya's GDP growth as expected (Njoroge & Gathungu, 2018). In prior research in Nairobi County showed evidence of the influence of entrepreneurial on the organizational performance of small and medium enterprises (Mwangi, 2020). However, no similar studies have been done in Nakuru city to determine the effect of entrepreneurial skills on the performance of SMEs. Hence this study sought determine the effect of selected entrepreneurial skills, that is , communication and entrepreneurial literacy skills on SMEs' performance in Nakuru city. According to the literature of the study, entrepreneurial skills such as good communication, skills, and entrepreneurial literacy may affect the performance of SMEs. Several studies had been done on the connection between entrepreneurial skills and the performance of small and medium-scale enterprises, as will be given in this study. Moreover, many studies have been general. No study has particularly measured the effect of entrepreneurial skills on small and medium-scale enterprises, particularly in Nakuru, Kenya, where SMEs had shown that they can perform. This, therefore, leaves a gap for more investigation.

3. Objectives of the Study

The general objective of the study was to examine the effect of entrepreneurial skills on the performance of SMEs in Nakuru city

The study was guided by the specific objectives:

  I.   To determine the effects of communication skills on the performance of SMEs in Nakuru city
 II.   To establish entrepreneurship literacy's impact on SMEs' performance in Nakuru city.
III.   To determine the combined effect of communication skills and entrepreneurship literacy on the performance of SMEs in Nakuru city

4. Research Hypothesis

HO1: Communication skill does not affect effect on SMEs' performance in Nakuru city

HO2: Entrepreneurial skills do not affect SMEs' performance in Nakuru city

HO3: Communication skills and entrepreneurial skills do not affect SMEs' performance in Nakuru city

5. Literature Review

5.1 Small and Medium Enterprises

There is no universally accepted definition of what an SME is. It largely depends on the region. Small and medium-sized enterprises (SMEs) are non-subsidiary, independent firms which employ fewer than a given number of employees. This number varies across countries. However, SMEs are defined according to number of employees, revenues and assets of the company. In

Kenya they are defined as businesses that have between one and 99 employees, which is where most businesses lie. The Public Finance Management Bill (2019) proposes a definition of a medium enterprise as an enterprise that has between 51-250 staff members and a turnover that doesn't exceed Sh100 million. The various attempts have resulted into multi approach in understanding the concept of SMEs. The concept of SMEs varies from one country to another depending on the indicators used (Visser, 1997). The first criteria, based on the number of employees, defines SMEs as those enterprises below a certain number of workers (i.e. can range from less than 10 to less than 50 employees).The second criterion defines the SMEs as the degree of legal formality, and has been used to distinguish between the formal and informal sectors. Here, Micro, small and medium enterprises (MSMEs) are considered as enterprises which are not registered and do not comply with the legal obligations concerning safety, taxes and labour laws. The third criterion defines SMEs as based on the limited amounts of capital and skills per worker.

Even though the definition varies from one country to another (depending on the economic structure), the regulatory and institutional framework for the Kenya's SMEs has been based on the number of employees and the company's annual turnover (MSMEs Act, 2012). For instance, the micro enterprises have been defined as those employing less than 10 workers with annual turnovers of less than KES 500,000 and capital formation of less than KES 5 million for services or less than KES 10 million for enterprises doing manufacturing. Small enterprises are defined as those that employ between 10 and 50 workers with annual turnovers between KES 500,000 and KES 5 million and capital formation between KES 5 million and KES 20 million for services or between KES 5 million and KES 50 million for enterprises doing manufacturing Generally, the SMEs sector in the country comprises of manufacturing and trade (wholesale and retail) sub-sectors, with substantial engagement in agro-based activities, which, directly affects a larger population in the society. The SMEs subsector are businesses in both formal and informal sectors accounting to more than 74% of the total persons engaged in employment per year and contributing more than 18.4% of the country's GDP.

Small and Medium Enterprises (SMEs) are known to constitute larger percentage of economic activities. SMEs have the capacity to achieve rapid economic growth, while generating a considerable extent of employment opportunities (Reddy, 1991). SMEs have been recognized as engines through which growth objectives of the developing countries can be achieved. They are potential sources of employment and income in many countries. SMEs seem to have advantages over their large-scale competitors in that they are able to adapt more easily to market conditions, given their broadly skilled technologies. SMEs are able to withstand adverse economic conditions because of their flexible nature (Kayanula and Quartey, 2000). They are also more labor intensive than larger firms and therefore have lower capital costs associated with job creation (Anheier and Seibel, 1987; Liedholm and Mead, 1987; Schmitz, 1995). SMEs also improve the efficiency of domestic markets and make productive use of scarce resources, thus

facilitating   long-   term   economic   growth   (Kayanula   and   Quartey,   2000).

5.2 Organizational Performance of SMEs

Performance measurement is a set of systems of metrics used to quantify both the efficiency and effectiveness of actions (Neely et al., 2000). The performance of an enterprise is defined as a ratio of output to input. The output includes the products of the firm and the input includes factors of production, like labor, capital and technology (Singh, Garg and Deshmukh, 2008). Thus, organizational performance is how well the organization is managed and the value the organization delivers for customers and other stakeholders (Moulin, 2003). It is also the measurement of the effectiveness and efficiency of both the organization and the workers. Measurement provides the basis for an organization to assess how well it is progressing towards its predetermined objectives, helps to identify areas of strengths and weaknesses, and decides on future initiatives, with the goal of improving organizational performance (Amaratunga and Baldry, 2002).

There are two broad measures used in evaluating the performance or success of an enterprise, namely financial and non-financial measures. Performance measurement can be financial (customer satisfaction, employee's satisfaction, environmental performance, social performance, sales volume , Customers' satisfaction; referrals by customers, market share; growth rate, employees' turnover; and market share) and non- financial (profitability, growth rate, market value, total asset turnover, current asset turnover, revenues over expenses ratio, ROA, return on equity (ROE), ROCE (Return on Capital Employed), revenue per employee, earnings before taxes per employee, labor costs per employee)

A business organization could measure its performance using the financial and non-financial measures. However, recognizing   the   limitations   of   relying   solely   on   either the financial or non-financial measures, owners-managers of the modern SMEs have adopted a hybrid approach of using both the financial and non-financial measures. These measures serve as precursors for course of actions. Since the majority of SMEs are controlled and managed by owners, they are against providing detailed accounting data on the firms' performance because this information is regarded as confidential, and/or, at times, there are no proper records of such information (Fatoki, 2014). Hence qualitative techniques are often used in evaluating performance making use of ranked or scaled variables (based on individual perceptions) which are predominantly non-financial in nature.

In addition, entrepreneurs avoid reporting accurate financial data so as to minimize their tax obligations. Laguna, Wiechetek and Talik (2012) contend that entrepreneur's personal motivation, goals and aspirations are non-financial measures used in determining the success of SMEs. According to Parida, Westerburg and Frishammar (2012), SMEs prefer non-financial measures because financial measures fail to respond to developments in the technological and

competitive environment, with the result that internal accounting information is frequently inaccurate and misleading. This was further supported by Sorensen and Chang (2006): sales volume, revenue, sales growth, revenue growth, and organizational growth. For Lee and Tsang (2013), business performance was measured by three indicators, namely sales growth, profit growth and capital growth. The dimensions of performance measurement used in SMEs studies are growth, profitability, and productivity.

Given the fact that the availability of financial data concerning these performance indicators in small business settings is limited, relying on the financial measure can be misleading despite its objectivity. Therefore, three indices including two financial and one non-financial measure were used in this study based on the manager's perception of growth in sales, growth in profit and customer satisfaction.

5.3 Entrepreneurial skills

Modern business operations are faced with stiff competition particularly due to the ever-changing customer tastes and preferences. This phenomenon means that SMEs have to cope with the changes by embracing entrepreneurial skills in order to attain competitiveness and survive in the competitive environment. Entrepreneurial Skills are the capabilities an entrepreneur possesses in order to run a business (Hisrich & Peter, 2002) whereas competitive advantage refers to implementing strategies that are not copied and implemented concurrently by existing and potential competitors (Barney,1991). Entrepreneurial skills are needed by managers for the development and running of their businesses (Papulová, 2007). It has been defined by Reza, Javadin, Amin, Tehrani and Ramezani (2010) as specialized technical knowledge that entrepreneurs should possess in order to perform their roles and these skills are acquired through learning and experience.

Entrepreneurial skills are abilities that drive attitude changes to be able to have skills, create their own results, and solve problems, on an ongoing basis. Entrepreneurial skills are an illustration of entrepreneurial competence. Competence in entrepreneurial skills is the key to successfully starting business diversification and sustainable profitability. Entrepreneurial skills enable an entrepreneur to identify customer needs, technical and market opportunities (Hayton, 2015), generate ideas, develop products /services to meet the needs, and acquire information about the potential opportunity domain and knowledge (Chell, 2013). There are numerous entrepreneurial skills necessary for entrepreneurs to launch and successfully operate SMEs.

Entrepreneurial skills include but not limited to the following: leadership; functional skills; team selection and team development, Communication, entrepreneurial literacy, decision-making, problem-solving skills, planning, organizing and controlling. However, this study focused on selected entrepreneurial skills of communication and entrepreneurial literacy skills among entrepreneurs of SMEs. Entrepreneurial literacy skills refer to an individual's ability to identify an opportunity and facilitate its growth sustainably and effectively. For one to perform

exemplary in enterprise ventures, such literacy is usually paramount. Entrepreneurial communication skills, on the other hand, refer to the entrepreneur's ability to communicate effectively with employees, customers, shareholders and other stake holders. These skills comprise of listening, conversing, writing a, presenting, persuasive, effective speaking, negotiating and mediating among others.

Entrepreneurial skills are skills which are acquired by entrepreneurs that help in recognizing business opportunities, strength, weaknesses and threat in an environment of business. Entrepreneurial skills are simply business skill, which an individual acquires to enable him function effectively in entrepreneurship activities (Folahan and Omoriyi, 2006). Entrepreneurial skills may also be defined as skills required in identifying business opportunities and mobilizing resources to convert these opportunities into profitable undertakings. The acquisition of entrepreneurial skills means combining personal characteristics, financial resources within one's environment and taking advantage of them for rewarding outcome. The acquisition of entrepreneurial skills means possessing the ability to find and evaluate business opportunities, gather the necessary resources, initiate appropriate action to ensure success; and implement actions to take advantage of the opportunities for rewarding outcome (Brouwer, 2011)

5.4 Communication Skills and The Organizational Performance of SMEs

Communication skills can be defined as the ability to share ideas and feelings effectively. Good communication helps us better understand people, situations/happenings/events. Developing communication skills can help us avoid conflicts and also help in better decision-making (Arnaout & Esposito, 2018). Strong communication skills can be of a more significant impact on a small and medium enterprise. Great communicators bring solutions, drive change, and motivate and inspire their colleagues. Improving communication skills will lead to better employee engagement, teamwork, decision-making, and interdepartmental communication in the work environment.

Effective communication within a small or medium enterprise will result in more productivity, consistency in the workflow, and strong business relations between the employer and employee. Also, it will lead to better control of the enterprise, an advanced professional image that will attract many customers, better response from all stakeholders, quick problem solving, and strong decision making (Pisicchio & Toaldo, 2021). Communication skills are the soft critical skills employers are looking for in their employees. These communication skills include; listening attentively and having the ability to communicate. Listening attentively would enable you as an entrepreneur to better understand what the customer is communicating, build relationships, mediate problems and negotiate with other business persons (Arnaout & Esposito, 2018). The entrepreneur needs to be able to communicate orally and via written word as it will be important when conveying information to customers who purchase their goods via the internet/ online and those with hearing disabilities.

Communication skills related to how the small and medium enterprises handle their customers, impacting the enterprises' performance. Entrepreneurs should treat their customers and suppliers as they deserve as clients and will always want to be treated with dignity. (Pisicchio & Toaldo, 2021). Clients will always want to return to where they were treated with respect, and there is a high probability of the customers referring their family members or friends to purchase goods from your business. As an entrepreneur, you should clearly state what you expect from your clients, as this will enable the clients to do what is right. Good communication skills are critical to a successful enterprise.

5.5 Entrepreneurial skills and Organizational Performance Of SMEs

Entrepreneurial literacy (skills) is a concept that refers to the ability of an individual to identify an opportunity and facilitate its growth sustainably and effectively. For one to perform exemplary in enterprise ventures, such literacy is usually paramount. The development and growth of small and medium enterprises have been of focus for policymakers and researchers in the industrial area of Nakuru, Kenya. A review of the literature will reveal that the ability/ capacity of the SMEs to achieve higher performance is inhibited by a lack of skills in the presentation and development of the small and medium enterprises (Esubalew & Raghurama, 2020). Therefore, this research will study the effect of entrepreneurial skills on the performance of small and medium-scale enterprises in Nakuru city, Kenya. Indeed, SMEs that deploy employees or managers with entrepreneurial skills are likely to perform better in the market than those that employ average managers. The share of a need of an SME is determined by product sales, market position, and the ability of the SMEs to maintain their market share by either development or diversification (Esubalew & Raghurama, 2020). Appropriate habits change, have an attractive product range, and gain market share. Such skills will help managers provide good services to the consumers of their products, create a good relationship with the customers, make goods/ services that satisfy their products, and give them the ability to look for market opportunities and advertise that promote their business products and sales promotion

SMEs owners with entrepreneurial skills are significantly associated with profitability and consumer needs satisfaction. Profits are obtained by deducting the variable cost of production from the total revenues received in that fiscal year. Productivity views the fiscal target as designed by the enterprise (Fan et al., 2021). Entrepreneurial skills help SMEs find it easy to survive and make profits without struggling to exist in an environment with high competition. Entrepreneurial skills promote innovation in the business as managers and SME owners are likely to identify new opportunities in the market and find ways to fill the gaps and turn them into profit-making activities (Esubalew & Raghurama, 2020). The lack of such crucial entrepreneurial skills makes the SMEs experience complications that lead to the failure of the enterprise in Nakuru, town Kenya.

6. Theoretical Framework

This study was based on the following two theories: Human Capital Theory and Resource dependence theory

6.1 Human Capital Theory

Human capital theory was developed by Becker in 1964 (Galiakberova, 2019) postulates that human capital refers to skills and knowledge that individuals acquire through investments in schooling, on-the-job training, and other types of experience. It comprises the stock of knowledge and skills that resides within individuals. Specifically, it includes the unique insights, skills, cognitive characteristics and aptitudes of entrepreneurs. It also includes achieved attributes, accumulated work and habits that may have a positive or negative effect on productivity. It represents a resource that is heterogeneously distributed across individuals and is thus central to understanding differences in opportunity identification and exploitation (Fatoki, 2011).

The theory suggests that individuals with more or higher human capital achieve higher performance when executing tasks. The theory maintains that knowledge provides individuals with increase in their cognitive abilities, leading to more productive and efficient potential activity. Therefore, if profitable opportunities for new economic activity exist, individuals with more or higher quality human capital should be better at perceiving them. Once engaged in the entrepreneurial process, such individuals should also have superior ability in successfully exploiting opportunities.
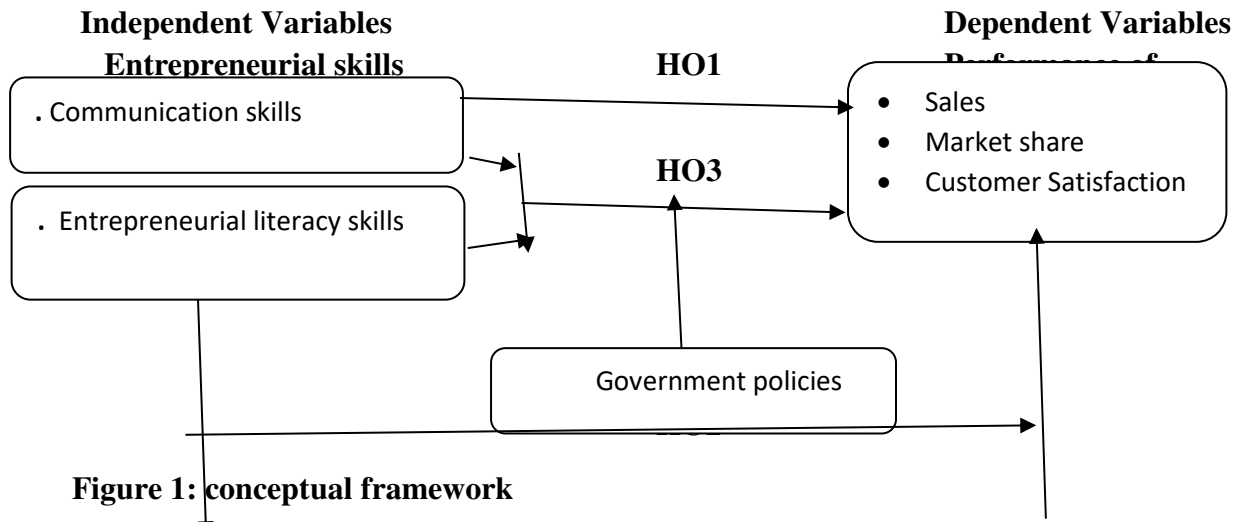
6.2 Resource dependence theory

The resource dependency theory was coined by **Pfeffer and Salancik (1978) to explain how firm behavior is influenced by external resources it possesses. The theory postulates that** resources are very critical for the success of any organization, for an organization to attain sustainability and gain competitive advantages over all other rivalries. It proposes that firms change and negotiate with their external environment in order to secure access to the resources which they need to survive. Thus, the success of SMEs is influenced by human capital or entrepreneurial skills. Based on the resource dependency theory, a lot stresses the need for an organization to have the relevant entrepreneur skills (Ozturk, 2021). Among the SMEs in Nakuru city, internal resources such as skilled employees with adequate entrepreneurial knowledge are critical.

The resource dependency theory was applicable to SMEs in Nakuru city since SMEs cannot perform successfully without the relevant entrepreneurial skills possessed by their human resources (Katila et al., 2021). SMEs with well-skilled human resources and good know-how of all that entrepreneurship entails are likely to do better compared to other SMEs with low-skilled individuals with human capital (Ozturk (2021).

7. Conceptual Framework

The elements under the independent variables include; communication skills and entrepreneurial literacy. The entrepreneurial skills that are conceptualized as independent variables affect the growth and performance of the enterprises in Nakuru city.

However, despite these independent and dependent variables, we could not ignore the role played by the moderate factors external to the SMEs in Nakuru city and government policies that influence the SMEs in Nakuru and the whole of Kenya. Some external government policies that affect SMEs include; taxation and legislation. Favorable government policies were likely to positively influence the performance of SMEs, while unfavorable government policies would harm the performance of the SMEs

Independent Variables
Entrepreneurial skills

HO1

Dependent Variables

. Communication skills

. Entrepreneurial literacy skills

HO3

- Sales
- Market share
- Customer Satisfaction

Government policies

Figure 1: conceptual framework

8. MATERIALS AND METHODS

8.1 Research design

This study used correlational survey design in establishing the effect of entrepreneurial skills on organizational performance of SMEs . This design was chosen because it is an efficient method for establishing the relationship between variables (Serekan, 2004). This research design was the best fit for this study as it gave detailed information based on our study objectives, which would help determine the effects of entrepreneurial skills on the performance of SMEs.

8.2 Study population

Mugenda and Mugenda (2003) describe a population as a set of occurrences, entities, or persons that share similar observable characteristics that match a given pattern or sequence. The target population was comprised of 248 small and medium enterprises in the hotel and restaurant sector in Nakuru city. The target population consisted of SMEs that had operated business at least for five years

8.3 Sample size determination and sampling procedure

A sample size of 23 was determined a formula by Nassiuma (2000). The sample size determination formula by Nassiuma (2000) is as given below:

$$n = \frac{Nc^2}{C^2 + (N-1)e^2}$$

Where: n is the sample size, N denotes population, c is covariance, and e is the standard error.

$$n = \frac{248*0.3^2}{0.3^2 + (248-1)*0.06^2} \qquad \approx 23$$

Simple random sampling technique will be used to select 23 respondents from the population of 248 licensed hotel and restaurant SMEs registered under the Nakuru city county.

8.4 Instrumentation

Data collection used questionnaires. A five-point (1-5) Likert scale questionnaire was used ranging from 1 to 5 with the following designations: "strongly agree ," which will be denoted by 5, "agree ," characterized by 4, and "neutral, denoted by 3, and" "disagree," denoted by 2, and "strongly disagree" represented by 1. The questionnaire comprised the following sections; section A, demographic information/profile; section B, the effects of communication skills on SME's performance; section C, the effect of entrepreneurial literacy on SMEs in Nakuru city; and section D, which is SMEs performance.

8.5 Validity and Reliability of Instrument

The study attempted to ensure that the findings were both valid and reliable. Validity is the extent to which the test-items measure what they purport to do. The instrument's content validity was assessed. Validity is the extent to which the test-items measure what they purport to do. The instrument's content validity was assessed using expert by entrepreneurship experts in the department of Business Administration were consulted

Reliability can, in other words, be termed consistency. It will outline whether the instruments consistently measure what they intend to measure. While measuring reliability, four general estimators are encountered in reading the research, and these include. First is inter-rater/ viewer reliability (Cruz et al., 2020). This is the rate at which unique raters give reliable answers or estimates. The second is test-retest reliability, the reliability of a measure evaluated over time in the study. The third is the parallel-forms consistency; the consistency of two tests builds the same way from similar content? Forth is the internal uniformity and reliability, and it's the steadiness of the outcome across objects. This term tries to measure the extent to which the repeated instrument of a similar item, using the same device, yields an identical or comparable outcome (Silveira et al., 2019). To measure and establish reliability, we did a pre-test on the study device on a rational figure of SMEs in the industrial area of Nakuru city, Kenya. After pre-testing, Chronbach's alpha formula was used to calculate the reliability coefficient, which indicates the consistency of the instruments used questionnaire. A threshold of 0.7 was used.

8.7 Data collection method

Data collection used questionnaires which were administered to the selected SME general managers/ owner-managers. Drop and pick method was used to collect data over a period of one

week. A letter of introduction was obtained from the Egerton University .The respondents were assured that any data collected was to be kept confidential and was to be used strictly for academic purposes only.

8.7 DATA ANALYSIS

The data collected was coded, keyed into SPSS computer software, organized and checked for any errors that could have occurred during data collection. Pearson correlation was used to establish the relationships between the independent and dependent variables . Effects of entrepreneurial skills on organizational performance were tested using simple regression analysis while multiple regression analysis was used to test the combined effect of communication skills and entrepreneurial literacy skills on the performance of medium enterprises in Nakuru town. The research model for business performance was expressed in the following equation:

$$Ys = \beta_0 + \beta_{1 \times 1} + \beta_{2 \times 2} + e$$

Ys= SMEs in Nakuru

$\beta 0$ = constant (coefficient of intercept)

X1 = communication skills

X2 = Entrepreneurial literacy skills

e=Error term

The chapter emphasized on data analysis, presentation of research findings as well as findings discussions derived from primary data collected through use of questionnaires and links them to the objectives of the study.

9. The Effect of entrepreneurial skills on organizational performance of SMEs

Entrepreneurial skills were hypothesized to influence organizational performance of small and medium enterprises in Nakuru city. The results of the hypotheses testing are shown in the subsequent sections:

HO1: Communication skill does not affect effect on SMEs' performance in Nakuru city

The Pearson correlation results in table ---shows that there is a strong positive relation between communication skills and org by a correlation coefficient of . 786[**]   at p= 0.01(r =. 786** , p< 0.01) . The coefficient of determination (r2) shows that there relationship of 61.8 %. This shows that communication skills influence the performance of SMEs as hypothesized. Therefore, rejected.

Table 1: **Correlation analysis**

			COMMUNICATION SKILLS	ENTREPRENEURIAL LTERACY
Spearman's rho	COMMUNICATION SKILLS	Correlation	1.000	.894[**]
		Sig. (1-tailed)	.	.000
		N	20	20
	ENTREPRENEURIAL	Correlation	.894[**]	1.000

LTERACY	Sig. (1-tailed)	.000	.
	N	20	20
SMEPERFOMANCE	Correlation Coefficient	.786**	.898**
	Sig. (1-tailed)	.000	.000
	N	20	20

a. **Dependent variable : SME PERFORMANCE**

HO2: Entrepreneurial skills do not affect SMEs' performance in Nakuru city

The Pearson correlation results in table ---shows that there is a strong positive relation between

entrepreneurial skills and organizational performance by a correlation coefficient of . .894** at p= 0.01(r =. .894** , p< 0.01) . The coefficient of determination (r2) shows that there is a significant positive relationship of 79.9 %. This shows that entrepreneurial skills influence the performance of SMEs as hypothesized. Therefore, the hypothesis should be rejected.

HO3: Communication skills and entrepreneurial skills do not affect SMEs' performance in Nakuru city

Regression analysis was used to establish the relative contributions of communication skills and entrepreneurial skills to the organizational performance of SMEs in Nakuru. The results revealed that R2 was .914 or 91.4 % which was significant at 0.01 level. This implied that these dimensions which were used measure organizational performance accounted for about 91.4% of the variation in the SME performance y in this model. This study empirically determined that communication skills contribute the most in the model. It table 2c indicates that using beta values to measure the variation in organisational performance indicated that communication skills ((β =.663) contributed to the highest variability followed by entrepreneurial skills ((β = .306) respectively.

Table 2 : Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.956a	.914	.904	.31345

a.Predictors :(Constant), entrepreneurial literacy and communication skills.

Table 3: **ANOVAa**

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	17.789	2	8.895	90.533	.000b
	Residual	1.670	17	.098		
	Total	19.460	19			

a. Dependent Variable: SMES PERFOMANCE

b. Predictors: (Constant), COMMUNCIATIONSKILLS,ENTREPRENEURAL TERACY

The analysis of variance in this study was used to determine whether the model is a good fit for the data. From the findings, the p-value was 0.000 which is less than 0.05 hence the model is statistically significant in predicting how the independent variables (communication skills and entrepreneurial literacy) affect the performance of SMEs in the restaurant and hotel sector in Nakuru City.

Table 4 : Regression Co-efficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients			Correlations
		B	Std. Error	Beta	t	Sig.	Zero-order
1	(Constant)	-.158	.326		-.484	.635	
	COMMUNICATION SKILLS	.684	.207	.663	3.303	.004	.950
	ENTREPRENEURIALLTERACY	.325	.213	.306	1.525	.146	.927

a. Dependent Variable: SMEs performance

Y=-0.158+0.684x

$$Y = -0.158 + 0.684x_1 + 0.325 + 0.326$$

From the Findings, there is a positive significant Relationship between communication skills and performance of SMEs in Nakuru city as shown by a beta coefficient of 0.684. The findings also indicate that there is a positive significant relationship between entrepreneurial literacy and performance of SMEs in Nakuru city as shown by beta coefficient of 0.325.

From the study, it is evident that majority of the SMEs in Nakuru have been successful as a result of embracing communication skills both internally and externally. Good communication skills enhance flow of information across the organization. There is also enhanced communication between the customers and suppliers with the organization. Information is also readily available for decision making. The study findings established that there exists a strong significant positive relationship between communication skills and performance of SMEs in Nakuru city.

The study established that most successful SMES in the hotel and restaurant sector adopts entrepreneurial literacy skills in their organization. Indeed, entrepreneurial literacy skills have improved the customer satisfaction index and also improved early sales and market share of the SMEs. It was established that there exists a statistically significant strong positive relationship between entrepreneurial literacy and performance of SMEs.

In conclusion, the findings of the study show that entrepreneurial skills have a statistically significant positive relationship with SMEs performance. The positive relationship between entrepreneurial skills and performance of SMEs means that, as entrepreneurial skills increase among the SMEs in Nakuru city, their performance increases. It can also be concluded that majority of the firms in Nakuru city acknowledge the need for entrepreneurial skills in execution

of their daily activities. More so, communication and entrepreneurial literacy skills are very paramount for good performance of SMEs.

10. Managerial implication of study

Based on the of the findings of the study , SMEs operating in hotel and restaurant sector should focus on entrepreneurial skills heavily since they have a positive effect with their general performance. Hence, the SMEs should encourage the adoption of entrepreneurial skills to help in improving their performance, improving the quantity of sales, securing larger market share and enhancing their sustainability through greater customer satisfaction.

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