

**ENTREPRENEURIAL CULTURE AND GROWTH OF MICRO AND SMALL
ENTERPRISES; A CASE OF NAIROBI CITY COUNTY, KENYA.**

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DECLARATION

This research project is my original work and has not been presented to any other institution. I have presented it for the award of a master's degree.

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SUPERVISOR DECLARATION

I confirm that the work in this project was done by the candidate under my supervision.

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DEDICATION

I dedicate this research project to my dear wife Hajila, my daughters Ayiemba and Muhele and lastly my son Wisdom Khaoya King.

ACKNOWLEDGEMENT

I thank the Almighty God for granting on me His enough grace, strength, and power throughout the course of my research. Successful completion of this research project would not have been possible without the support, guidance, encouragement and supervision of the late Dr Goretty Ofafa, may her soul rest in eternal peace and Dr Linda Kimencu of School of Business, Kenyatta University. I appreciate all my friends, workmates and classmates who offered me moral and intellectual support. Finally, I am grateful to my lecturers at Kenyatta University whose desire for excellence is reflected in this work.

May you be blessed beyond measure!

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ACRONYMS AND ABBREVIATIONS

MSE. Micro and Small Enterprises

SSE - Small Scale Enterprises

LDC - Less Developed Countries

MDG – Millennium Development Goals

CBD – Central Business District

SPSS - Statistical Package for Social Sciences

GOK – Government of Kenya

SACCO- Savings and Credit Cooperative Society

PMT - Protection Motivation Theory

MSEP -Small Micro-Enterprise Program

OPERATIONAL DEFINITION OF TERMS

Entrepreneur – A business owner who stands out from the rest by taking risks and using creativity to carry out business differently compared to the running of regular businesses.

Entrepreneurship – The economic activity of managing and assuming the risks of a business enterprise.

Entrepreneurial Culture – The attitudes, norms, characteristics, and behaviour that entrepreneurs possess. These include all the knowledge and value shared by entrepreneurs.

Entrepreneurial Networks – These are connections for enhancing development of sales opportunities and contacts based on referrals and introductions either face-to-face and gatherings, or by other contact methods such as phone, email, and increasingly through social and business networking websites.

Innovation– Transformation of old/ traditional ideas, way of doing things and approaches into new and more meaningful form, methods and imaginations in solving Small business problems

Opportunity Focus – Ability to have foresight and pursue the vision to achieve desired results regardless of disruptions that may arise.

Risk taking A calculated and well thought way of assuming all the future uncertainties, unfavourable and unpredictable unforeseen happenings involved in starting and running a business with the hope of excelling

MSE – Typically, a Micro and Small Enterprise is a business entity that employs between 0 and 49 persons, and has a turnover of not more than five million shillings.

MSE Growth - This is the process by which a firm/small business entity starts small and systematically progresses in terms of capital, sales volumes, customer base, number of employees and opening of new branches in new localities.

ABSTRACT

Micro and Small Enterprises growth plays a critical role within social, political, and economic pillars of development in the Less Developed Countries. They have a primary role in providing employment opportunities, enhancing income distribution, and alleviating poverty in Kenya, particularly, in the Jua Kali sector. Contrary to their significance in society, majority of Micro and Small Enterprises are prone to failure as early statistics point to the fact that three out five start-ups hardly live to their first birthday. The purpose of the research was to establish the relationship of entrepreneurial culture (opportunity focus, innovation, networking, and risk taking) and the growth of MSEs. The appropriate design employed for the study was descriptive research design. The target study population was Nairobi City county-based entrepreneurs. The population sample consisted 300 entrepreneurs from Kawangware market who have registered businesses with Nairobi county offices. The Micro and Small Enterprises were drawn from several sectors including trade, manufacturing, transport, and services sectors. Systematic and Stratified sampling strategies was appropriate for selection of 60 respondents as a sample size for the study. Data collection was done by administration of closed and open-ended questionnaires. The collected data was analyzed using descriptive statistics i.e. the mean, percentage, and frequencies. Inferential techniques of multiple regression analysis were also used in the analysis. Statistical Package for Social Sciences was used to aid in the analysis. Findings of the study indicates that Opportunity focus had a mean of 3.8102 and a standard deviation of 1.36. Risk taking had a mean of 4.122 and a standard deviation of 1.046. Most of the respondents indicated that most entrepreneurs were risk- averse and even though their risk appetite was high, they were reluctantantly willing to take up the challenge. The findings also show that Innovation necessitated starting up of many Micro and Small Enterprises. Innovation was determined based on the product transformations and positive improvements in the business processes. Networking played acritical role in the development and expansion of the Micro & Small Enterprises for it provided platforms of marketing businesses. This entrepreneurial culture variables were critical in the growth of Micro and Small Enterprises in Nairobi County. It was established that most of the Micro and Small Enterprises (50%) were aged between 9 - 11 years, 12.5% for 6 -8 years and 6.25% indicated that the MSEs have been in existence for between 0-5 years and another 6.25% existed 15 – 17 years. This clearly shows that the Micro and Small Enterprises sector in Nairobi is a mature sector. Again, 50% of the respondents said that the Micro and Small Enterprises dealt in retail trade, 12.5% in manufacturing, 18.75% in motor transport and 18.75% in the hotel sector. This finding shows that in Nairobi City County, the number of Micro and Small Enterprises dealing in retail trade is more than those dealing in manufacturing, transport, and hotel services. It can be noted from the study that, 13% of entrepreneurs were once been employed for 0-5 years, 19% for 6-10 years 44% for 11-15 years and 24% for 16 and more years. Recommendations were made on the need for entrepreneurs and potential entrepreneurs to embrace a positive entrepreneurial culture of being opportunity-focused, innovation, networking, and courageous in risk taking in their daily business endeavors in pursuit of business growth.

CHAPTER ONE: INTRODUCTION

The chapter presents the background information to the study, the statement of the problem, the objectives of the study, the research questions, the significance, and limitations of the study.

1.1 Background of the Study

MSE growth refers to the gradual increase in size of a business entities in terms of size, capital, and labour (Crosby, 1990). It is a process whereby a business entity starts small and increases its size with reference to the capital, the sales volumes, the number of employees and establishing new branches. It was observed that MSEs must grow for no other reason other than to accommodate the increased expenses that develop over the years. Globally, MSEs are considered the engine of economic growth in LDCs. In first and second world countries, MSEs plays an important role in employment creation, they also spur innovations, and create modern products. These roles cannot be ignored as they contribute to economic vitality and general growth of a nation. Considering the situation of entrepreneurs in most LCDs, there is an entrepreneurial culture,(the attitudes, norms, characteristics, and behaviour that entrepreneurs possess, including all the knowledge and value shared by entrepreneurs) that must be embraced for the realization of the MSE growth.

Most entrepreneurs in Nairobi county, innovate their own approaches of doing business through trial and error methods (Anderson, 1993). This have resulted to a conclusion that entrepreneur's management techniques are most likely to be intuitively obtained than

analytical. These management techniques are skewed to day-to-day operations than with long-term challenges and are more opportunistic than strategic which in the past have led to stunted growth. This characteristic and attitude may be a factor of consideration as a key strength for start-up phase of the enterprise. It provides the innovation needed by entrepreneurs and present problems when complex challenging decisions are arrived at.

However, according to Sessional Paper No 2 of 2005, lack of basic skills in MSE management and entrepreneurship is depicted as a major drawback to the growth of MSE sector. Integration of entrepreneurial courses into the country's education system, the exposure of potential MSE's to various skills, the entrenchment of entrepreneurial culture, the modern business management skills and creation of an environment that permits and allows MSEs to emerge successfully and flourish, has been and still is the major challenges to MSE growth in Kenya.

1.1.1 Entrepreneurial Culture

A few writers' points out that entrepreneurial culture is a culture which is creative and innovative in nature, a culture that takes risks and challenges the status of entrepreneurship (Ireland, Hitt & Sirmon, 2003). In the past, this culture has also been referenced at the national level to describe country or societal values and attitudes towards entrepreneurship (Hayton & Cacciotti, 2013, Tan, 2002, 2006 & Birkinshaw, 1999)

Entrepreneurial culture refers to the attitudes, norms, characteristics, and behaviour that entrepreneurs possess which helps in the efficient running of the MSEs. All the knowledge and values shared by entrepreneurs which results to MSE growth, for instance, opportunity focus, innovation, entrepreneurial networking, and risk taking. The common characteristics

that are exhibited by successful entrepreneurs in the business community leading to growth and expansion of the MSE's. This entrepreneurial culture includes, opportunity focus, innovativeness, networking, and risk taking (Hitt & Sirmon, 2003)

1.1.2 Opportunity focus and MSE growth

According to Sarasvathy and Venkataraman (2001), opportunity focus consists of directing more efforts to new ideas, innovations, aspirations, and objective goals. In other words, opportunity focus consists a set of focus on ideas, beliefs and actions that enables the creation of future goods and services hence growth of MSEs in terms of opening of more branches, increase in number of employees, increase in turn over and increase in capital. MSEs must have a clear focus on what the vision is and have well aligned strategies to be meet the MSE objectives.

A successful MSE is opportunity-focused to produce growth results. Entrepreneurs do not cause change, as claimed by the Schumpeterian or Austrian school, but exploit the opportunities that change creates (in technology, consumer preferences, enabling environment) (Drucker, 1985). Drucker further says that entrepreneurs will always search for change, responds to the change, and exploits it as an opportunity. Stevenson (1990) extends Drucker's opportunity focus-based construct to include resourcefulness. An MSE will have a high spirit of performance if it is consistently directed toward opportunity focus rather than toward problems. An MSE will have the thrill of excitement, a sense of challenge and the satisfaction of achievement if its energies are put where the results are, and that means the opportunities, which in the long run result to MSE growth. In this study opportunity focus will be evaluated by the determination of the number of set objectives

both short and long term which will be successfully implemented, and the results are evident.

1.1.3 Innovation and MSE growth

Innovation is more about finding new things, ideas, concepts, developments, improvements, and ways to do things and to obtain strategic advantages (Murad, 2011). Advancements in innovation has made entrepreneurs acquire more skills in improving their businesses and helping the individual entrepreneurs have more advanced business skills in starting and running businesses successfully. Innovation management practices are fundamental in fostering innovation aimed at boosting and ensuring business survival and growth through development of an innovative culture within MSEs.

Innovation management is key to attaining a competitive advantage by MSEs leading to development of new products, services, and systems. Accordingly, innovation is a specific tool of entrepreneurs, how entrepreneurs exploit change as an opportunity for different businesses or service. Innovation may be the integration of human knowledge, skills, and information whereby through innovation management knowledge is converted into products and services (Paul, 2008). According to Cooper (2005), an MSE must innovate or die which means that survival and growth of MSEs is fully dependent on the level of innovation an entrepreneur is able to adopt. Innovation is determined by looking at the changes that has occurred in products in terms of packaging, branding advertisements and general improvements in handling customers in terms of efficiency and effectiveness

1.1.4 Entrepreneurial networks and MSE growth

Entrepreneurial networks are the effective low-cost relationships for developing sales opportunities and contacts based on referrals and introductions either face to face and gatherings or by other contact methods such as phones, emails and increasingly through social media plus other business-oriented websites. These are friends, acquaintances and business associations that make use of this relationship to obtain resources and more opportunities for the MSEs. An entrepreneurial network is a composition of people with whom the MSE discusses business ideas with. It includes all the external relations in which an MSE is associated with either as a member of an association or by daily interactions in the process of enlarging the entrepreneur's cycle of trust and knowledge source. Network actors therefore rely on the network intermediary to get connected with the wider network (Ford & Mouzas, 2013), and deal with some complex network choices. Business associations are key in the provision of financial aids to MSE's in terms of loans, financial management information and marketing of products and services. Most MSE.s in the recent past have joined Sacco's while others have daily/weekly/monthly merry –go-rounds where financial support is facilitated to the MSEs.

1.1.5 Risk taking and MSE growth

A calculated and well thought way of assuming all the future uncertainties, unfavorable and unpredictable unforeseen happenings involved in starting and running a business with the hope of excelling. There is a positive correlation between risk taking and the decision to become an entrepreneur (Cramer, Hartog, Jonker, & Van Praag, 2002, Caliendo, Fossen, & Kritikos, 2006). Varied studies by Stewart & Roth, 2001, Hartog, Ferrer-i Carbonell, & Jonker, 2002 on risk taking further show that the population of self-employed persons

tends to be less risk takers than other persons who are regularly employed. Risk taking also represent a defining characteristic of entrepreneurial growth for it is critical in making expansion and growth decisions. More specifically, we analyze potential correlations between risk taking attitudes and the growth rates of MSEs.

The extent to which MSEs risk attitudes might impact on growth rate has not been fully explored in economic literature (Jonker, 2002). Risks are handled in different ways, although ultimately, one or a few people take the greatest risk when it comes to the survival of the business. Research has found that, risk-taking is what distinguishes the small business owner-manager from the corporate manager. Norton and Moore (2002) conclude from their research amongst entrepreneurs and non-entrepreneurs that the two groups show no difference on risk taking propensity, although they did find evidence for the hypothesis that entrepreneurs tend to assess risk more favorably.

1.1.6 MSE growth in Nairobi County

The annual Economic Baseline Survey refers to MSE sector as informal sector. The Economic Baseline survey of 2016 in Kenya indicated that there were more than 2 million Micro and Small enterprises employing more than 5 million people. Almost 19% of the MSE's are found in Nairobi county and Mombasa. Based on the Nairobi County business records, there are many MSE's in Nairobi market both in the manufacturing and service industry majority being in the retail enterprises. They buy goods from wholesalers from the CBD, Garissa Lodge in East Leigh and repackage and sell on the local market in small affordable quantities that the locals who majorly come from the slums in Nairobi can afford. Evidence from the size of stock and number of employees from most businesses in

Nairobi market shows that most MSEs have either shown little or stranded growth. Some have remained in the same state for several years which may not be helpful in the realization of the Vision 2030, especially the economic pillar which seeks to eradicate poverty and empowering citizens economically. This again is the motivation behind carrying out this study to establish if indeed the entrepreneurs adapted a certain culture, could help the MSE's grow. It was generalized that for the realization of MSE growth in the area, both horizontal and vertical growth, there is need for the existing and upcoming entrepreneurs to embrace entrepreneurial culture of opportunity focus, innovation, networking and risk taking.

1.2 Statement of the Problem

MSEs in Nairobi county have operated in a relatively unstable business environment. MSEs are facing aggressive competition from China influence calling for the need of current and upcoming entrepreneurs to constantly adapt their dealings in order to survive in the market. This calls for the MSEs that desire growth to respond strategically to the ever-changing business dynamic environments for survival and growth. Growth of MSE is very fundamental for economic development across all the economies of the world. Through adoption of entrepreneurial culture, MSEs can develop a common culture for continuous innovation and new product development that enables them to have efficiency and competitive advantage in the markets resulting to MSE growth. Several studies carried out in Kenya have indicated that growth of MSEs is a strong contributor to the national Gross Domestic Product (GDP) (McCormick & Dorothy 1988). In the past, most studies on MSEs establishment and growth have focused on difficulties in accessing credit facilities and inflation in the country as the main factors hindering growth and development of

MSEs in Kenya. The promise of more than a million jobs by sitting governments can be realised if the MSEs grew. The governments through studies identifies the MSE growth as the one capable of providing these jobs. Why then is the MSE sector not providing these jobs is a question of concern. And are these factors the only ones that inhibit this sector from growing? (McCormick & Dorothy 1988). MSEs that started long time ago, say 5-7 years have remained in the same state, showing stranded or no growth at all (National Baseline Survey, 2015). Basing on the study variables, it is however not clear how entrepreneurial culture, opportunity focus, innovation, networking, and risk-taking affects growth of MSE in Nairobi County markets. This study seeks to contribute to this area and thus look at the effects of entrepreneurial culture on MSE's growth in Nairobi City County. This is the research gap that this study sought to fill by studying entrepreneurial culture and growth of Micro and Small enterprises, a case of Nairobi City County.

1.3 General Objectives

Main objective of these study was to establish how entrepreneurial culture influences growth of Micro and Small Enterprises in Nairobi City County.

1.3.1 Specific objectives

Specific objective of these study was:

- i. To establish influence of opportunity-focus on the growth of MSEs in Nairobi County.
- ii. To establish how innovation influences the growth of MSEs in Nairobi County.
- iii. To establish how networks affects growth of MSEs in Nairobi County.
- iv. To analyse influence of risk taking on the growth of MSEs in Nairobi County.

1.4 Research questions

- i. What relationship does opportunity focus have on the growth of MSEs?
- ii. What role does innovation play on the growth of MSEs?
- iii. How does entrepreneurial networks affect the growth of MSEs?
- iv. How does risk-taking influence growth of MSEs?

1.5 Significance of the study

This research findings will have both academic and professional significance. Professionally, it will enhance understanding of entrepreneurial culture that entrepreneurs and aspiring entrepreneurs need to adopt to realise MSE growth. Academically, the findings will increase the knowledge bank on both theoretical and empirical knowhow on the Entrepreneurial culture and growth of the MSEs. The research will be beneficial to the government of Kenya in policy formulation towards promotion of MSEs based on the entrepreneurial culture in the realization of MDG's and attainment of the vision 2030's economic pillar.

1.6 Scope of the study

The target study population was Nairobi City county-based entrepreneurs. The population sample consisted 300 entrepreneurs from Kawangware market who have registered businesses with Nairobi county offices. The Micro and Small Enterprises were drawn from several sectors including trade, manufacturing, transport, and services sectors. Systematic and Stratified sampling strategies was appropriate for selection of 60 respondents as a sample size for the study. The growth measurements used was the capital levels, number of employees and branches opened after the initial start.

1.7 Limitations of the study

Most of the respondents were entrepreneurs who are expected most of the time to be busy serving customers thus interruptions and inconveniences in data collection. The researcher was to wait till the customers have been served for him to be able to proceed. This however only applied to those enterprises that has the owner as the person attending to the customers. Language diversities was a minor barrier to good communication, some respondents were not conversant with the English language used in the questionnaire. For those who could not understand English, interpretation into Kiswahili was done.

1.8 Organization of the study

This research project is organized in three chapters. The first chapter is focusing on the background of study that introduces key concepts and contextualises the study, statement of the problem that establishes the research gap, objectives, research questions, scope of study, and significance of study, limitations and organization of study. Chapter two presents both theoretical and empirical literature review where different works relevant to

the study are reviewed and gives a detailed account of challenges influencing growth and development of MSEs. It also presents the theories guiding the study, characteristics of MSEs, Factors influencing the growth of MSEs, the effects of opportunity focus, innovation, networking and risk taking on the growth and development of MSEs and finally presents the conceptual framework and chapter summary. Chapter three focuses on the research design used, the sampling procedures and the sample size, target population, raw data collection methods, validity and reliability of data collection, operational definition of variables and data analysis. Chapter four provides the descriptive and inferential data analysis and its interpretation. The chapter further discusses the study findings. Chapter five gives a comprehensive summary of findings, conclusions, and recommendations of the study as well as suggestions for further studies.

CHAPTER TWO: LITERATURE REVIEW

2.0 Introduction

This chapter explores various literature relating to MSEs growth in general and the entrepreneurial culture relationship. The chapter presents the stochastic models of firm growth, economic growth theories, enterprise growth theory and Entrepreneurial theory.

2.1 Theoretical Review

The MSE growth in the modern business environment are stagnant and are highly depend on the ability to identify potential threats and weaknesses and come up with appropriate strategies of dealing with the stagnated growth situations. MSEs must respond to the market expectations to realise the MSE growth. MSEs must be responsive to both external and internal demands and expectations in order to survive and grow (Wade and Hulland,2004) According to Ivan Turok (1991), in his book, the of EU Regional Policy contrasting perspectives on the structural funds coherence, MSE's growth has received a considerable attention from scholars and policy-makers around the world. The study shows a considerable interest and concerns in the field of MSE formation, operation and more so in the identification of features that distinguish businesses that grow and them that do not grow. This can be important if more selective small businesses entrepreneurial culture can be adopted. Identifying distinctive entrepreneurial culture attitudes of MSEs that are more and less successful may also provide insights into the factors influencing MSE growth and hence improve understanding of the growth process as illustrated by Gibb and Davies (1991)

Researchers and academicians, such as Lester et al, (2003), Churchill & Lewis, (1983) studied life cycle stages and used various parameters to determine specific stages of growth. Some of the determinants of growth stages employed included enterprise age, size, rate of growth, enterprise structure including inherent key management issues and problems. This did not clearly bring out the entrepreneurial culture which could be universally adopted by MSEs and other prospective entrepreneurs.

2.1.1 The Stochastic models of firm growth

The Stochastic model of firm growth was developed by O'Farrell and Hitchens (2006) basing his ideas in the field of economics and it suggests that there are many attributes which affects MSE growth. It can be concluded therefore that there is no dominant theory on the same which is exhaustive in nature on this subject. In this respect then, it can be contextualized that, emphasis on Gibrat's (1931) law of proportionate effect is important. The law proposes to a larger extend that business growth rates are independent of enterprise size. O'Farrell & Hitchens (1988) jointly cite evidence which supports and reinforces Gibrat's law for manufacturing MSEs. The two writers consequently pointed out to the empirical support for the proposition that the variability of growth rate of small businesses decreases with increase in enterprise size. Thus, MSEs must think through attributes that will necessitate the business compete effectively in the market with its competitors and ensure growth is attained. The purpose of entrepreneurial culture is to facilitate MSEs with requisite attributes that will help in the business survival and growth into the market. This research is anchored on the stochastic growth model.

2.1.2 Economics growth theory

This theory holds the view that MSE growth comes in phases or developmental life cycles. Several theories by Lester et al. (2003) originating in the field of economics in accordance with MSE growth is viewed from the perspective of series of growth phases or stages of developmental stages through which the MSE may pass in its life-cycle. These phenomena are widely used by most researchers in explaining growth of MSEs. The type and nature of enterprise growth development stages in these theories vary widely from author to author, as well as their emphasis on the effect on growth of MSEs, (O'Farrell & Hitchens (2006)

A product life cycle curve shows that MSEs starts small and grows in the pattern of an s-shaped according to Lester et al. (2003)). The five stages of the organization life-cycle model, existence, survival, success/maturity, renewal and decline. It is from this growth theory that we come to know what activities are involved at each stage from which we can develop a unified entrepreneurial culture that is necessary for growth of MSEs.

2.1.3 Enterprise growth theory

This theory is of the view that, the size of an MSE is generally determined by sales and/or number of employees according to Timmons (1994). This growth perspective is in tandem with the thinking that there must be an entrepreneurial culture which is behind the increase in size of MSEs. This increase is what is referred to as MSE growth in this study. Enterprises may begin as simple firms with a single product, function and a single region but successfully adapt to multiple regions, functions and finally multiple products as the enterprise moves from launch to growth, thereby increasing in size, Galbraith & Nathanson (1979). A new enterprise in a desired environmental munificence situation (extent to which

an environment can support a new enterprise and enable it to grow and prosper) grows faster than one faced with a difficult environment (Castro Giovanni 1991) A calculated rate of growth of the enterprise has been used by some researchers to determine the life cycle stage.

2.1.4 Entrepreneurship Theory

The early theorists such as Richard Cantillon developed one of the earliest theories of entrepreneurship way back in 1725 focusing specifically on the individuals involved in an enterprise development. It is indeed true that nearly all entrepreneurs want their businesses to grow (Nieman & Pretorius, 2004) and become large enterprises. The study of Zimmerer and Scarborough (2008), points out to the definition that, “an entrepreneur is a person who creates a new business in the face of risk and uncertainty for achieving growth and profit by identifying significant opportunities and assembling the necessary resources to capitalize on them”. This phenomenon seems to be true in the context of this study. Ability to take risks is of essence and the motivation of making profit are key to any successful entrepreneurial undertaking. Accordingly, it can be deduced that entrepreneurial ventures are those businesses that have profitability and growth as their primary objectives. This characteristic if well utilized and lived can explain vividly why some businesses remain in the same state year in year out while others develop and move from small scale to medium scale hence large scale

2.2 Empirical Literature Review

Entrepreneurial culture if well understood and conceptualized by MSEs can be beneficial. This culture can be part of the many factors that enhances entrepreneurial undertakings and

activities in the MSEs. The entrepreneurial culture is part of the invisible entrepreneurial aspects which influences everything that people do in running MSEs. When new ideas, experiments and innovation is encouraged, it creates an entrepreneurial culture with attributes that support entrepreneurial behaviour, based on the study by (Brown et al, 2001, Covin & Slevin, 1991 and Zahra, 2000). MSE activities can be viewed as “processes by which individuals either on their own or within organizations pursue opportunities” as suggested by (Stevenson and Jarillo, 1990). If the MSE owners and firms’ managers were to adopt entrepreneurial behaviour when developing their business strategies, their businesses and firms would be projecting a much brighter future as current perceptions may suggest (Lee and Peterson, 2000).

Comparing how it was at the beginning of the twentieth century, there has been tremendous increase in global interest in MSE growth by individual theorists, governments, and institutions. It can be noted that over the last quarter of the twenty first century there has been a remarkable recognition of small firms in many countries, “centrality as a necessary competitive instrument in the development of a modern, vibrant and progressive economy” (Beaver and Prince, 2004,). Looking at economics literature MSEs are acknowledged as playing the central role in economic empowerment and development. That is a role in the creation of wealth, resolving unemployment issues and evolutionary changes.

The primary objective of an entrepreneur’s may be that of business creation, profit making, development and growth which can be studied at an individual and/or group level. Analysis of psychological aspects and social variables of education background or the

family level using variables that enable business development, or by analysing aspects of the economic, social, and cultural environments gives a clear perspective of business start-up objectives. The study of entrepreneurs as individuals analyses the variables that explain their appearance, such as personal characteristics, the psychological profile (the need for achievement, the capacity to control, tolerance of ambiguity and a tendency to take risks) or non-psychological variables such as education, business experience, entrepreneurial networks and the family. Studies on environmental variables emphasizes culture or shared values in societies or in institutions linked to the legal framework. Entrepreneurial ventures are clearly social entities from the very beginning, because even sole proprietorship ventures implicitly involve a choice not to share ownership with others in the starting process. The question of who must bear the burden of making risk taking decisions and facing their consequences with no one else to blame arises.

Throughout the evolution of entrepreneurship theory, different scholars have come up with different characteristics that they believe are common among most entrepreneurs. This characteristic is known to help the MSEs grow. After looking at various separate studies, a generalized set of entrepreneurial culture can be generated and adopted by all existing and promising entrepreneurs. This entrepreneurial culture may include attributes of, risk-takers, coordinators and organizers, gap-fillers, leaders, and innovators or creative imitators. This list of characteristics can by no means be fully comprehensive. The list can only help explain why some people become successful entrepreneurs while others fail along the way. It can also explain why some businesses have remained stranded or have shown no growth at all. Thus, need for a generalized entrepreneurial culture (opportunity focus, innovation, networking, and risk taking) which are discussed in this section.

2.2.1 Opportunity-Focus and MSE Growth

One of the early studies on entrepreneurship by Peter Drucker brings forth an opportunity-based study where he contends with the idea that “entrepreneurs excel at seeing and taking advantage of possibilities created by social, technological and cultural changes”. Examples can be seen where a business that caters to senior citizens might view a sudden influx of younger residents to a neighbourhood as a potential death stroke, but to an entrepreneur, this may be viewed as a chance to open a new club, an entrepreneurial opportunity. Basing on Praag (1995) argument, “opportunity focus is the possibility to become self-employed by pursuing a prescribed goal. Willingness to pursue an opportunity is relatively high in self-employed entrepreneurs compared to those in employment. Most people who are intrinsically motivated pursue opportunities in business to satisfy a market need.

Willingness to pursue an opportunity is inherently affected by the anticipated market incentives that are available for existing and promising entrepreneurs. In a study of entrepreneurship carried out in many countries, Davidson and Wiklund (1995) suggest that “regional variations in the levels of entrepreneurship are influenced by the cultural values of being opportunity focused. Thus, it can be deduced that for MSE’s to thrive and grow, the managers must be opportunity focused”. Since there is no market for opportunities, the entrepreneur must exploit whatever opportunity is available, meaning that he or she must develop his or her capabilities to obtain resources, as well as organize and exploit opportunities. Basing on the above empirical evidence, this study suggests that opportunity focused entrepreneurs are most likely to grow their MSEs to larger businesses which may eventually grow to big business empires of the world.

2.2.2 Innovation and MSE Growth

Innovation has little to do with the technology in use, it's an entrepreneurship state of mind, a way in which an MSE perceives itself and its environment surroundings and how it positions itself to overcome the competition in the market. In case one is entering into a market that is already flooded then, one needs to ask fundamental questions such as, what additional value was you be giving consumers? If you are offering the same product the same way at the same price, why would consumers purchase your products and not from your competitors? Unfortunately, many MSE's enter business without having this in mind and consequently fail to live to the growth expectation.

Two studies by Schumpeter and Marshall have described an entrepreneur as an "innovator" but failed to link the process of innovation and entrepreneurship in situations whereby new products, processes and services has been introduced and profit is not realized. These augments lead to another school of thought where gurus of innovation argue that an "experiment may fail but one must keep on trying until success is realized". Schumpeter's approach also ignores the existence of entrepreneurial culture and biological influence to start ups. Innovation in MSEs is of fundamental importance as the world keeps on changing every now and then. For a thriving business undertaking, it is difficult to divorce innovation from MSE growth. MSE is about being innovative, making extraordinary things happen with ordinary things. In business application, innovation is creating something that is new or significantly improved, done by an MSE to create added value either directly for the enterprise or indirectly for its customers, Business Council of Australia (1993).

Lack of information and knowledge has also contributed to lack of innovation in MSEs. MSE are often not accessible or undersupplied with information concerning how they can become innovative to thrive. Experience indicates that innovation has little to do with the technology employed. Being innovative is a state of mind, a way in which a MSE perceives itself and its surrounding environment. A strong focus on technologies may even have a negative influence on innovation. No matter how outstanding and ingenious a new technology, in the end it is the market which determines the success or failure of an innovation (Hallberg, 1999).

2.2.3 Entrepreneurial Networks and MSE Growth

Entrepreneurial networks in this study is the low-cost effective relationships for developing easy sales opportunities and contacts based on individual referrals and personal introductions either face to face and gatherings or by other methods of contact such as mobile phones, written emails and through social media plus other business-oriented websites. This are friends, acquaintances and business associations that make use of this relationship to obtain resources and more opportunities for the MSEs. An entrepreneurial network is a composition of people with whom the MSE discuss business ideas with. It includes all the external relations in which an MSE is associated with either as a member of an association or by daily interactions in the process of enlarging the entrepreneur's cycle of trust and knowledge source. People who use network rely on the network intermediaries to stay connected with the global network (Ford & Mouzas, 2013). This people must deal with complex network choices to make informed business decisions. Business associations are key in the provision of financial aids to MSE's in terms of loans, financial management information and marketing of products and services. Most MSE.s in

the recent past have joined Sacco's while others have daily/weekly/monthly merry –go- rounds where financial support is facilitated to the MSEs.

2.2.4 Risk taking and MSE growth

Reference is made to the Protection Motivation Theory which indicates that, there are many studies explaining risk taking perceptions and tolerance in MSEs. According to this study, people are more likely to protect themselves when they anticipate negative consequences. MSEs that are more likely to take risks in their undertakings tend to be less risk conscious and lack the will or agency to protect themselves against any risk.

When it comes to risk-taking, social Action Theory has many applications. This study by Cooper, (2003) which tries to expound on risk taking provides that people take risks because of peer pressure. Looking at the contents in the Social action theory, there seems to have a social meaning that is attached to high-risk-taking behaviours. This social meaning is what drive and motivates people to engage in them. Propensity leaning towards risk taking can be affected by co-worker's expectations. Sometimes in the society, the negative consequences of social conformity are equally or more pronounced in studies on risk-taking. The conformity to the social expectations of peers and the larger community often leads to more, risk-taking behaviour in the field of business. There seems to be a linear relationship between the risk-taking in an investment and their average returns that is expected. In an MSE set up the risk level of an investment increases step by step and expectation of the returns is expected to exceed initial investments margins. This is what leads to more investments hence growth of MSEs.

2.3 Research Gaps

Table 3.2: Empirical gap table

Author and Year	Focus of the Study	Study Findings	Study gaps
O' Farrell & Hitchens (2006)	Economic attributes which affect MSE growth.	Proposition that variability of growth rate of MSEs decreases with increase in enterprise size.	Not conclusive, giving an opportunity for further studies
Lester. Et al (2003)	Growth of MSE basing on life-cycle phases of, introduction, growth, maturity and decline.	Growth of MSEs is realized in the MSE life-cycle phases only when the right strategies are utilized at every phase.	All MSEs do not undergo all the growth lifecycles
Timmons (1994)	Growth of MSEs based on sales volumes and number of employees	As sales volumes increases, MSEs grow, and this growth leads to increase in number of employees	Sales volume is not the only determinant of MSE growth
Beaver and Prince (2004)	Effects of Government involvement in MSE growth	Economic empowerment by Governments, policy, and involvement in MSE operations is essential for MSE growth	Economic empowerment alone cannot lead to MSE growth

2.4 The conceptual framework

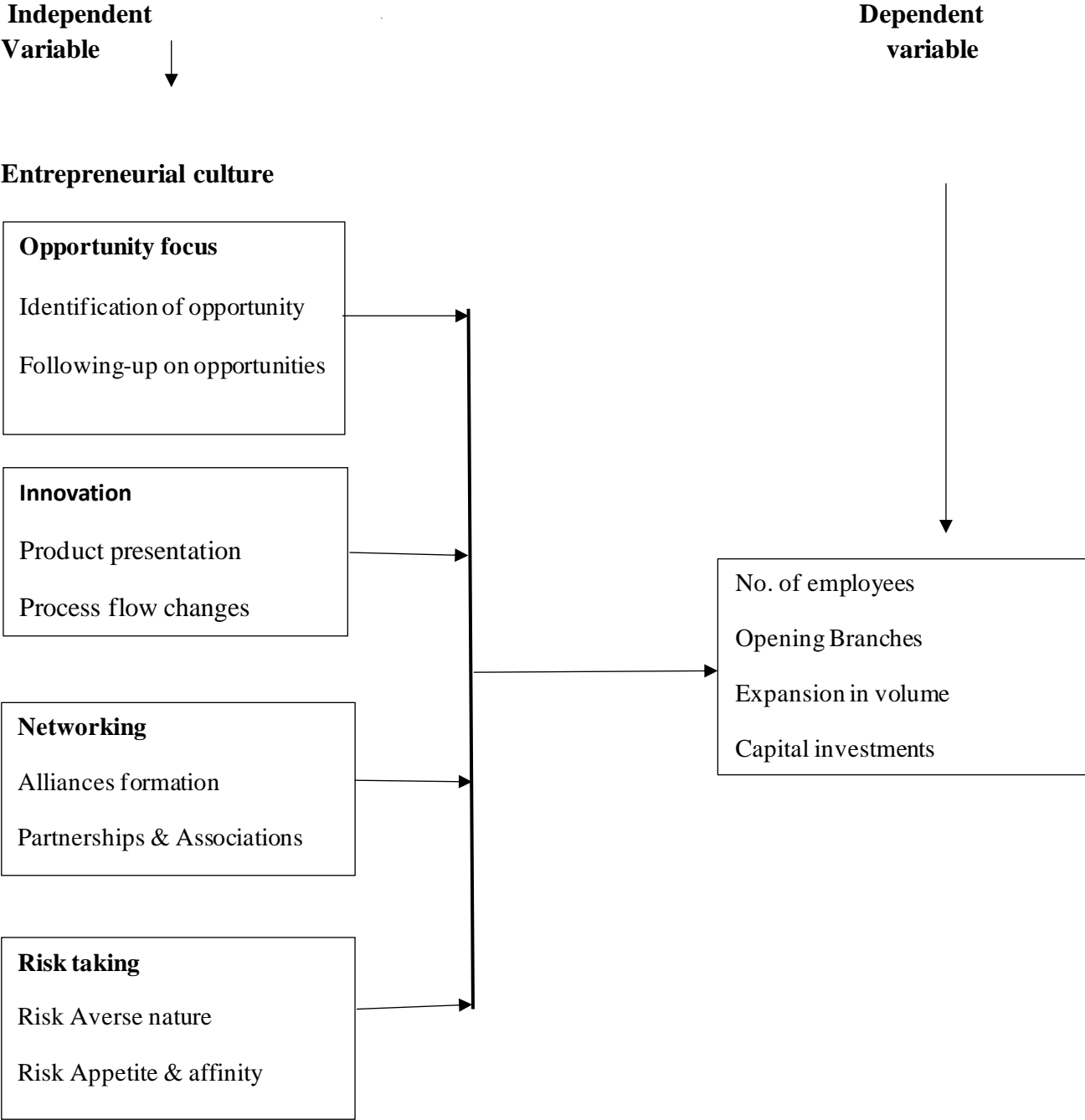


Figure 2.4; The conceptual Framework

(Source: The Author 2018)

CHAPTER THREE; RESEARCH METHODOLOGY

3.0 Introduction

The chapter describes various methods that were applied in carrying out this study. These included descriptive research design which is appropriate to describe such aspects as behaviour, characters, attitudes and values. The details of the research design, target population, sampling techniques, data analysis and presentation are given.

3.1 The research design

Descriptive research design was adopted and used in this study which seeks to establish the relationships between entrepreneurial cultures on MSE growth. Descriptive research design utilizes scientifically proven methods which involves observing and describing behaviour of any given subject without influencing influence. Given that Nairobi county market has MSEs of all kinds, the findings obtained was generalized to reflect the entrepreneurial culture that influences growth and development of MSEs in Nairobi County and other markets in Kenya at large.

3.2 Target Population

The research was target established 60 MSEs from different business categories more than ten years old in the market with a turnover of between five thousand and five million shillings. The representation was be one respondent from every established enterprise in the Nairobi County. The research was be based in Kawangware market of Dagoreti North subcounty in Nairobi County.

3.3 Sampling Design & procedure

Systematic and Stratified sampling strategies was be used to select a sample of 60 respondents for this study. Mugenda and Mugenda (2003) suggested that “if objectively selected, a sample of between 10-30% of the population is considered adequate for generalization of the findings.” This study was using a simple random sampling technique to select 20% of the respondents from each category as tabled below. The distribution of the sample was be based on proportional allocation as shown in table below:

Sample size No	Business category /Industry	Total Population	Sample Proportion	Sample Size
1	Retail trade	100	20%	20
2	Manufacturing	50	20%	10
3	Transport	100	20%	20
4	Hotel & Hospitality	50	20%	18
TOTALS		300		60

Table 3:3 Business proportion Distribution

Source: (The author 2018)

3.4 Pilot Study

A pilot study was conducted to evaluate feasibility, time, cost, adverse events, and affected size to predict an appropriate sample size and improve upon the study design prior to a complete study. The pilot study was carried out in Muthurwa market in Nairobi County where both open /closed ended and Questionnaires was be issued to 10 MSEs. The feedback was analysed to give a prototype to the research. The pilot study aimed at making sure that MSEs in the sample understood the questions in the same way. The pilot was also appropriate for the determination of the exact time required for completion of the research.

3.5 Validity of Data Collection

Specific question formed a large part of the closed-ended questionnaires aiming to capture specific information from the respondents. Both closed and open-ended questionnaires were sent to the respondents to fill and then be collected back for analysis and evaluation. A pre- test was done on the questionnaires using a selected sample of respondents and data acquired be analysed and evaluated. The pilot study was undertaken to pre-test the effectiveness of chosen methods and data collection tools that was used.

3.6 Data analysis and presentation

The researcher collected data by administering both open and closed-ended questionnaires to the respondents in the target population. Data collected was analysed using descriptive statistics, includes the mean, the percentage, and the frequencies. Pearson and Spearman correlations and inferential statistics are calculated for all variables used in the study.

Statistical Package for Social Sciences (SPSS) was used to derive the desired output. In this study, the independent variables comprise opportunity focus (OF), Innovation (IN), Networking (NW) and Risk taking (RT). The depended variable for this study was MSE Growth (MSEG).

The model to be tested in this study was thus specified as.

$$\text{MSEG} = \beta_0 + \beta_1\text{OF} + \beta_2\text{IN} + \beta_3\text{NW} + \beta_4\text{RT} + \varepsilon$$

Where:

MSEG = Small and Micro-Enterprise Growth

β_0 = Constant term

β = coefficients of determinants

OF = Opportunity Focus

IN = Innovation

NW = Net Working

RT = Risk Taking

ε = error term

3.7 Ethical issues in data collection

Participants were asked to voluntarily participate in the process, and none was coerced into participating in the research. Participants must be fully informed in advance the procedures and risks involved in research. They were to give their full consent to be able to participate. Ethical considerations dictate and compels researchers not put participants in compromising situations that might risk or harm their participation. Confidentiality of the data collected, and privacy of the participants was of the highest order.

CHAPTER FOUR: DATA ANALYSIS, PRESENTATION, AND INTERPRETATION

4.1 Introduction

This chapter presents data analysis, presentations and interpretations of the study as set out in the research methodology. The findings have been presented in two main sections: background information of the organization as well as the respondents and the effects of entrepreneurial culture on growth of MSEs.

4.2 Response Rate

Questionnaires were distributed to sixty (60) MSEs from different business categories more than ten years old in the market with a turnover of between five thousand and five million shillings in Nairobi County. Forty-four (44) of the MSEs responded through filling the questionnaires which were returned to the researcher. This formed 73% of the population of the study. According to Donald (2011), the response rate of the sample size should be more than half the sample size. Therefore, the response rate was adequate for the study.

4.3 General Information of the MSEs

4.3.1 Age of the MSEs

The respondents were asked to indicate the number of years that the organizations have been in existence. The findings are contained in the table below:

Age (Years)	Frequency	Percentage (%)
0 - 5	3	6.26
6 - 8	6	12.5
9 - 11	22	50
12 - 14	11	25
15 - 17	2	6.24

Table 4.1. Age of MSEs

Source: (Author 2018)

Basing on the findings, 50% of the respondents said that the MSEs have been in existence for between 9-11 years, 12.5% for 6-8 years and 6.26% indicated that the MSEs have been in existence for between 0-5 years, 25% for 12-14 year and 6.24% for 15-17 years. The findings show that the MSEs are mature in the industry and that they have gone through the business lifecycle stages and have put up strategies to enhance their survival and growth.

4.3.2 Nature of Business

The respondents were asked to indicate what activities the MSE was dealing in and the following table indicates the corresponding results:

Table 4.2. Nature of Business

Source: The Author 2018

Industry	Frequency	Percentage (%)
Retail trade	22	50
Manufacturing	6	12.5
Transport	8	18.75
Hotel	8	18.75

From the results above, 50% of the respondents said that the MSEs dealt in retail trade, 12.5% engaged in manufacturing, 18.75% indicated that the MSEs dealt in transport and 18.75% dealt in hotel industry. The finding shows that in Nairobi County, the number of MSEs dealing in retail trade are more than those dealing in manufacturing, transport and hotel industry.

4.4 Duration in MSE Operations

The respondents were asked to indicate the number of years that they had spent in their respective MSEs. The findings are contained in

Table 4.3. Duration in MSE operation.

Source: The Author (2018).

Duration (Years)	Frequency	Percentage (%)
0-5	6	13
6-10	8	19
11-15	19	44
16 and more	11	24

It can be noted from the table above that, 13% of MSEs had operated the MSEs for 0-5 years, 19% for 6-10 years 44% for 11-15years and 24% for 16 and more years. It can be argued that most of the respondents who participated in the research were well versed with information about their MSE operations. The respondents understood better all the strategies that the MSEs had adopted for their survival and growth.

4.5 Opportunity Focus and the growth of MSE

The respondents were asked to indicate the opportunity focus practices adopted by the MSEs and to what extent those practices were utilised using a five-point Likert scale (1-5.

1-Strongly disagree, 2-Disagree, 3-Uncertain, 4-Agree, 5-Strongly agree)

Table 4.4: Opportunity focus practices

Source: The Author 2018.

Opportunity focus practices	Score (%)					Mean	Standard deviation
	1	2	3	4	5		
The MSE has well-documented vision and mission to which it subscribes to	12.5	6.22	6.78	25	50	3.81	1.36
The MSE is inspired by the desire to offer solutions in the market	18.7	6.3	37.5	18.5	19	3.13	1.6
The MSE is driven by the desire to provide services in emerging markets	25.0	0	6.3	0	62.7	3.81	1.76
The focus for the establishment of the MSE was to make profits	0	0	6.3	0	93.7	4.86	0.5
The motivating factor for the business is opening more branches and employing many people	6.3	25.0	0	62.7	100	3.13	1.76

NOTE: The aggregate mean is 3.78 and the aggregate SD is 1.396

From table 4.4 above, the respondents said that opportunity focus practices were one of the great bases for the MSE growth (mean 3.8102:SD 1.36). The respondents said that MSE had a well-documented vision and mission which it subscribed to (mean 3.8101; SD 1.26). The respondents further said that MSE was inspired by the desire to offer solutions to the markets (mean 3.130:SD 1.6). The focus for the establishment of the MSE was to make profits according to the respondents (mean 4.875: SD 0.5). Finally, the motivating factor

for the business is opening of more branches and employing many people. (mean 3.13: SD 1.76). This means that all the MSEs in this study had a culture of opportunity focus in the MSE operation.

The MSEs had well documented vision and mission to which they subscribed to. MSEs were inspired by the desire to offer solutions in the market which was driven by the desire to provide goods and services in the emerging markets. The focus for the establishment of the MSE was to make profits and expand the businesses by opening many branches and employing a large workforce.

4.6 Innovation and the growth of MSE

The respondents were asked to indicate the innovation activities adopted by the MSEs and to what extent those activities were depicted and utilised using a five-point Likert scale (1-5. 1-Strongly disagree, 2-Disagree, 3-Uncertain, 4-Agree, 5-Strongly agree)

Table 4.5: Innovation practices
Source: The Author 2018.

Opportunity focus practices	Score (%)					Mean	Standard deviation
	1	2	3	4	5		
The MSE has transformed the product such that the current product is not as the initial	0	0	12.5	12.5	75	4.63	0.72
The process of doing business has transformed much compared to when we started. Its more complicated than before	6.26	18.75	6.25	43.75	25	3.63	1.23
The MSE has changed with the changes in the Technology which has affected the way business is conducted in modern society	6.25	0	0	25	68.75	4.50	1.03

New technology was part of the driving force that led to the growth of the business	0	0	12.5	0	87.5	4.75	0.68
Innovative workforce employed by the MSE is what has led to the growth (opening of a new branch)	0	12.5	12.5	68.75	6.25	3.69	0.79

NOTE: The aggregate mean is 4.24 and the aggregate SD is 0.89

From Table 4.5, the respondents said that the MSE has transformed the product such that the current product is not as the initial (mean 4.63: SD 0.72). 43.75% of the respondents said that the process of doing business has transformed much compared to when we started. Its more complicated than before (mean 3.62:SD 1.23). Similarly, the respondents said that the MSE has changed with the changes in the technology which has affected the way business is conducted in modern society (mean 4.5: SD 1.03). On existence of technology strategy within the organization, 87.5% of the respondents said that it was adopted to a very great extent (mean 4.75: SD 0.68). Finally, 68.75% of the respondents said that Innovative workforce employed by the MSE is what has led to the growth (opening of a new branch (mean 3.69: SD 0.79). It can be seen from this results that innovation is key in the growth of MSE, without which much cannot be realized other than stunted growth.

The MSEs had transformed the products such that the current products are not as the initial ones. There was a transformation in the process of doing business as compared to when the business was initiated. Technological changes greatly affected the way business is done. This success was attributed to the innovative workforce that MSEs are employing in their businesses

4.7 Networking and the growth of MSE

The respondents were asked to indicate how networking activities and practices adopted by the MSEs and how those activities were affecting the MSE using a five-point Likert scale (1-5. 1-Strongly disagree, 2-Disagree, 3-Uncertain, 4-Agree, 5-Strongly agree)

Table 4.6: Networking practices
Source: Author (2018).

Networking practices	Score (%)					Mean	Standard deviation
	1	2	3	4	5		
The MSE is a member of a business welfare association that was formed in the market.	0	11.0	20.25	43.75	25	3.81	1.36
The proprietor of the MSE is a member of the MSE Sacco that has helped in acquisition of loans which facilitated the MSE financial needs.	1.0	7.5	22.0	23.5	46	3.13	1.36
The MSE receives and acquires expansion knowledge from the seminars and trainings organised by the MSE member associations	0	0	13.0	72.0	15	3.81	1.76
The driving force to the expansion and opening of other branches was the skills received from the seminar by the MSE association.	18	0	81	1	0	4.86	0.50
The success of the MSE is attributed to the business networks available in the market because there are many benefits derived	0	0	100	0	0	3.01	2.02

NOTE: The aggregate mean is 3.724 and the aggregate SD is 1.4

Table 4.6, indicates that the MSE is a member of a business welfare association that was formed in the market (mean 3.81: SD 1.36), The proprietor of the MSE is a member of the MSE Sacco that has helped in acquisition of loans which facilitated the MSE financial needs (mean 3.13:SD1.36), the MSE receives and acquires expansion knowledge from the seminars and trainings organised by the MSE member associations (mean 3.81:SD 1.76) whereas the driving force to the expansion and opening of other branches was the skills received from the seminar by the MSE association strategic positioning of a business relative to its competitors affected business growth to a very great extent (mean 4.85: SD 0.56). The success of the MSE is attributed to the business networks available in the market because there are many benefits derived (mean 3.01). Networking practices among the MSE have enabled many businesses to remain strategically positioned thus dominating the market with their products and services.

The MSEs were found to be members of a certain welfare association in the market. Most of them were members of MSEP (Small and Micro Enterprise program) which transformed to be a microfinance bank. Most MSE owners were members of Sacco's which in one way or the other helped in the acquisition of loans that facilitated the MSE's financial needs. Again, it was realized that MSEs received business knowledge from seminars and trainings organized by MSE associations. This acquired skills were helpful in the expansion programs witnessed in several the MSEs. Entrepreneurial networks played a key role in the success of any given MSE. The networks facilitated growth and development in terms of market in grey areas.

4.8 MSE performance and the growth of MSE

The respondents were asked to indicate the performance indicators depicted by the MSEs and how those indicators are affecting the MSE using a five-point Likert scale (1-5. 1-Strongly disagree, 2-Disagree, 3-Uncertain, 4-Agree, 5-Strongly agree)

Table 4.7: MSE Performance
Source: The Author (2018).

MSE Performance practices	Score (%)					Mean	Standard deviation
	1	2	3	4	5		
The starting of the business was difficult, but increase has been realised in terms of capital size.	0.3	3.0	90	0.7	5.0	4.63	0.72
The process of doing business is having the mind that you will either make profits and employ many people or you may fail if you don't work hard.	0	0	36.0	34.0	30	3.63	1.26
The labour force of this business has increased greatly, and it has more employees than the at the time we were starting	40.5	39.5	10	10	0	4.5	1.03
Plans to open more branches are on the way and the funds required for the same are already been secured.	80	2.5	1.5	16	0	4.75	0.68
Stock levels of the business have increased, and the suppliers have trusted us to an extend that they offer us supply is on credit facilities	0	0	0	0	100	3.68	0.79

NOTE: The aggregate mean is 4.238 and the aggregate SD is 0.896

Table 4.7 above shows that starting of the business was difficult, but increase has been realised in terms of capital size (mean 4.63: SD 0.72), The process of doing business is

having the mind that you will either make profits and employ many people or you may fail if you don't work hard. (mean 3.63:SD 1.26), The labour force of this business has increased greatly, and it has more employees than the at the time we were starting (mean 4.5): SD 1.03, Plans to open more branches are on the way and the funds required for the same are already been secured (mean 4.75: SD 0.68) Stock levels of the business have increased, and the suppliers have trusted us to an extend that they offer us supply's on credit facilities (mean 3.8: SD 0.78). MSEs that want to sustain their competitive position must develop and deploy their performance.

The starting of the MSE was difficult but increase has been realized in terms of capital size. The process of doing business having the mind that one will make profits and employ many people was found to be a motivating factor in the running of the business as it led to people working hard. The labor force of many MSEs was found to have increased leading to the business thinking and having plans of opening many branches. The stock levels of MSEs had increased leading to them having trusted suppliers who could even offer credit facilities.

4.8: Risk-taking and the growth of MSE

The respondents were asked to indicate the risk-taking practices by the MSEs and how those practices are affecting the MSEs using a five-point Likert scale (1-5. 1-Strongly disagree, 2-Disagree, 3-Uncertain, 4-Agree, 5-Strongly agree)

Table 4.8: Risk-taking practices
Source: The Author (2018)

Risk-taking practices	Score (%)					Mean	Standard deviation
	1	2	3	4	5		
The starting and growth of the business was a total risk. No one supported my actions to an extend of being rejected	12.5	6.22	6.78	25	50	3.81	1.36
Starting a business is accepting that you will either gain or loss your investment	18.7	6.3	37.5	18.5	19	3.13	1.6
The MSE has a high affinity for taking new ventures which no other MSE has undertaken in the market	25.0	0	6.3	0	62.7	3.81	1.76
Taking up the new business challenge of the business of Chinese items and technologies motivated and contributed to the growth.	0	0	6.3	0	93.7	4.86	0.5
The business keeps on following the vision of opening branches in new markets outside the county of Nairobi	0	0	0	0	100	5.00	0.1

NOTE: The aggregate mean is 4.122 and the aggregate SD is 1.046

From table 4.4 above, the respondents said that the starting and growth of the business was a total risk. No one supported my actions to an extend of being rejected (mean 3.8102, SD 1.36). The respondents said that Starting a business is accepting that you will either gain or loss your investment (mean 3.8101, SD 1.76). The MSE has a high affinity for taking new ventures which no other MSE has undertaken in the market (mean 3.130, SD 1.6). Taking up the new business challenge of the business of Chinese items and technologies motivated and contributed to the growth. (mean 4.875, SD 0.8). The business keeps on following the vision of opening branches in new markets outside the county of Nairobi (mean 5, SD

0.12). This indicates that MSEs in this study had a high propensity and affinity to risk taking culture.

The MSEs indicated the difficulties encountered in starting the business, they confirmed from the study that it was a total risk. They faced resistance from family members to the extent of rejection. The MSEs had high affinity of taking new ventures in the gray market. The MSEs were determined to take up the challenge and compete effectively with the Chinese items and technologies in the market. The respondents confirmed that the business kept on following the vision of opening many branches in the emerging new markets in Nairobi and its environs.

4.9 Correlation Coefficient

Pearson and Spearman correlations and inferential statistics are calculated for all variables used in the study. Statistical Package for Social Sciences (SPSS) was used to derive the desired output. In this study, the independent variables comprise opportunity focus (OF), Innovation (IN), Networking (NW) and Risk taking (RT). The depended variable for this study was MSE Growth (MSEG).

The model to be tested in this study was thus specified as.

$$\text{MSEG} = \beta_0 + \beta_1\text{OF} + \beta_2\text{IN} + \beta_3\text{NW} + \beta_4\text{RT} + \epsilon$$

Where:

MSEG = Small and Micro-Enterprise Growth

β_0 = Constant term

β = coefficients of determinants

OF = Opportunity Focus

IN = Innovation

NW = Net Working

RT = Risk Taking

ε = error term

Table 4.9: Correlation table between Entrepreneurial culture Practices and MSE growth.

		BG	OF	IN	NW	RT
BG	Pearson Correlation Sig. (2-tailed)	1				
OF	Pearson Correlation Sig. (2-tailed)	.264	1			
IN	Pearson Correlation Sig. (2-tailed)	.198 .133	.517 1 .000	1		
NW	Pearson Correlation Sig. (2-tailed)	.386 .003	.633 .003	.431 .001	1	
RT	Pearson Correlation Sig. (2-tailed)	.302 .444	.604 .000	.832 .000	.139 .293	1

The correlation results in Table 4.9 indicate positive correlations between MSE growth and all the independent variables arising from adoption of entrepreneurial culture.

This result is expected due to the transformational nature of MSEs entrepreneurial culture.

Opportunity focus (OF) ($r= 0.302$), Innovation (IN) ($r=0.386$) as well networking (NW) ($r= 0.264$) then it is expected that it affects positively the growth of MSEs. However, the findings also show that there exists a negative correlation between risk taking and MSE growth (MSEG) ($r= -0.259$). This means that risk taking affects the chance of a business growth if it is not integrally incorporated in the MSE plan. Most of the relationships of the

study variables were found to have an aggregate mean of 4.2108 and an aggregate standard deviation of 1.0235. This means that there is a strong dependence of growth to entrepreneurial culture.

The correlations among the independent variables suggest that multicollinearity should not be a problem in multiple regression analysis since the coefficient values are low. Field (2005) suggested that multicollinearity becomes a problem only when the correlation coefficient exceeds 0.80 or 0.90. In addition, a correlation was established between growth and entrepreneurial culture. The results are presented in table 4.11.

Table 4.10: Correlation table between Entrepreneurial culture Practices and MSE growth

		BG	OF	IN	NW	TR
BG	Pearson Correlation Sig. (2-tailed)	1 000				
OF	Pearson Correlation Sig. (2-tailed)	.364 .000	1			
IN	Pearson Correlation Sig. (2-tailed)	.361 .000	.297 .002	1		
NW	Pearson Correlation Sig. (2-tailed)	.326 .000	.283 .003	.400 .000	1	
RT	Pearson Correlation Sig. (2-tailed)	.376 .000	.212 .030	.290 .003	.357 .000	1

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

From the correlation table, there is a strong correlation between entrepreneurial culture of risk taking (RT) and MSE growth ($r=0.481$) and the adoption of networking ($r=0.376$).

Generally, it can be seen clearly that from the above results, there is positive relationship between entrepreneurial culture and MSE growth. Projections can be made along this result to mean that if the MSEs adopted the entrepreneurial culture then MSE growth can be realized. This will lead to the attainment of the myriad benefits derived from MSEs role in the economy. Substituting the coefficients from the analysis above, the coefficient correlation equation becomes:

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

The chapter gives the findings from the data that was analyzed in this study. It also gives the possible conclusions that were drawn from the findings. The findings have been summarized alongside the objective of the study. Study conclusions have been drawn from the research variables and recommendations along those lines for actioning have also been given.

5.2 Summary of Findings

The summary of the study findings in relation to the study objectives is presented in this section. The objective of the study was to establish the relationship between entrepreneurial culture and growth of Small and Micro Enterprises in Nairobi City County. The study analyzed entrepreneurial culture of Opportunity Focus, Innovation, Networking and Risk Taking. This study was set to achieve four main objectives: The first objective was to establish influence of opportunity-focus on the growth of MSEs in Nairobi County. The second objective was to evaluate how innovation influences the growth of MSEs in Nairobi County. The third objective was to establish how networks affects growth of MSEs in Nairobi County and the fourth was to analyse influence of risk taking on the growth of MSEs in Nairobi County.

From the study, it was established that most of the entrepreneurs were aged between 21-45 years. Majority of the MSEs engaged in retail businesses where they buy products, repackage and finally sell in small quantities. The MSEs has matured employees who again happens to be the sole proprietors who had worked in their businesses for a period between 5-16 years. From the study objective one, opportunity focus had an aggregate

mean of 3.73 and a SD of 1.39. This means that majority of the MSEs in this study had a culture of opportunity focus in the MSE operation. The MSEs had well documented vision and mission statements to which they subscribed. MSEs were inspired by the desire to offer solutions in the market which was driven by the desire to provide goods and services in the emerging markets. The focus for the establishment of the MSE was to make profits and expand the businesses by opening many branches and employing a large workforce.

From the study objective two, innovation had an aggregate mean of 4.24 and SD of 0.89. It can be seen from this results that innovation is key in the growth of MSE, without which much cannot be realized other than stunted growth. The MSEs had transformed the products such that the current products are not as the initial ones. There was a transformation in the process of doing business as compared to when the business was initiated. Technological changes greatly affected the way business is done. This success was attributed to the innovative workforce that MSEs are employing in their businesses

From the study objective three, networking had an aggregate mean of 3.724 and SD of 1.4. Networking practices among the MSE have enabled many businesses to remain strategically positioned thus dominating the market with their products and services.

The MSEs were found to be members of a certain welfare association in the market. Most of them were members of MSEP (Small and Micro Enterprise program) which transformed to be a microfinance bank. Most MSE owners were members of Sacco's which in one way or the other helped in the acquisition of loans that facilitated the MSE's financial needs. Again, it was realized that MSEs received business knowledge from seminars and trainings organized by MSE associations. This acquired skills were helpful in the expansion programs witnessed in several the MSEs. Entrepreneurial networks played a key role in the

success of any given MSE. The networks facilitated growth and development in terms of market in grey areas.

From the study objective four. Risk taking had an aggregate mean of 4.122 and a SD OF 1.046. This indicates that MSEs in this study had a high propensity and affinity to risk taking culture. The MSEs indicated the difficulties encountered in starting the business, they confirmed from the study that it was a total risk. They faced resistance from family members to the extent of rejection. The MSEs had high affinity of taking new ventures in the gray market. The MSEs were determined to take up the challenge and compete effectively with the Chinese items and technologies in the market. The respondents confirmed that the business kept on following the vision of opening many branches in the emerging new markets in Nairobi County.

The most adopted entrepreneurial culture practice in the MSE sector was found to be opportunity focus, how the MSEs were able to identify the businesses and the efforts they were putting in in the follow up of those opportunities. The least adopted culture practice was risk taking. Most of the respondents indicated that most entrepreneurs were risk-averse and even though their risk appetite was high, they were reluctantantly willing to take up the challenge. Other entrepreneurial culture practices included innovation which necessitated starting of many MSEs. Innovation was determined based on the product transformations and positive improvements in the business processes. Networking which played acritical role in the development and expansion of the MSEs in the study based on the business alliances and partnerships and associations. This entrepreneurial culture variables were found to be critical in the growth of MSE in Nairobi County.

5.3 Conclusions

From the study, the MSE sector in Nairobi City County is a mature sector which has mature employees who are mostly sole proprietors. The nature of the business the MSE practice is majorly retailing. They buy goods from manufactures, repackage, rebrand and sell in small quantities in the market. The MSEs in Nairobi City County have adopted several entrepreneurial cultures that enhances MSE growth. The most prevalent cultures that enhances MSE growth are opportunity focus where entrepreneurs whose business have grown have identified opportunities, strategically laid down plans and followed up to ensure implementation. Innovation both in the product and processes of doing business has contributed to MSE growth. The culture practice of networking stood out in enhancing growth, entrepreneurial alliances, partnerships, and associations proved to enhance growth. Risk taking is also in the list of the big four entrepreneurial culture that enhances MSE growth. Risk averse MSEs were seen to remain stunted for several years with negligible growth. MSEs with high risk appetite exhibited growth.

5.4 Recommendations

MSEs that have embraced and practiced the entrepreneurial culture of opportunity focus, innovation, networking, and risk-taking stand a great chance of growth in terms of opening new branches, venturing into new businesses, and increasing their capital investments. Recommendations are made along the following entrepreneurial culture.

- MSEs and those aspiring to be successful entrepreneurs should embrace and use entrepreneurial cultures for their businesses to be competitive in the market and be able to realize MSE growth.
- MSEs should increase their networking framework to facilitate competitiveness

- MSEs should be abreast with the current innovation for relevance in the market and MSE growth strategies.
- MSEs should purpose to be risk takers and not risk averse for them to be able to realize growth.

5.4.1 Suggestions for further Research

The study focused on the relationship between only a few entrepreneurial cultures of opportunity focus, innovation, networking, and risk taking. There is much that can be studied on entrepreneurial culture including how education affects the MSE growth.

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QUESTIONNAIRE

SECTION A: Background (kindly tick in the boxes)

Name of MSE owner

Gender Male Female

Type of Business Sole Proprietorship Partnership

Is the business inherited or started-----

How long has the business been in existence?

(Kindly tick one below)

Less than 1 year

1-2 years

2-3 years

3-4 years

5 years

How many employees does the business have-----

What motivated you into these business?-----

What is the one fear that you have always lived with in the operation of the business-----

Where do you want your business to be in five years from now-----

SECTION B: OPPORTUNITY FOCUS AND THE MSE GROWTH.

Entrepreneurial opportunity consists of a set of ideas, beliefs and actions that enable the creation of future goods and services. (Kindly tick appropriately on a scale of 1-5. 1-Strongly disagree, 2-Disagree, 3-Uncertain, 4-Agree, 5-Strongly agree.

Kindly indicate the extent to which each of the following opportunity focus aspects affects the growth of an MSE.	Strongly Disagree	Disagree	Uncertain	Agree	Strongly Agree
	1	2	3	4	5
1. The MSE has a well-documented vision and mission statements to which it subscribes to.					
2. The MSE was inspired by the desire to be the solution giver in the market					
3. The MSE was driven by the desire to provide services in the emerging market.					
4. The focus why the business was established was to make profit and be the leader in the sector					
5. The motivating factor for the business is having more branches and employing many people					

What has been the most recent venture you undertook in the recent past?

What is the most difficult challenge in pursuing an opportunity in business?

SECTION C: INNOVATION AND THE MSE GROWTH.

Innovation is all about finding new things, ideas, concepts, developments, improvements and ways to do things and to obtain strategic advantages. (Kindly tick appropriately on a scale of 1-5. 1-Strongly disagree, 2-Disagree, 3-Uncertain, 4-Agree, 5-Strongly agree).

Kindly indicate the extent to which each of the following innovation focus aspects affects the growth of an MSE.	Strongly Disagree	Disagree	Uncertain	Agree	Strongly Agree
	1	2	3	4	5
1.The MSE has transformed the product such that the current product is not as the initial one.					
2. The process of doing business has transformed much compared to when we started, it is more complicated than before.					
3.The MSE has changed with the changes in the innovation which has affected the way we do business in the modern society.					
4. New technology was part of the driving forces that led to the growth of the MSE.					
5. Innovative workforce employed by the MSE is what has led to the MSE growth. (opening a new branch)					

What has been the most recent innovation you implemented in the recent past?

What is the most difficult challenge in acquiring and implementing innovation in business?

SECTION D: NETWORKING AND THE MSE GROWTH.

This are friends, acquaintances and business associations that make use of the networks to obtain resources and more opportunities for the MSE which leads to growth. (Kindly tick appropriately on a scale of 1-5. 1-Strongly disagree, 2-Disagree, 3-Uncertain, 4-Agree, 5-

Kindly indicate the extent to which each of the following Entrepreneurial networking aspects affects the growth of an MSE.	Strongly Disagree	Disagree	Uncertain	Agree	Strongly Agree
	1	2	3	4	5
1. The MSE has is a member of an MSE welfare association that was formed in this market.					
2. The Proprietor of the MSE is a member of MSE Sacco that helps in acquiring loans that facilitates funding needs.					
3. This MSE proprietor acquires knowledge from seminars and trainings organized by the MSE member associations.					
4. The driving force to the expansion and opening of new branches was the training skills received from the seminar by the MSE association in the market					
5. The success of this MSE can be attributed to the business networks available in the market because of the benefits derived.					

What was the recent MSE networks that your business joined?

What is the most difficult challenge in business networking?

SECTION F: MSE PERFORMANCE

Performance propensity could effectively be conceptualized as an individual, MSE orientation toward taking chances and necessary steps in any decision-making scenario.

(Kindly tick appropriately on a scale of 1-5. 1-Strongly disagree, 2-Disagree, 3-Uncertain,

<p>Kindly indicate the extent to which each of the following MSE Performance aspects affects the growth of an MSE.</p>	<p>Strongly Disagree</p>	<p>Disagree</p>	<p>Uncertain</p>	<p>Agree</p>	<p>Strongly Agree</p>
	<p>1</p>	<p>2</p>	<p>3</p>	<p>4</p>	<p>5</p>
<p>1. The starting of this business was difficult but we have increased the capital of the business to greater levels</p>					
<p>2. The processes of doing business is having the mind that you either and employ many workers as we have.</p>					
<p>3. This MSE has affinity for taking new ventures which no other MSE has attempted to undertake and has the plans already in place.</p>					
<p>4. The driving force to the establishment of this business was the new venture that come into existence and spread to other counties.</p>					
<p>5. The motivating factor for the business is having more branches and employing many people who are have good risk-taking rationale.</p>					

Where does the business intend to be in five years from now?

Where do you see this business in twenty years from today?

SECTION E: RISK-TAKING AND THE MSE GROWTH.

Risk-taking propensity could effectively be conceptualized as an individual, MSE orientation toward taking chances in any decision-making scenario. (Kindly tick appropriately on a scale of 1-5. 1-Strongly disagree, 2-Disagree, 3-Uncertain, 4-Agree, 5-S

Kindly indicate the extent to which each of the following Risk-taking concepts affects the growth of an MSE.	Strongly Disagree	Disagree	Uncertain	Agree	Strongly Agree
	1	2	3	4	5
1. The starting of this business was a total risk. No one supported my actions to an extend of being rejected.					
2. Starting a business is accepting that you will either gain or loss your investment.					
3. This MSE has affinity for taking new ventures which no other MSE has attempted to undertake.					
4. Taking up the new business challenge of the business of Chinese items and technologies motivated and contributed to the growth.					
5. The business keeps o.					

What has been the most recent risk activity you undertook?

What is the most difficult challenge risk decision you made and implemented?

APPENDIX 1

Research budget:

Activity	Cost (ksh)
Project development (typing, photocopying, binding)	5000
Data collection	35000
Transport	5000
Miscellaneous	6000
Library	3000
Total	54,000

APPENDIX 2

Time frame/ work plan

ACTIVITY	TIME TAKEN (WEEKS)
Project development (typing, photocopying, binding)	7
Data collection	5
Instrument review	1
Data analysis	2
Project writing and project development.	5
Submission and defend	0.5
TOTAL TIME TAKEN	20.5

APPENDIX 3

LETTER OF INTRODUCTION

Dear Respondent,

RE: COLLECTION OF SURVEY DATA

I am a post graduate student at Kenyatta University, School of Business. In partial fulfillment of the requirements of the Degree of Master in of Business Administration (MBA), I am undertaking a research project on entrepreneurial culture and growth of MSEs, a case of Nairobi city county, Kenya. You have been selected to assist me carry out this study.

I kindly request you to assist me collect the data by honestly answering my questionnaire and other questions that you may be asked pertaining the same. The information provided will be used exclusively for academic purposes. My supervisor and I assure you that the information you give will be treated with strict confidence. At no time will your name appear in my report. A copy of the final paper may be availed upon request.

Your support and co-operation are highly appreciated in advance.

Yours Truly

Khaoya Humphreys

Student

Kenyatta University

