ENTREPRENEURIAL ORIENTATION AND PERFORMANCE OF SMALL AND MEDIUM- SIZED ENTERPRISES IN NAIROBI CITY COUNTY, KENYA

BY

JOSHUA KILUNGU KIVUITU

REG NO D53/CTY/PT/28821/2013

A RESEARCH PROJECT SUBMITTED TO THE SCHOOL OF BUSINESS IN PARTIAL FULFILMENT OF THE REQUIREMENTS OF THE DEGREE OF MASTER OF BUSINESS ADMINISTRATION (ENTREPRENEURSHIP) OF KENYATTA UNIVERSITY

OCTOBER, 2021

DECLARATION

This Research project is my original work and has not been presented for a degree or other award in any other university. No part of this research project should be reproduced without authority of the author or and Kenyatta University

Signed..... .....
Date

JOSHUA KIVUITU
D53/CTY/PT/28821/2013
Department of Business Administration

This Research Project has been submitted to the University with my approval as a university supervisor

Signed..... .....
Date

DR. J. KARUGU
Department of Business Administration
School of business
Kenyatta University

ACKNOWLEDGEMENTS

The Almighty God's Providence and the care took the centre stage through out the period of the project. A word of thanks to my supervisor Dr. Janester Karugu who provided a lot of Guidance and Directions as per the topic of study.

To Dr. Josphat Kyalo, I appreciate your contributions and guidance while I was the preparing the research project. It took the dedication of Dr. Morrisson Mutuku who assisted in the drafting and preparation of the research work.

DEDICATION

I devote the research project to God and my family; My Wife Elizabeth & Children, Edelquinn, Fidelis and Adeline. They were of much love, patience and encouragement for the time spent away from the house while I pursued the degree and for their understanding, emotional support as I wrote the research project.

TABLE OF CONTENTS

LIST OF TABLES

LIST OF FIGURES

ABBREVIATIONS AND ACRONYMS

BP	Business Performance
EC-	Environmental Concept
EC-	Environmental Context
EO-	Entrepreneurial Orientation
GDP-	Gross Domestic Product
GOK-	Government of Kenya
IN-	Innovation
KNBS-	Kenya National Bureau Of Statistics
MSME-	Micro, Small and Medium Enterprises
OECD-	Organization for Economic Co-operation and Development
PR-	Proactiveness
RT-	Risk Taking

OPERATIONAL DEFINATION OF TERMS

Business Performance; Business performance is an indicator of company profitability, growth or social performance.

Environmental Context;- They are the external factors and which cannot be controlled by a Business but do influence the business in several ways.

Entrepreneurial Orientation; This is the entrepreneurial nature of a firm which includes Firm behaviors', managerial philosophies and the practices of making strategies that define a company.

Gross Domestic Product; This is the measure in monetary aspects, the countries productivity within a period.

Innovation; This is the introduction of new things or ideas in a industry,

Proactiveness; This is the taking a lead of an active, rather than passive, role in doing, accomplishing taking the initiative.

Risk Taking; Risk taking is being bold and open minded doing something that involves danger or risking with the aim of achieving a goal.

ABSTRACT

In Kenya's economic growth, innovation and jobs creation has been has been hugely contributed by the Micro and Small Enterprises sector. This notwithstanding the Kenya's economic growth slowed down from September 2017 when compared to the same period of 2016. Within this period, the economy was stable and it supported the dynamics of growth but due to shaky governmental and harsh atmospheric phenomenon adversely affected the economy. This resulted in poor economic results in most sectors of the economy. The Entrepreneurial orientation relates positively with business growth, but it seemed not to apply in Kenya prompting the researcher to find out if Entrepreneurial orientation components were being applied by Kenya's businesses. The researcher's generally investigates how the entrepreneurial orientation affects performance of Small and Medium businesses in Nairobi city County, Kenya with the specified objectives being to; find out the impact of taking risk, to analyze the result of innovation, and to finally establish the effect of pro-activeness on progress of Small scaled businesses. This study highly relied on Entrepreneurial Orientation Theory, Schumpeter's Innovation Theory and Resource based Theories as they underpin the variables under study. The research design used was cross sectional descriptive targeting a population of 2300 Small scaled businesses registered to operate in Nairobi City County. A total 230 participants making a 10% of targeted population was obtained using a proportional sampling. A semi-structured questionnaire collected the data and its analysis done by both descriptive plus inferential statistics. The forms of graphs, tables and figures presented the data. Conclusion show entrepreneurial orientation to be an indicator of business performance and all the dimensions of entrepreneurial orientation were positively related to performance of Small and Medium Businesses. This showed that aspects of innovation, proactive and risk-taking when applied as a strategy may propel SMES in Kenya to an economic growth and it can help firm owners make right choice and allocate resources wisely. From the research findings and conclusion the researcher recommends that: Small and Medium Enterprises should embrace the entrepreneurial orientation dimensions so as to strengthen business performance. This study makes recommendations for more research on the influencing Factors that intervene on the results of entrepreneurial orientation on business performance.

CHAPTER ONE

INTRODUCTION

1.1. Background of the study

Small and medium-sized enterprises (SMEs) and entrepreneurship economic importance has in recent decades increased significantly owing to the large companies increasing concentration on core competences and enactment of mass lay-offs (Basile 2012). MSEs in many countries play a key role in their collective contribution to economic growth.
(ILO, 2007). MSEs in Kenya contributed over70% of GDP in 2013, while in Singapore it contributed to 47% of GDP (SMU, 2008), and 33% in Tanzania (Madata, 2011).

Pratono and Mahmood, (2014) paints SMEs and entrepreneurial activity as integral to economic growth, and advises the small firms and entrepreneurs on the importance of growing their performance and devise ways of surviving in harsh economic times. To Cope in harsh conditions firms should be adaptive or flexible and demonstrate specific capabilities of internal resources or innovativeness so as to be able to show some economic growth or be able to survive during such harsh economic environment.

According to Andersen (2010), the firm's level of taking risks, proactiveness and innovativeness will determines the survival during economic turbulence and have high chances of economic growth. Most studies on EO (example. Covin and Zahra 1995; Kraus *et al*.2012, Shephard and Wiklund, 2005; Wiklund, 1999, Zahra, 1986 ;) have really focused on the interaction of EO and growth and have all showed that the behaviors related to EO when adopted can propel organizations to a high economic growth.

Krueger (2000) believes that in business operating in environment that is uncertain, hostile and with aggressive competitors an organizations strategy and entrepreneurial culture will be key factor of performance. Entrepreneurial mindset for SMEs is advised to scan for the opportunities and threats within the firm's environment so as to ensure the firms' future survival (Krueger 2000). In both environmental and economic turbulence, firms face a lot of business uncertainty and market instability which makes the businesses conform to the forces (Grewal &Tansuhaj 2001; Lin & Carley 2001).

Because Business Operating Environment can hugely affect an organization's performance, managers should understand and consciously manage the times and seasons, scholars should determine the elements explaining the business performance between different firms, some growing and others dwindling in complex environment (Grewal & Tansuhaj 2001) The most recent economic crisis of 2017 gives us a contextual framework on which a to examine the production impact of EO in SMEs

According to a Deloitte report, in the Kenya Economic Review of 2017, Kenya's economic growth slowed down from September 2017 when compared to the same period of 2016. Within this period, the economy was stable and it supported the dynamics of growth but due to shaky governmental and harsh weather atmospheric phenomenon adversely affected the economy, resulting in most sectors of the economy to post slower growths.

1.1.1 The concept of Performance

According to Shepherd and Wiklund, (2009) a firm's discharge can be assessed by increase in sales, increased employment, increased profits and more market share. Increment in sales volume and increased employment opportunities are highly recognized measures of both large and small organizations growth (Janssen, 2009). The findings Wit and Zhou (2009) agrees with that increased sales and employment opportunities do reflect changes in a firm.

The two are easily obtained when compared to other attributes like market shares, which are more objective and difficult to get. Because it is easily remembered, the increase in sales is mostly used to indicate performance (Gürbüz & Aykol (2009)., although Delmar (1997) discouraged the measurement of a single growth indicator because environment and industrial set up varies and resulting in the eventual effect on the different growth measure.

The effectiveness of EO in a firm growth can be measured when the entrepreneurial opportunities translate to firms Covin *et al.* (2006), from the study, they measured growth rate from the sales growth where they established a positive correlation in increase in and EO.

While Shepherd and Wiklund (2003) found a interaction on the plane of EO and growth, EO was found to have important use in increasing firm's growth when the respondent's own firm performance is compared with the competitor's overall organization's growth. The correlation in EO and growth has also been established in other sectors as was showed by Kraus (2013) that EO in service industry is an important predictor of firm performance.

Covin *et al.* (2006) explored the interaction between Entrepreneurial orientation and growth and used sales growth as a growth proxy. They found EO positively related sales growth rate. In their findings about EO effectiveness being best measured by a criteria that can reflect an organization's success on converting entrepreneurial opportunities into growth. Eggers *et al.* (2013) in their findings on the how EO influences on the growth of both employment and revenue agreed with those of and Elfring and Stam (2008) and Harms *et al*. (2010). In this respect, the researcher used the increase in sales and increase in employment to be the measures of SMEs performance as was recommended by (Stam *et al*, 2008),

1.1.2 Entrepreneurial Orientation

This notion has been defined in several ways by scholars where Miller's (1983) definition of EO was aligned to be a strategic thinking which focuses on entrepreneurial specific Practices, and the senior management who innovate and bring competitive edge, and to compete effectively with others. This concluded that was firm was entrepreneurially oriented if took risks, was innovative and is proactive in their undertakings

The entrepreneurial process was emphasized with evolution of strategic management studies, according to Lumpkin and Dess, (1996), managers act entrepreneurially by using current and emerging technology, grasping new product and seizing of new market opportunities and venturing in ventures appearing risky. This then is entrepreneurial orientation which a strategic attitude which reflects an organization processes and decisions that lead to new entry.(Covin & Slevin, 1991)

Dess and Lumpkin (1996) assert EO to represent important entrepreneurial processes and answers questions on how to undertake new ventures and entrepreneurship as the content of entrepreneurial decisions which addresses the undertakings. EO indicators therefore Includes Innovation, Proactivenesss and taking of risks

1.1.3 The Small and Medium Enterprises in Kenya

High Mortality rate of firms characterize the MSEs sector in Kenya according to (RoK, 2013); various past studies done have shown out of every five SMEs, three of them don't survive the first few years according to Bowen, *et al* 2009; RoK, 2013); while more than 60% fail every year according to KNBS, (2016); and most do not get to their third year (Ngugi, 2013). Many MSEs are generally imitators with low margin and with very little differentiation and many are driven by necessity or need to survive (The Guardian, 2014).

The economic review report by Deloitte, (2017) showed very slow growth because of poor performance of the economic key factors. According to the Kenya Economic Outlook (2017), the sectors that recorded the largest deceleration were the financial and insurance.

The SMEs in Kenya are a crucial pillar that creates jobs and in the economy growth as was reported in 2014, where SMEs created 80% of the jobs (KNBS, 2016). According to the MSME Act of 2012, Micro enterprises normally have less than 10 people employed and have a yearly turnover of half million Kenyan shillings.

Most SMEs in Kenya are either self-employed or are found in small scale industries commonly known as Jua Kali which is both a formal and an informal sector mostly employing staff up to 49 persons. It is estimated that Kenya has about 7.5 million enterprises' under SMESs although a comprehensive data does not exist, in the year 2008; these SMEs contributed 44% of the GDP. About 98% of the businesses and 30% of jobs created and 3% of the GDP in Kenya are contributed by the informal sector with 2% being from the formal sector.

The Kenyan government appreciates the informal sector role and it is endeavoring to integrate them so as to formalize them since the ease of business registration has a bearing on entrepreneurial starters in the formal sector, leading to creation of jobs and revenue this will propel the country into an industrialized middle class economy and grow the GDP to about 10% by 2030.

1.2 Statement of the problem

The performance of a Firm and EO are positively related and the rate of a firm success will depend on how the management will translate entrepreneurial opportunities into growth(The Guardian,2014) Kenya's economy slowed down in 2017 when compared to the same period of 2016 and according to Deloitte (2017) the slowest growth was registered 2017 hugely contributed by low performance in the economy's key sectors like Financial and insurance sectors others which also suffered included Health, food and accommodation,, manufacturing, mining and quarrying. SMES in Kenya being a crucial pillar and contributor to economy growth according to KNBS, 2016) must have been affected by the low performance of the economy.

This economic turbulence offers a unique circumstance to study enterprising attitude impact on thriving of SMEs. The research aims to look at the entrepreneurial impact on development

of small businesses in Nairobi City County in respect to skills associated with entrepreneurship including the capability of innovating to counter emerging threats and opportunities, capability to manage uncertainty and to tolerate risks. The article's main goal is to look at the entrepreneurial attitude influence on development of small business when faced by market instability and uncertainty

1.3 Research Objective

1.3.1 General objective

The research generally explores the results of EO on development of small businesses in Nairobi city County, Kenya.

1.3.2 Specific Objectives

The study was guided by the following specific objectives;

i. To analyze how risk taking affect performance of small business in Nairobi city County, Kenya.
ii. To look at how innovation affects the performance of small businesses in Nairobi city County, Kenya.
iii. To analyze how proactiveness affects the performance of small business in Nairobi city County, Kenya.
iv. To analyze the moderating impact of Business operating environment on how entrepreneurial orientation relates to performance of SMEs in Nairobi city County, Kenya.

1.4 Research Hypotheses

The study was guided by four research hypotheses

H_{01}: Innovation does not significantly impact on the performance of small businesses in the county of Nairobi city, Kenya.

H_{02}: Risk taking doesn't significantly impact on the performance of small businesses in the county of Nairobi city, Kenya.

H_{03}: Pro-activeness doesn't significantly impact on the performance of small businesses in Nairobi city County, Kenya.

H_{04}: Business operating environment doesn't moderate the entrepreneurial orientation Impact on the performance of small business in the county of Nairobi city, Kenya

1.5 Significance of the study

The findings from a number of sectors will benefit. First, the importance outlined for each EO dimension-Risk taking, proactiveness and Innovation, and how they affect SME performance in Nairobi City County, and act as an operational framework for the general SMEs. Secondly, the studies educate many organizations about the results of entrepreneurship attitude on performance of small business in the county of Nairobi City; this will act as an encouragement to the SMEs to practice EO. Lastly, it is a guide for extra research in EO and business performance.

1.6 Scope of the study

The research focused on the degree at which entrepreneurship attitude affected the performance of small business within the geographical boundaries of Nairobi City County, with a target population of 2,300 SMES who were licensed to operate. The aspects of entrepreneurship under study were innovation, risk taking and proactiveness.

1.7 Limitations of the study

The number of Licensed SMEs in Nairobi County formed the sample frame. Response rate was a limiting factor since the information was to come from the business owners where some denied audience and failed to respond to emails. To overcome that, the researcher sought to have the employees respond to the questionnaire. To avoid worry and to build the respondent's confidence and trust, the basis of the study was elaborated to avoid suspicion on the use of the information given.

1.8 Organization of the Study

Five sections formed the whole study. The first chapter gives the study background and also brings out the statement of the problem under study, laid down the study objective; formulated the question of the research, highlighted the significance of the research, the scope and then gave the areas the study had limitations. The second chapter reviews prior writing on the subject by presenting the theoretical review and empirical analysis, with the basis on the Variables and the study objective, later the conceptual framework is highlighted how the independent variables related with the dependent variables. The third chapter describes the adopted research method. It describes the design used, the study targeted population and the size sampled for study, the technique used in sampling, instruments of data collection and the methods and techniques used to analyze the data. The fourth chapter analyses and discusses the results from the research. The fifth chapter gives the findings

summary, the conclusion drawn and the study recommendations, and last bit is the areas suggested for more study.

CHAPTER TWO

LITERATURE REVIEW

2.1. Introduction

The chapter reviewed various suppositions related to subject under study after which the Empirical review was done; later the correlation of the independent Variables (Entrepreneurial Orientation) and the dependent variables SMES Business performance was presented by a conceptual framework.

2.2 Theoretical Review

Various theories related to variables under study were looked at; these were the Schumpeter's Innovation Theory, Entrepreneurial Orientation Theory and performance theory.

2.2.1 The Schumpeter's Innovation Theory

This theory laid the basis for this study was developed by Schumpeter (1942) and describes a process of "creative destruction" He postulates wealth to be created by disrupting the existing market structures by introducing goods and services which were not there before. This introduction grows new firms by moving resources away from the old firms and introducing them to new companies. Schumpeter terms innovativeness as a way by which change as an opportunity is exploited by entrepreneurs for a different service or undertaking. Schumpeter (1942) stressed on the need for the entrepreneurs to look for the innovative ways that bring changes and the various signs that show innovation opportunities; He also emphasized on the need to understand to utilize the various principles of innovation. Schumpeter also emphasized on the role played by entrepreneurs' creative destruction vital agents.

Drucker (1985); Kolvereid and Westhead, (1991), Lumpkin and Dess, (1996) are the other researchers who had the same Schumpeterian view and they saw an entrepreneur to be always looking for a meaningful innovation by searching for opportunity for change and fully exploiting it. In their study Kolvereid and Westhead (1991), realized innovation to be one of the key motives of starting a business. Lumpkin and Dess (1996) on their part said the process of creative destruction always emanating from an entrepreneur, brings out innovation as an important success factor within EO.

Schumpeterian growth theory fronted by Schumpeter supposes in pursuit of profits, the innovations by firms brings about technological progress and with the endeavor to create a

competitive advantage over competitors, each innovation renders the previous one obsolete. (Schumpeter,1934).

Joseph Schumpeter's innovation theory brands an entrepreneur to be having three key characteristic of innovation, creativity and foresight. This he says Entrepreneurship happens when a new product is created, a new way to make a product is introduced or a no existed market is discovered.

Ling, *et al*. (2008) stresses how Innovation is important to entrepreneurship because of its integral role in a country's economic growth. He links innovation to a country's economic growth where he asserts that countries with the largest economies have a lot of commitment to innovation and research. Currie, *et al.* (2008) on their part posits that to an organization's sustainability and success are cognizant of the ever changing external setting, innovation.

The researcher adopted the Schumpeterian innovation theory as it underpins one of the variables under study. Innovation was a key variable observed for the EO to impact positively on performance of a firm.

2.2.2 The Entrepreneurial Orientation Theory

The study by Miller (1983) refers to an organization that is entrepreneurial as the one that will be actively engaged in product and market innovation, first to bring proactive innovations before competitors do and is ready to undertake venture that are risky. Khandwalla (1977) makes it clearer on the entrepreneurial oriented management as a style that is aggressive, bold, risky manner of decision-making as compared to a cautious stability-oriented kind of cautious approach of decision making.

The EO on a firm level initially was constructed to differentiate between managers and business owners psychologically (Callaghan, 2009) and which was unfortunately abandoned in quasi-psychological state even before the analysis of individual Entrepreneurial Orientation success relationships. One of the strategy – making modes put forth by Mint berg (1973) put forth one of the strategy making mode which is more of aggressive look for opportunities for entrepreneurship and performance. The other modes for firm and individual level was planning, looking at alternatives and selection of appropriate strategies to apply in a continued environmental change and the adaptive mode which is a reactive solutions compared to proactive search for new opportunities even in absence of threats. On their part,

Covin and Slevin (1989) on their part contrasted the thought that organizations working in harsh competitive areas, characterized by stiff competition among companies that operate in less competitive set up and reported that the former normally adopted innovations more often than the latter.

Entrepreneurial orientation theory was used in this research because it encompasses an organization's strategic models, managerial thinking and firm innate cultures' that are entrepreneurial in nature.

2.2.3 Resource Based Theory

The Resource Based View of a firm is a theory on strategic management developed by Jay Barney to give an explanation as to why even in the same environment, some businesses perform better than others by looking at the firms resources and the competitive advantage such firms possesses by an effectively using both tangible and intangible resources.

According to Barney (1991) Rare, valuable and hard to imitate resources are source of sustained competitive advantage and when if such resources are put together differentiates the firms capabilities further. Such resources include leadership capability, special information, particular education and experience which may make it difficult for competitors to imitate the firm's undertakings.

According to Alvarez and Barney (2007), entrepreneurs just needs coordinating and executing instead of organizing if they have the resources required to take advantage of an opportunity. Barney, (2018) combined the resource based view with the stake holders to have a new view of stakeholder as another form of a resource as the stake holders interests are give attention by entrepreneurs to attain competitive advantage.

2.3 Empirical Review

This segment reviewed past write up materials in the field of entrepreneurial orientation and business growth; it encompassed the measures of the dimensions of the entrepreneurial orientations and the various variables under study, the environment modulations and the measures which impact on the business growth and then lastly the presentation of a research gap.

2.3.1 Entrepreneurial orientation and performance

The firms that are entrepreneurially oriented have strategies bend towards innovation and growth and the ability to undertake the related risks,(Covin & Slevin,1991), Stevenson and Jarillo (1990) termed entrepreneurial culture of firms as the connection of orientation to growth. On their part Stewart and Roth (2001) termed the small business owners who are to be as growth oriented.

Increment in Sales , increase in employment opportunities, increase in market share assets, and profits growth are the main attributes to measure firm growth according to Shepherd and Wiklund, (2009) are the increase in sales volume, increase in profits and employment opportunities, Amongst which, the increase in employment opportunities sales growth are the recognized attributes as the growth signs by firms according to Wiklund (1999). In agreement with growth in sales and employment as a firms reflector of the short-term and long-term changes is Zhou and Wit (2009) This seems to be the reason because the two are easily obtained and when compared to other attributes which are found to be more objective than subjective (Gürbüz & Aykol (2009) Delmar, (1997) and Wiklund, (1999) also agree that sales increase is often used as a measure of growth because owners of SMESs or their managers can easily relate.

2.3.2 Innovation and performance

The creative destruction which creates wealth when the current market is disrupted by a new service or product and thereby shifting the use of resources as was fronted by Schumpeter (1942) as extrapolated by Lumpkin and Dess (1996) as about pursuing and supporting the development of new and creative ideas and processes.

Ndesaulwa and Kikula,(2016) studied on how innovativeness had an impact on the thriving of small business and realised that firms that were innovative in their operation had better results in turnover, growth, growth in employment opportunities and the growth in profits as compare to firms that did not invest in innovation. If the firms are not innovating but their profits margins are better, may be innovated in the past and therefore rendering the current innovative activities unnecessary.

The level of innovation will bring about the same level of the overall SMEs performance as was asserted by and these findings confirmed the fact that firm growth is significantly impacted by the level of both product and the process innovation. This positive correlation in

innovation and SMEs performance has been linked to several empirical studies (Sascha *et al*, 2012, Juha 2013, Mwangi & Ngugi 2014, and Yanay *et al* 2016)

Bigliardi, (2013), found the level of innovation to positively correlate with increased financial performance and stressed the need for companies to be innovative so as to get to get competitive advantage. This was supported by Egbetokun, *et al* (2008) who found innovation to having a positive correlation to product quality performance. Similarly Wijetunge and Pushpakumari (2013) agreed with the others and linked innovation has an effect in business performance. However, this higher productivity was not found to be related to innovation according to Koellinger, (2008)

2.3.3 Risk-taking and performance

This is an entrepreneurial behavior that involves committing lots of resources to a project that is uncertain and prune to failure. This commitment of resources is normally a calculated risk instead of an uncontrolled resource commitment (Morris *et al*. 2008). According to Leko-Simi and Horvat, (2006) it is the that firms that have high level of risk taking that have better performance

Wijetunge and Pushpakumari (2013) found risk taking and Performance to be positively related but not significantly high. This kind of relationship however was not the realized by Kraiser *et-al*, (2013) who found a negative correlation in risk taking and growth in a study that looked at how the three component of EO interacted. Lim (2008) on his part found risk-taking and performance to have the lowest positive relationship of the three components.

Wambugu, Gichira, Wanjau & Mungatu (2015) from their study on how risk taking and firm growth were related in agro Processing SMEs in Kenya found risk taking to be impacting greatly on firm performance in the growth and profitability parameters but since the study was focused on SMES in Kenya in agro processing and therefore difficult to generalise to other industries and this presents are contextual gap.

2.3.4 Proactiveness and performance

Proactiveness has been stated by Venkatraman (1989) to be operations that are geared to look for new opportunities in or out of their operations, the product development ahead of competitors and improving on production efficiency. Firms that anticipates changes in future demand normally create a competitive advantage .Lumpkin & Dess (1996) advises

organizations if they anticipate future demand and be active in shaping their own environment do create a competitive advantage

Lumpkin and Dess (2001) term a firm that is proactive as a leader because of the foresight to see and capture emerging opportunities. From their study they concluded that for a firm to be leading within the industry then it has to be proactive. Proactive firms can scan the environment for useful information and exploit the existing opportunities to satisfy underserved markets (Smith & Cao, 2008). Proactive firms do seek to redefine their markets and create new opportunities eventually benefiting from increased demand, increased profitability and customer loyalty (Covin and Miles 1999).

Although the findings by Wambugu *et al*, (2015) on how the proactiveness and growth of agro processing SMEs in Kenya, could not be generalized to other sectors, they found proactiveness to positively affect firm performance in growth and profitability

According Lumpkin and Dess (1996) each dimensions may fail to contribute to business growth but can vary independently although most of the researchers used a combined measure of innovation, proactiveness and taking risks. The researcher therefore hypothesizes-

Hypothesis 1a, the innovation has a direct relationship to SME business growth.

Hypothesis 1b, the proactiveness has a direct relationship to SME business growth.

Hypothesis 1c, the risk-taking has a direct relationship to SME business growth.

2.3.5 Entrepreneurial Orientation, Business Operating Environment and performance

The way one components of EO relates with performance of a firm may have the impact of the environment characteristics and as Wang and Fang, (2012) points on the ones inability to deal with Business Operating Environment negatively impact on firm performance. Business Operating Environment according to Miller and Friesen (1982) is the 'unpredictability' and 'dynamism' in environment. Dynamic' environments are the markets with products whose life cycle is short, have highly innovated and the unpredictability of demands by customers coupled with competitors' actions is referred to be Dynamic (Wiklund & Shepherd 2005).

Under conditions or situations of high Business Operating Environment, firms that practice EO are expected to either maintain or improve business performance because such firms have the tenacity react to the shifts to environmental by looking into and utilizing any emerging opportunities.

When faced with complex market turbulence, entrepreneurially oriented firm managers interpret market instability as a chance to change business style and be innovative and not to seeing them as threats to the business.

The researcher expects that, even in acute market turbulence, the direct effects of the EO dimensions will be positively correlation to the SMEs business growth. However studies by Covin and Slevin (1989) found EO to have indirect relation to a firm growth with environmental interaction while Zahra (1993) who found a strong correlation in performance of business and EO amidst a dynamic environment.

2.4 Summary of Literature and Research Gaps

Most of the past research about EO on SMES performance is in other countries including Israel, Netherlands, Ghana, and Finland (Kraus, 2011, Alembummah, 2015, Yanay *et al*, 2016, Soininen, 2013). Few research studies on the entrepreneurial orientation on SMES have been done in Kenya and those done have on the counties of Kirinyaga and Laikipia counties according to Mwangi and Ngugi, (2014), Nduriri and Namusonge, (2017)

There was little literature on research done on entrepreneurial orientation on the SMES business performance in Nairobi City County, This presents a research gap. This study will thus seek build more knowledge by giving the research a Nairobi city county perspective.

Table 2.1 Summary of Literature and Research Gap

Author	Study on	Variables under study	Findings on study	Gap
LawanShamsu A. and Fakhrul Z., 2015	Vision, Innovation, Vision, Risk taking, pro-activeness, and growth f small businesses:An hypothetical relationship in Nigeria	• Vision • innovations • proactive • taking risks • SMEs thriving	Finding showed that Performance is positively related to risk taking, innovation and proactiveness	Used review of related literature (secondary data) and not primary data
Tabitha Wanjiku Njogu 2014	How innovation impacts on monetary growth of SMEs in the county of Nairobi, Kenya	• the business financial growth • Product innovation Value • Process innovation Value • Market innovation Value	The New technology application and new production lines has some implication on the SMEs performance.	Dealt with innovation only
Paul Owino, 2016	How innovation impacts performance of SMES in Nairobi County	• Product innovation • process Innovation • market innovation • SMEs Performance	Innovation of products had a strong bearing in these SMEs. The study concluded that innovation on goods and services offered by a business or a company influences the performance of the SMEs	Dealt mainly with innovation and it's also in its detail.

Patrick A., O'Shaughnessy K., Jeroen P., 2003	SMEs innovation: A factual Investigation of the Input-Throughput-Output-Performance in Netherlands	• innovation input • innovation throughput • financial performance • Innovation Throughput • Type of industry • Firm size	The relation between the output and financial performance relationship did not exist in small firms but existed in large firms.	It was done in Netherlands. It also covered innovation but the other variable are different and not risk-taking and pro-activeness
Anne M & Dr. Karanja N 2014	Impact of EO on SMEs growth in Kerugoya, Kenya	• Innovativeness • Risk taking • Pro-activeness • Entrepreneurial orientation	Entrepreneurial Oriented components was important in firm performance,	It was done in another county (Kerugoya)
Fredrick K., Loice C and Dr. Gedion O. 2018	How EO and Growth of women SMEs is related in Uasin Gishu county, Kenya	• Innovation and performance relationship • Proactiveness and performance Relationship • Risk taking and performance relationship	The EO is a good show of growth in women owned SMEs in Uasin Gishu County.	Done in another county(Uasin Gishu) and was mainly for women owned enterprises

Source (Study References)

2.5 The Conceptual Framework

This is a visual explanation on the study variables and how the independent variables are linked to the depended variables. The independent variables were the Entrepreneurial orientation dimensions and the dependent variable was SMEs business performance. The conceptual framework proposes an existence of a connection between Business performances (BP) Entrepreneurial Orientation (EO) but the same relationship is modulated by the Environmental Context (EC) the conceptual framework is represented in a graph below.

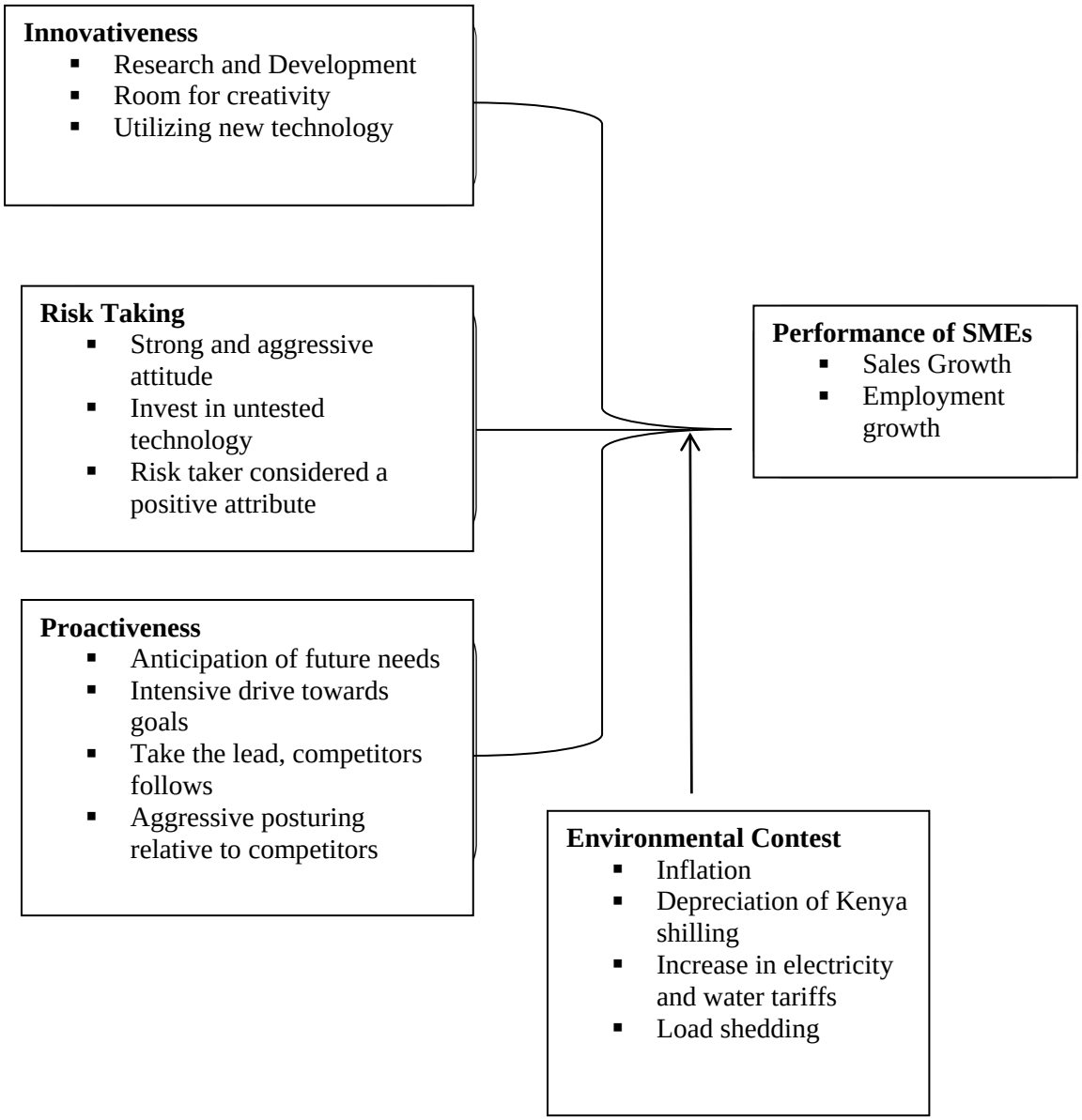

Figure 2.1. Conceptual Framework

Source: Author (2021)

Interpretation of the Conceptual Framework

The Innovation level, ability to take risk and the level of Proactiveness are directly connected to SMEs growth while the Business operating environment will moderate how the Variables affect the performance of the SMEs.

CHAPTER THREE

RESEARCH METHODOLOGY

3.0. Introduction

The chapter will explains the methodology of research employed and where the focus was on the research design used, the population targeted, the size of the specimen and manner of sampling used, tools used to collect the data and how valid and reliable the instruments were, and procedures used in examination of the data and Ethics considered.

3.1. Research Design

The design of Research used was descriptive cross- Sectional because it gives accurate characteristics of items, persons, situations or groups. This study was to specifically describe and thereafter do document the how entrepreneurial orientation affects the SMEs performance in Nairobi city County in economic turbulence. A Linkert scale structured questionnaire collected the primary data

3.2 Target Population

This is the class of particulars the researcher aims to research on and draw conclusions from. The target population was 2300 SMEs who were licensed by the county government of Nairobi (2020). Owners or managers were the respondents because they could better understand the organization

Table 3.1 Target Population

Distribution of Industry	**Total Licensed**	**Percentage representation**
Hotel and Food industry	340	14%
Computer and Information technology	210	9%
Real estate	110	5%
Entertainment	210	9%
Fashion	420	18%
Building and Construction	140	6%
Consultancy	340	14%
Travel and Tourism	320	14%
Manufacturing	210	9%
TOTALS	**2,300**	**100%**

Source; Nairobi City County (2020)

3.3. Sample Size and Sampling techniques

The researcher selected SMEs in Nairobi County under the sectors of Manufacturing, Hotel, real estates , fashion, entertainment, Building, Consultancy, Tourism and information technology, This made an heterogeneous group and therefore stratified simple random sampling procedure was preferred and the strata was guided by the specific category of the SMEs. A total of 230 respondents making a 10% of the total targeted number in each stratum either the employees or the owners. This is what advised by Mugenda and Mugenda (2003), the numbers selected per sector are as below

Table 3.2 Sampling Matrix

Industry	**Total Number Licensed**	**10% of the total Licensed**	**Percentage**
Hotel and Food industry	340	34	14%
Computer and Information technology	21	21	9%
Real estate	110	11	5%
Entertainment	210	21	9%
Fashion	420	42	18%
Building and Construction	140	14	6%
Consultancy	340	34	14%
Travel and Tourism	320	32	14%
Manufacturing	210	21	9%
TOTALS	**2,300**	**230**	**100%**

Source; Nairobi City County (2020)

3.4. Data collection instruments

A Linkert scale structured questionnaire was designed with both open and closed questions to collect the primary data, the questionnaire was preferred because it provided privacy and because of the large number of respondents involved. The researcher used semi- structured questionnaire so as to get standardized responses so as to compare and to get the respondents personalized school of thought on the study variables. The questionnaires were sent by email after making a phone call to the respondents; those without emails had a copy delivered manually;

3.4.1 Validity of instrument

The method of measure precision is showed by Validity as claimed by Hair *et al* (2014). The researcher discussed with the supervisors and other department lecturers to check on the content precision. Modifications were done on scales which did not reflect well on what it was supposed to measure. A sample respondents were administered the questionnaire as pilot test whose responses was used to better the questionnaire.

3.4.2 Reliability of instrument

Reliability examines the strength of the intended measure. Zikmund, (2003) asserts that this measure used are free from error and can derive the same results when done elsewhere while Hinkin (1995) describes reliability in a measure as a consistency and stability of the measure over time. This study used test- retest procedure where the questionnaire was given to sample participants to tests its reliability. The reliability was analyzed by evaluating the internal consistency by use of Cronbach Alpha whose threshold was set at value of 0.7

3.5 Data collection procedure

Yin (2003), describes questionnaires as a method used in collecting standardized data in a statistical form from large numbers of people thereby making generalizations about a particular phenomenon in a particular environment. The researcher after the authorization from Graduate school Kenyatta University and NACOSTI did a pilot test then did a cover letter requesting the participants to participate in the study which was attached to each questionnaire and send by an email, and those who requested for hard copy delivered. The researcher collected and cleaned the data, coded and then entered it in an excel spread sheet then analyzed using SPSS.

3.6. Data Analysis and presentation

The raw data from the field must be cleaned, coded and analyzed in a way researchers can utilize them (Mugenda and Mugenda, 2003). The information from questionnaire was categorized into topics in line with research objective and presented in descriptive form then analyzed using inferential and descriptive statistics. The data was then coded by use of SPSS. The Pie Charts, tables, graphs, and figures presented the analyzed data to give concise information as possible. The statistics of inference used a multiple regression model to establish how the independent variables impacted on the dependent variables. A multiple

linear regression equation showed the relationship between independent and depended variables as follows.

$P = \beta_0 + \beta_1 IN + \beta_2 RT + \beta_{3i} PA + e_i$ ……..3.1

Where;

P = Performance of SME

IN = Innovativeness of SME

RT = Risk Taking of SME

PA = Proactiveness of SME

B_0 = constant

$\beta_1 - \beta_3$ = Slope

e_i = Error term

3.7. Test of Moderation

The description of moderation effect testing by Whisman and McClelland (2005) is an assessment the co-efficient of interaction term Entrepreneurial Orientation and Business Operating Environment has statistical significant or if it is just an explanatory variable. To analyze the moderating impact of business operating environment variables on the connection between the components of EO and small business growth. The model (3.1) was to determine how the dependent variable related to independent variables, while the second model (3.2) estimated the Business operating Environment as the moderating variable.

$Performance = \beta 0 + \beta 1 EO + \beta 2 ET + \varepsilon$ …….……3.2

Where EO was a construct index of independent variable entrepreneurial orientation and ET was Business Operating Environment.

The third model (3.3) estimated the impact the moderator had on both the depended and the independent variables.

$Performance = \beta 0 + \beta 1 EO + \beta 2 ET + \beta 3 ET.EO + \varepsilon$ …….. …….....……3.3

Where,

ET.EO = Business Operating Environment * Entrepreneurial Orientation

3.7.1 Moderation Decision Making Criteria

According to Whisman & McClelland, (2005) the Business Operating Environment variable is an explanatory variable incase the interaction between the independent variable (EO) and the moderator variables (ET) has no statistical significance ($p > 0.05$ but a moderator if the interaction is statistically significant.

3.8. Ethical considerations

(Yin, 2011) labels Research ethics as entailing with consent, confidentiality and anonymity Kombo and Tromp (2006) advises the researchers to maintain high levels of, get respondents consent and voluntary participation, to be responsible of the study and to clearly explain the research intention. The research took the following measures into consideration;- The respondents got the reasons for the study and the confidentiality of the information was guaranteed and explanation on the use of the study being only academic. All respondents took part in the study voluntarily.

CHAPTER FOUR

RESEARCH FINDINGS AND DISCUSSION

4.1 Introduction

This chapter confers the data collected from the field, the analysis results, and the interpretations of the findings. This research aims to determine the results of business assertiveness on the SMEs development of in Nairobi City County, Kenya. The graphs, tables and charts are the data presentation formats used.

4.2 Reliability Analysis

The researcher conducted a scrutiny to assess how the questionnaire was reliable. The survey respondents were included in the pilot analysis. The reliability was analyzed by evaluating the internal consistency by use of Cronbach Alpha; this was done by deciding if the same construct was measured by each object on the scale. Gliem and Gliem (2003) developed the study benchmark by setting the threshold of the Alpha value at 0.7. For each objective that formed a scale, Cronbach Alpha was created. The table reveals that proactiveness of the SMEs (=0.891), risk taking of the SMEs (=0.874), innovativeness of the SMEs (=0.787), business Growth (=0.739), had the highest reliability. All the values were accurate because the reliability values of all variables surpassed 0.7 thresholds.

Scale	Cronbach Alpha	NO.of items	Remarks
Proactiveness of the SMEs	0.891	**7**	Reliable
Risk taking ability	0.874	**7**	Reliable

Innovativeness of the SMEs	0.787	**7**	Reliable
Business Operating Environment	0.813	**6**	Reliable
Smes Performance	0.739	5	Reliable
Overal	0.821	7	Reliable

4.3 Response Rate

The respondents who responded by filling in and returned the questionnaires were 200, from the targeted participants of 230, this gave a rate of reply to be 87%. It was a very good specimen for analysis and reporting as per Mugenda and Mugenda (2003)

Table 4. 1 Response Rate

	Frequency(No)	**Percent (%)**
Respondents	200	87%
Non respondents	30	13%
Totals	**230**	**100%**

Source: Survey Data (2021)

4.4. Respondents Background information.

4.4.1 Distribution of participants by their Sexuality

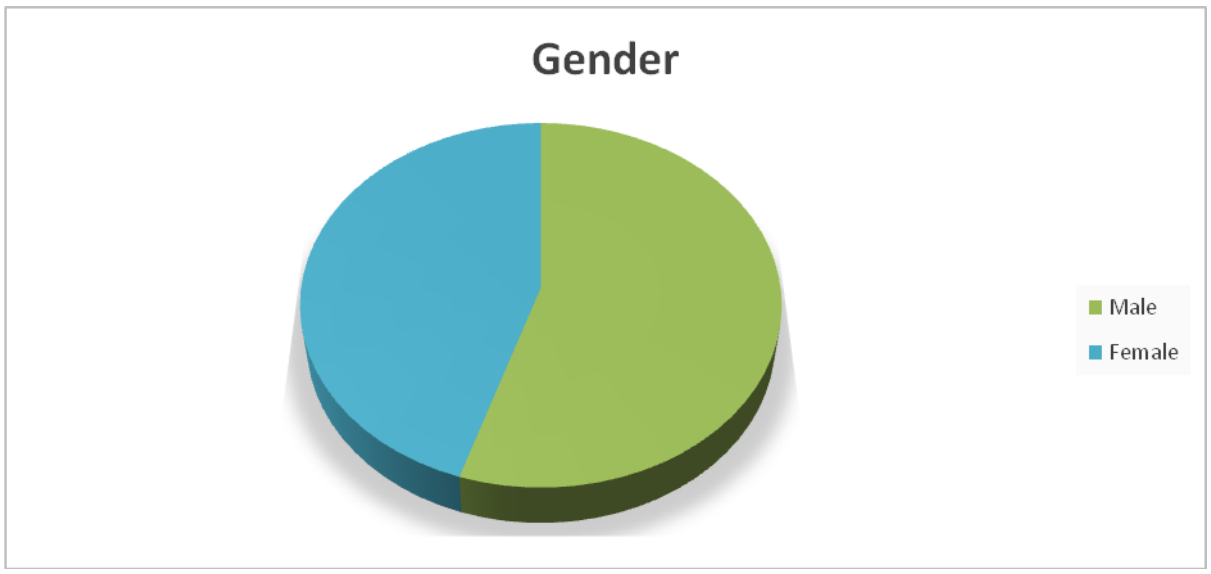

Figure 4.1. The Respondents Gender

Source: Survey Data (2021)

The research presented distribution of gender at 45% females and 55% male. The figure 4.1 showed the majority of the respodents to be males

4.4.2 Age of the Business

The research also endeavored to investigate the business age as is shown below

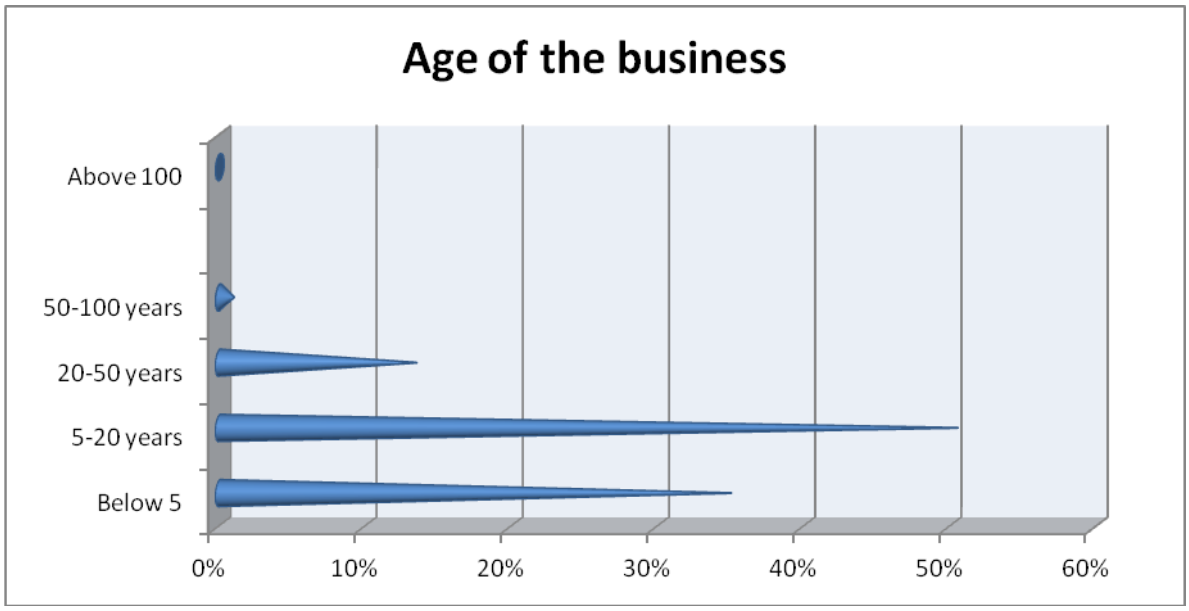

Figure 4. 2 Age of the business

Source: Survey Data (2021)

The findings showed ,35% of businesses to have existed for less than 5 years, majority(51%) of businesses have in existence for between 5-20 years, 14% of businesses have in existence for between 20-50years while as only 1% of businesses have in existence for between 50-100 years.

4.4.3 Highest Education Level

The participant's highest education level attained was looked at as shown below:

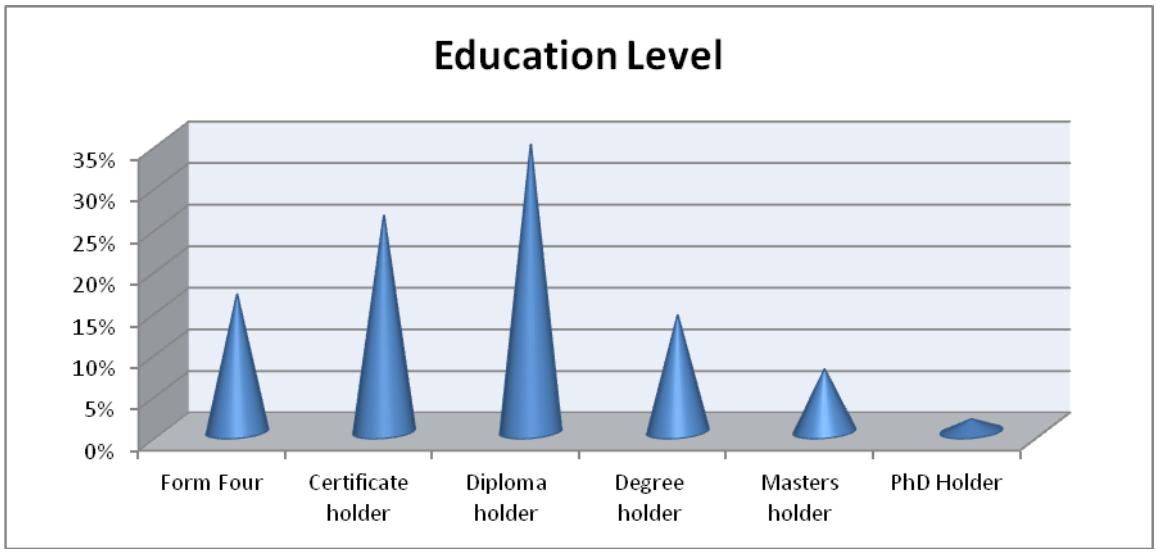

Figure 4. 3 the highest level of Education

Source: Survey Data (2021)

The respondent's highest education level distribution is showed in the figure above From the findings, the majority (35%) had a diploma, while 26% who had a certificate,17% of the had attained Secondary level education, 14% were degree holders while as 8% had their masters and only 2% were PhD holders.

4.4.4 Respondent Position

The researcher also endeavored to find out the respondent position in the business

Table 4. 2 Respondent Positions

	Frequency	**Percent %**
Owner Manager	92	46%
General Manager	31	16%
Non-Managerial	77	39%
Total	**200**	100%

Source: Survey Data (2021)

From the above findings, 46% were owners, while 16% were general managers while the other remaining respondents (39%) were in non-Managerial.

4.4.5 Size of Firm

The firm size was sought with the emphasis on the No. of Employees

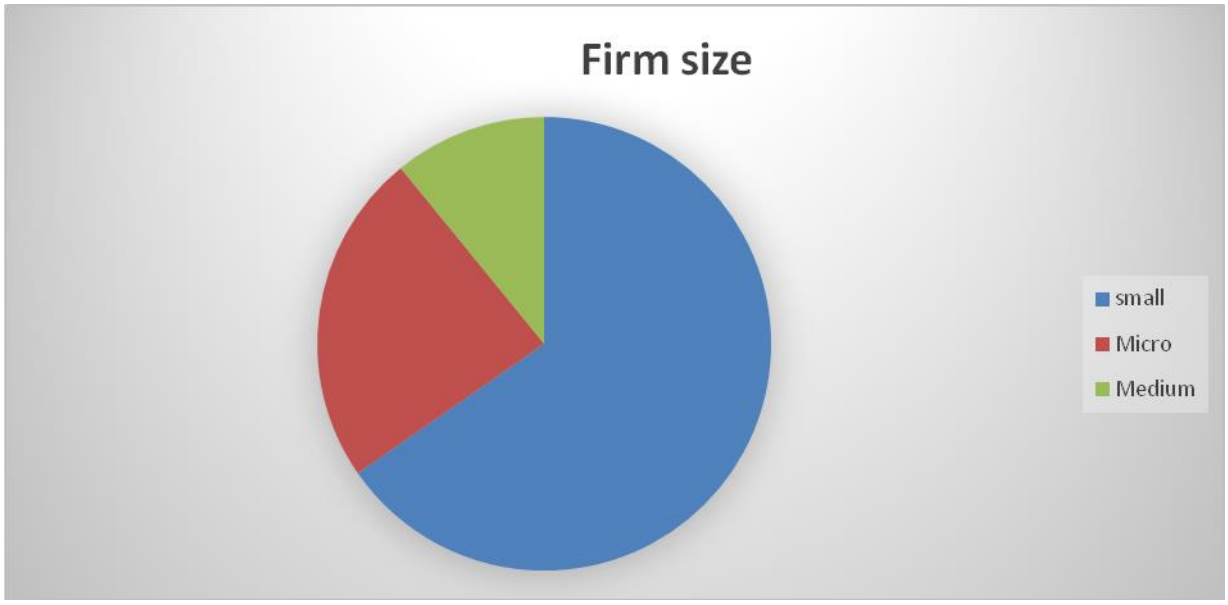

Figure 4. 4 Size of Firm

Source: Survey Data (2021)

Figure above gives the firm size with the emphasis on the number of employees. The findings, show majority (66%) were small sized, 24% the firms were micro size while 11% the firms were medium size.

4.4.6 Form of business

The research attempted to establish the various business forms represented in this study.

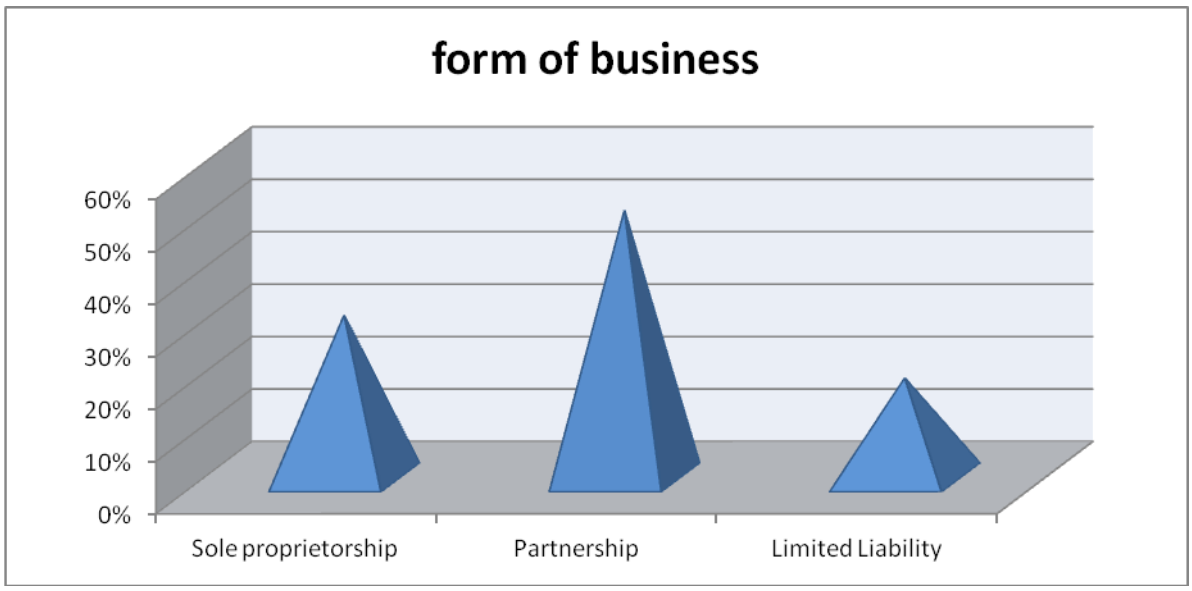

Figure 4. 5 Form of Business

Source: Survey Data (2021)

The findings indicated the majority 51% were registered as partnership, 31% of the business are registered as sole proprietorship while as 19% of the business are registered as limited liabilities.

4.4.7 Number length of employment

The research attempted to find out from the respondents how long they had worked in the enterprise.

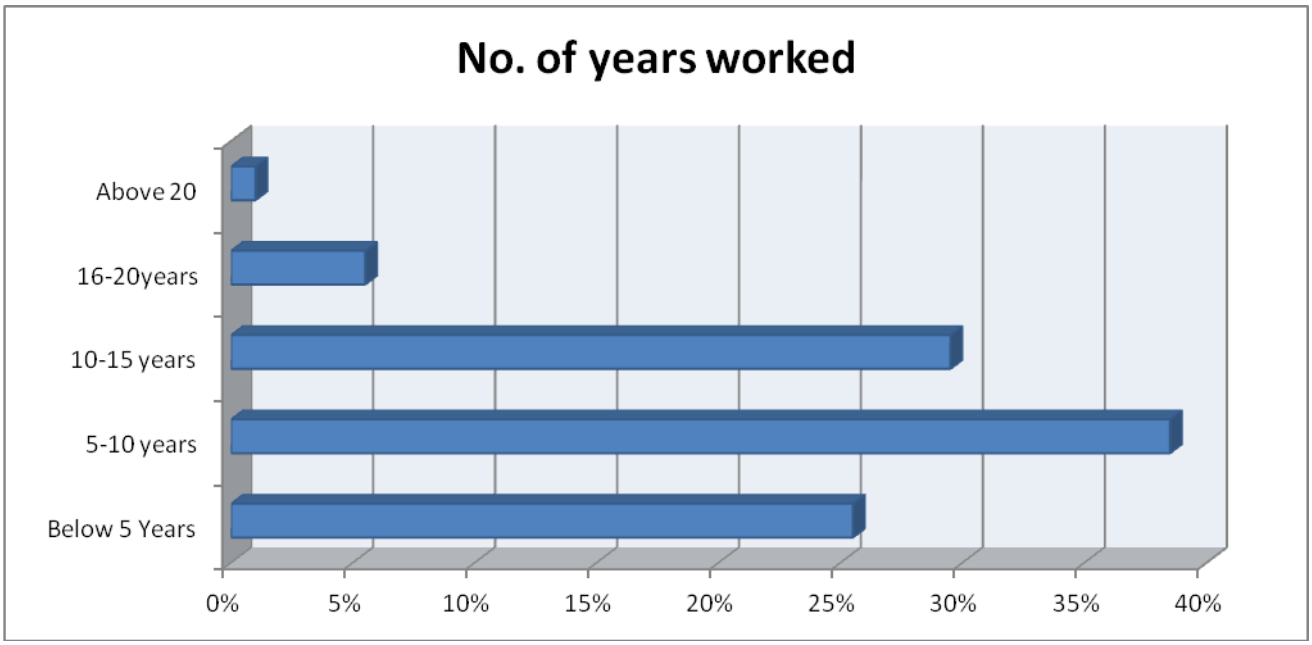

Figure 4.6 Number of years worked

Source: Survey Data (2021)

The results on how long the respondents had worked (in years) are showed in the figure. The findings showed 26% had less than 5 year, 39% had a period of five and ten years, 30% had a period of ten and fifteen years, 6% had a period of 16 and 20 years while 1% had over 20years.

Table 4.2.2: Summary statistics on predictor variables

No	Variable	Frequency	Mean	Std. dev.
1	Innovativeness	200	3.633	1.056
2	Risk taking	200	3.104	1.145
3	Proactiveness	200	3.776	1.056

4	SME Performance	200	1.9725	1.1391

The predictor variables under study were distributed as in table 4.2.2, where proactiveness was found to be having a higher mean (M=3.776, SD=1.056), followed closely by Innovativeness (M=3.633, SD=1.056), risk taking (M=3.104, SD=1.145) and the last being business growth (M=1.9725, SD=1.1391)

4.4.8 Please Indicate your Business Category

The research attempted to find out the various business categories represented in the study.

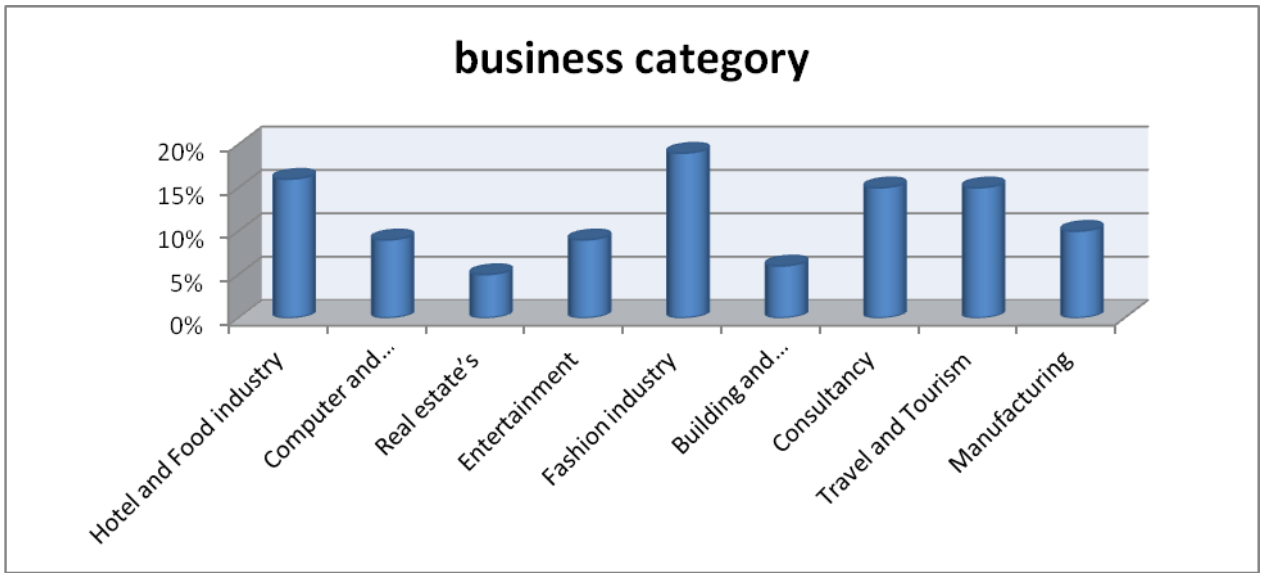

Figure 4.7 Business category

Source: Survey Data (2021)

The above figure shows the findings on the various business categories represented in the study where, 16% are in the Hotel and Food industry, 9% of the respondents were in the Computer and technology, 5% of the respondents were in the Real estate's 9% of the respondents were in the Entertainment, 19% are in the Fashion industry, 6% are in the Building and construction, 15% of the respondents were in the Consultancy, 15% of the respondents were in the Travel and Tourism while 15% of the respondents were in the Manufacturing sector.

4.5 Innovativeness Variable

The study also attempted to establish on how the respondents agreed with the various assertions on the results of innovativeness on SMEs development in the County of Nairobi City, Kenya.

Table 4. 3 Innovativeness

No	Innovativeness	Frequencies	Mean	Std. dev.
1	Our firm encourages continuous self improvement	200	3.934	0.9302
2	Our firm encourages generation of new ideas, and creative way of doing things	200	3.501	1.2139
3	Our firm emphasizes on utilizing new technology	200	3.594	0.9837
4	We rarely change the firm products and production lines	200	4.561	1.1391
5	Our company allocates funds for innovation	200	2.894	1.0792
6	We focus on research and continuous development	200	2.347	0.8478
7	We welcome all new ideas	200	4.601	1.1 975

Source: Survey Data (2021)

The findings show a strong agreement to the statement that the firm encourages employees to think and behave in varied manner as shown by mean of 3.934. Asked whether the company has the tendency of encouraging generation of new ideas, and creative way of doing things the respondents agreed by mean of 3.501. On if the firm emphasizes on utilizing and adopting new technology, they agreed by mean of 3.594. They strongly agree to the statement that the company rarely changes the products or production lines by a mean of 4.561. They were impartial on the statement that ‘our company allocates funds for innovation’ by a mean of 2.894 and ‘we focus on research and continuous development as shown by mean of 2.347. Finally, they strongly agree on the statement that the ‘we welcome all new ideas’ as shown by mean of 4.601.

4.5.1 Innovativeness on SMEs Performance

The research attempted to examine if innovativeness influenced the SMEs growth in Nairobi city County, Kenya.

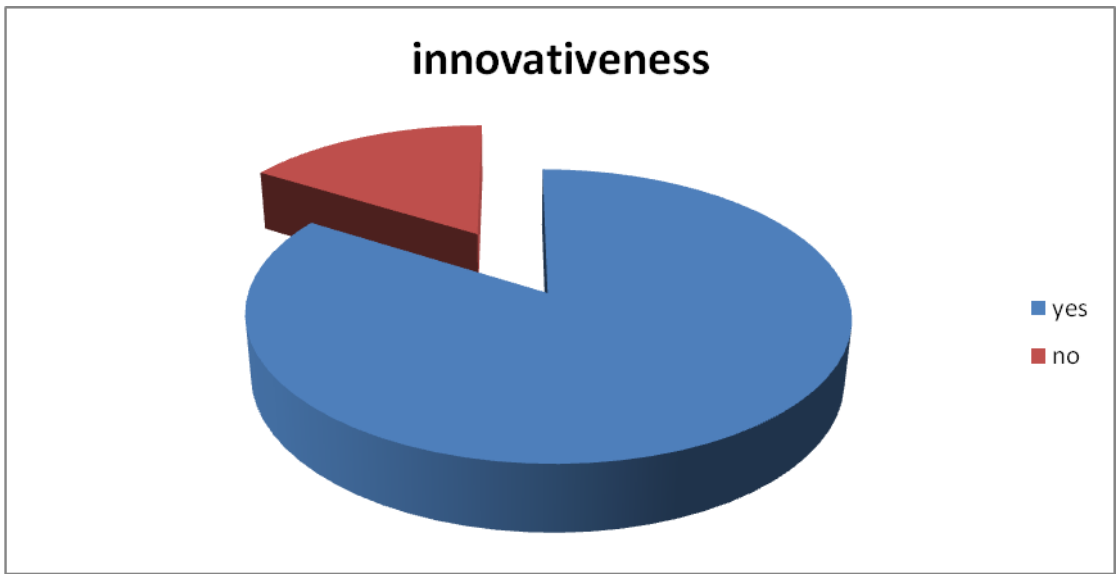

Figure 4. 8 Innovativeness on SMEs Performance

Source: Survey Data (2021)

About 84% thought that innovativeness influenced SMEs performance in Nairobi City County while 16% were of the opinion that innovativeness does not influenced SMEs performance in Nairobi County. The findings show a larger number thought that Innovation was key to small business performance, concurring with the conclusions done by Deakins and Freel (2012) that highly motivated firms grow, but a waste of resources by innovators is inevitable if investments do not yield the fruits. On innovation, the survey concluded that innovation led to improved market share, quality of goods, volume of sales and increase product portfolio. This shows that innovativeness has important results on business success. The results are consistent with Schumpeter's (2014) study, which found that inventions can enhance a firm's competitive advantage which can be exploited by innovative businesses

4.6 Risk-Taking Ability

The study attempted to find out the respondents rating on various assertions on the impact of risk taking on the small businesses growth in the County of Nairobi City, Kenya. The table below presents the findings.

Table 4. 4 Risk Taking Ability

No	Risk Taking Ability Variable	Mean	Std. dev.
1	We individually feel compelled to taking decisions to achieve firm objectives	3.961	1.051
2	Our company embraces risk taking	3.246	0.637
3	Our company is Risk averse for costly projects	4.113	0.983
4	We do not response to unrelated opportunities	3.621	1.007
5	Our company always invests in untested technologies	1.238	1.043
6	Our company encourages people to be risk takers	2.439	1.374
7	We consider ourselves daring	3.110	1.920

Source: Survey Data (2021)

The findings show a strong agreement that they individually feel compelled to taking decisions to achieve firm objectives by a mean of 3.961. On if the company embraces risk taking, the respondents agreed by mean of 3.246. They strongly agreed that their companies are risk averse for costly projects as shown by mean of 4.113. Asked whether they do not response to unrelated opportunities they agreed by a mean of 3.621 but also did not agree that their company's always invests in untested technologies by a mean of 1.238. The participants were impartial on the statement that company encourages people to be risk takers as shown by mean of 2.039 and finally the respondents agree on the statement that the company considers themselves daring as shown by mean of 2.039

4.6.2 Risk- taking on Performance of SMEs

The research also determined whether risk- taking influenced SMEs performance in Nairobi County, Kenya.

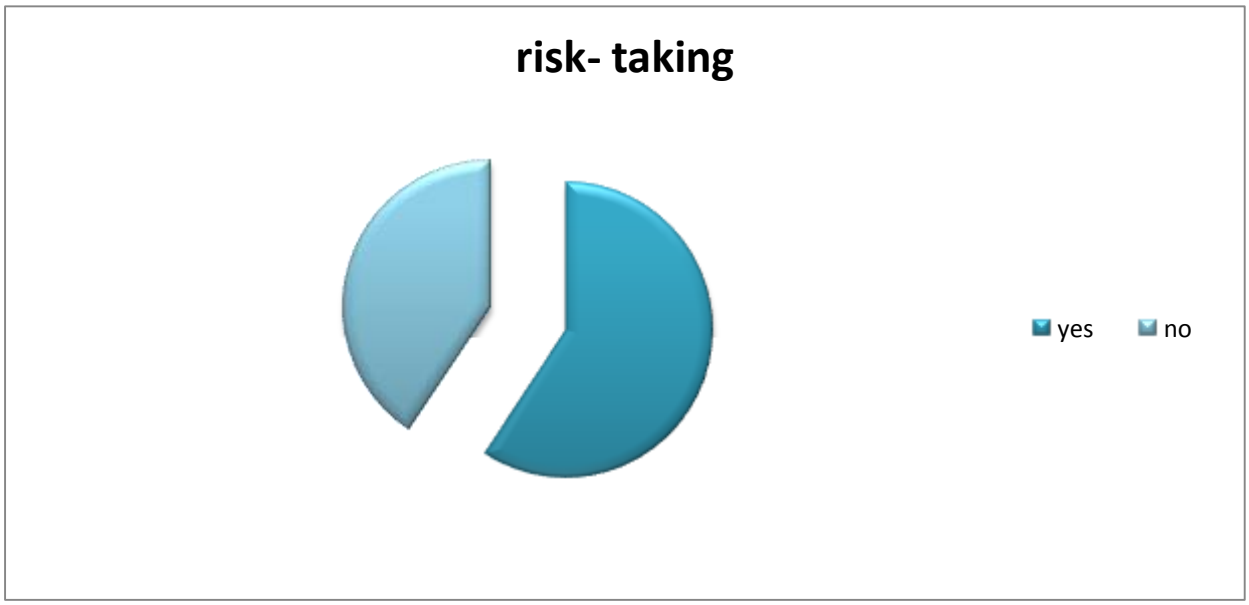

Figure 4. 9 Risk- taking on SMEs Performance

Source: Survey Data (2021)

About 59% thought that risk- taking influenced SMEs performance in Nairobi County while 41% were of the opinion that risk- taking does not influenced SMEs performance in Nairobi County. This implied that risk taking influenced SME performance to a big extend, this findings agreed with these of Mahmoud and Hanafi (2013)who saw risk taking as the management committing lots of resources in a project expecting high returns but also expecting huge losses as a possibility. Callaghan (2009) also did conclude that highly successful individuals are associated with risk taking. On risk taking, the study concludes that there is also better business performance with higher risk taken the results back up Kreisler, Marino, and Weaver's (2012) study, which found that risk-taking characteristics are the foundation for benefit acquisition and improved business efficiency.

The study also revealed that most firms were willing to forego profits in order to gain market share, that firms were often willing to invest in high-risk ventures, and that most firms had a clear propensity to implement new technology regardless of 6mmThe results are consistent with Oscar's (2013) study, which found that firms with better performance often have a

higher risk propensity. Furthermore, the results support Coulthard's point (2015). The firm will produce positive results thanks to proper preparation and prior analysis of risk. Risk-taking is essential for a company's market share to be maintained or for it to achieve aggressive business growth.

4.7 Proactiveness

The survey attempted to establish the respondents rating on various assertions on effects of proactiveness on thriving of small business in the county of Nairobi city, Kenya.

Table 4. 5 Proactiveness

No	Proactiveness Variable	Mean	Std. dev.
1	Our company anticipates future needs	3.934	0.9302
2	Our company is focused on its goals	3.501	1.2139
3	We participate in the finding of the customer needs	2.594	0.9837
4	We stay ahead of the competitors	4.561	1.1391
5	Our company takes the lead before competitors do	3.894	1.0792
6	We lag behind introducing new products or services	3.347	0.8478
7	Our company is not surprised by emerging situation	4.601	1.1 975

Source: Survey Data (2021)

The findings indicate a strongly agreement on the statement that their company anticipates future needs by mean of 3.934. Asked whether the company was focused on its goals there was an agreement by a mean of 3.501. On if they participate in the recognition of customer needs they agreed by mean of 2.594. Asked whether they stay ahead of competitors, they agreed by mean of 4.561. On whether the company takes the lead before competitors do they agreed by a mean of 3.894. The respondents agreed on the statement that they lag behind in introducing any new products or services by mean of 3.347. Finally on whether the company is surprised by emerging situation was shown by mean of 4.601.

4.7.1 Pro-activeness on SMEs Performance

The study attempted to find out if pro-activeness influenced SMEs performance in Nairobi County, Kenya.

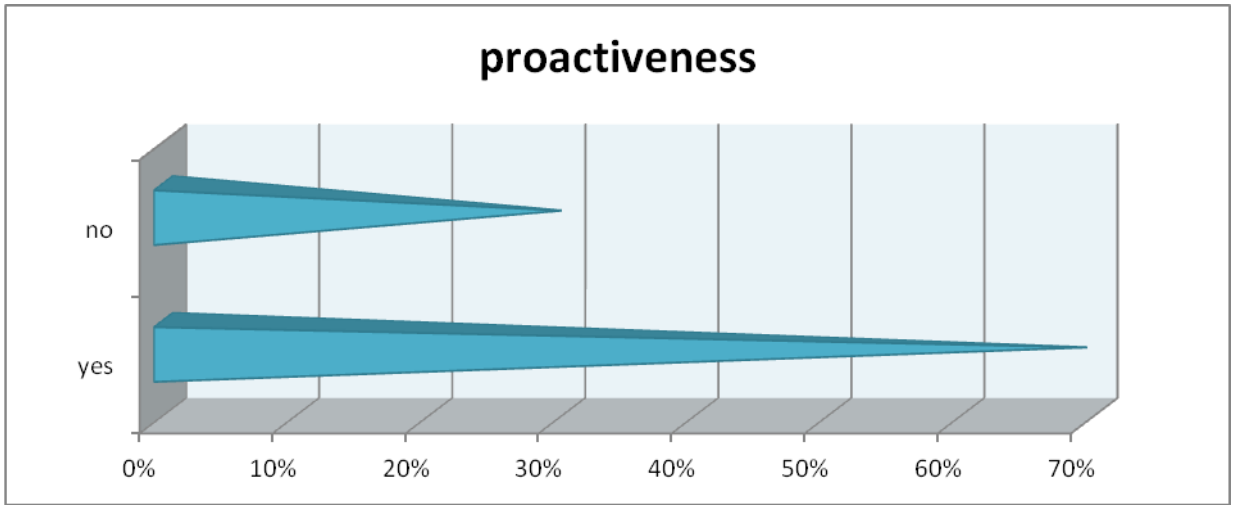

Figure 4. 10 Proactiveness on SMEs Performance

Source: Survey Data (2021)

About 70% thought that proactiveness influenced SMEs performance in Nairobi County while 30% were of the opinion that proactiveness does not influenced SMEs performance in Nairobi County. Lumpin and Dess (2009) talked about the importance of a proactive firm as it looks ahead to improve current status and that such firms are aggressive and employ unusual tactics towards their competitors in the same market. Proactive firms shape their environment by introducing new products and newer techniques and not reacting to the environment according to Mwangi and Ngugi (2014) On proactiveness, the study concludes that that proactiveness enabled the organization to improve business growth and profits. According to the findings, proactiveness has a significant impact on business success. Most firms anticipated and responded to emerging customer needs; a significant number of firms scanned the market to predict future trends, while allocating reserve resources to deal with an eventual opportunity or threat. The results support Gibson and Brikinshaw's (2004) study,

which found that enhancing proactive performance helps a company to remain adaptable and competitive, resulting in improved productivity and revenue.

4.8 SMES Performance

The study attempted to establish the respondents' agreement on the various statements on sales increase as well as number of employees increase

Table 4. 6 Increase In Sales

No	Increase In Sales	Mean	Std. dev.
1	The company sales had continuously increased for two consecutive years	3.004	0.8102
2	Our Sales objective have been achieved within the past two years	2.901	1.2319
No	**The Number Of Employees Increase**		
3	Our company in the last two years has employed more.	3.111	1.1391
4	Our company has future room for more employees	1.347	1.0292
5	We laid off employees in the last two years	3.132	0.8401

Source: Survey Data (2021)

There was an agreement on the statement that the company in the last two years had increment in sales volume a mean of 3.004, but neutral on whether achieved their sales objective had been achieved within the same period by a mean of 2.901.On if the company had employed more staff within the last two years the respondents agreed by mean of 3.111. There was a disagreement on the statement that they could accommodate more employees by mean of 1.347. Finally on whether they have had send home employees within the past two years they strongly agreed by a mean of 3.132

4.8.1 Business growth on SMEs Performance

The study attempted to establish if business growth influenced SMEs performance in the County of Nairobi City, Kenya.

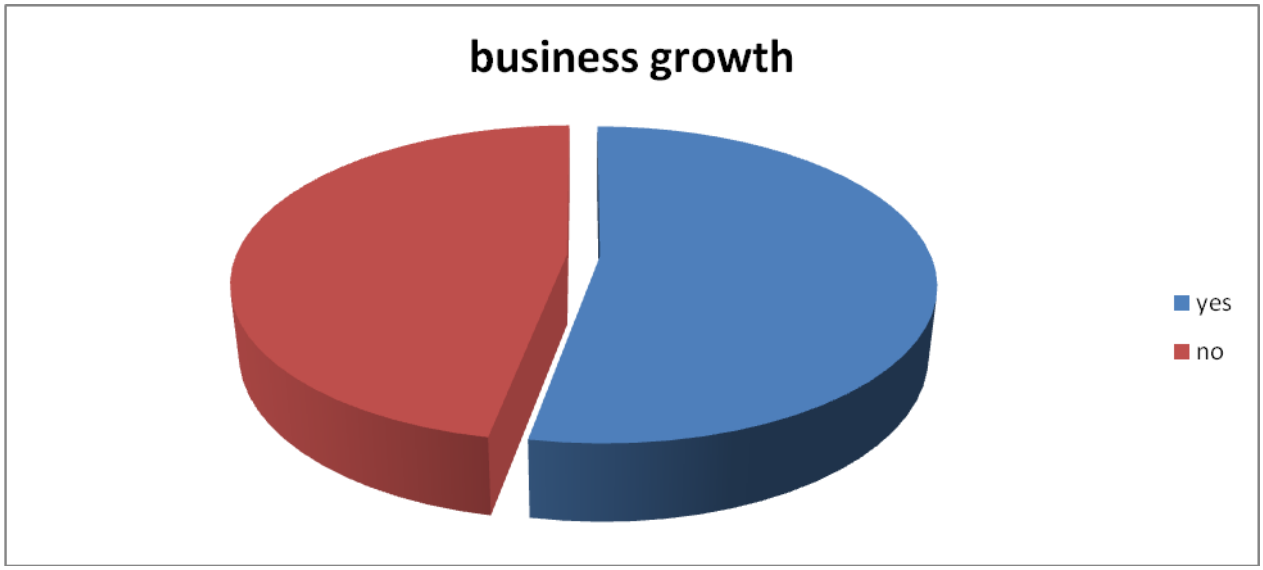

Figure 4. 11 Business growths on thriving of small business

Source: Survey Data (2021)

The results show 53% having an opinion that business growth influenced SMEs performance while 47% were of the opinion that business growth does not influenced SMEs performance. The findings clearly show both improved sales and employed number increment do influence the performance of SMEs. A profits margin increase, growth in both sales figures and market share and increase in employment opportunities are the main attributes to measure firm growth according to Shepherd and Wiklund, (2009

4.9 Business operating environment

The researcher attempted to find out how the respondents agreed on several statements on Environmental Context.

Table 4. 7 Business operating environment

No	Business operating environment	Mean	Std. dev.
1	The rate of inflation has no affect on the growth of this company	1.934	1.9702
2	The depreciating Kenyan shilling value against major currencies doesn't affect the growth of this company	1.001	1.0139
3	Increase in utility bills (electricity and water bills) doesn't affect	2.594	0.3037

	the growth of this company		
4	The current power rationing do not interfere with company operations	2.361	1.5691

Source: Survey Data (2021)

The results show respondents disagreed on the statement that the inflation rate does not affect the growth by mean of 1.934. On whether the depreciating Kenyan shilling depreciation doesn't interfere with the company growth, the respondents strongly disagreed by mean of 1.001. On whether the high water and electricity tariffs don't interfere with the company growth the respondents were neutral as shown by mean of 2.594. Finally on whether the power rationing do not affect the company operations the respondents disagreed as shown by mean of 2.361.

4.9.1 Business operating environment on SMEs Performance

The researcher attempted to establish whether Business operating environment influenced SMEs performance in Nairobi County, Kenya.

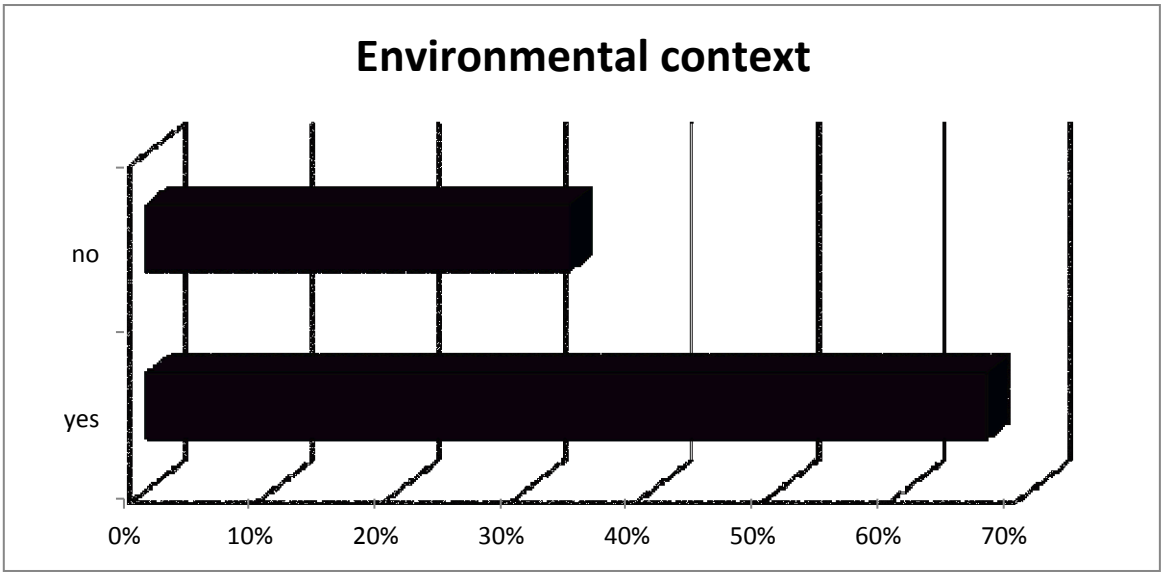

Figure 4. 12 Business operating environment on SMEs Performance

Source: Survey Data (2021)

The findings show 67% to be of the opinion that Business operating environment influenced SMEs performance in Nairobi County while 34% were of the opinion that Environmental Context does not influenced SMEs performance in Nairobi County. Wang and Fang, (2012)

points on the ones inability to deal with Business Operating Environment negatively impact on firm performance while Zahra (1993) who found a strong correlation in performance of business and EO amidst a dynamic environment.

4.10 Regression analysis

Multiple regression models were used in this research so as to find out the influence of the variables on the outcome. This model was summarized in the table 4.8

Table 4.8: Model summary

Model	R	R^2	Adjusted R^2	Standard Error of Estimate
1	.858[a]	.754	.741	.55651

Source; Survey Data (2021)

Also known as R2, a model-specific coefficient or R2, the coefficient for fit is frequently used to compare models. Approximately 74.1% SMEs performance variations can be explained by three predictors namely (Innovativeness, Proactiveness and risk taking). Given this magnitude of the R-squared value then a conclusion can be drawn about the model explaining a significant variation percent

Table 4.9: ANOVA

Model	Sum of squares	Df	Mean Square	F	Sig
Regression	41.80	5.00	7.47	16.2	0.000[b]
Residual	88.41	186.00	0.42		
Totals		191.00			

Source; Survey Data (2021)

Table 4.9 depicts regression model to have statistic significance in predicting the dependent variable based on the three predictors (innovativeness, proactiveness and Risk taking) ($x^2(5,191) = 16.2$, p=0.0005)" This shows that the model has a notable ability to predict the SME Performance.

4.10.1 Moderation effect models

Table 4.10: summary of model one

Model	R	R^2	Adjusted R^2	Standard Error of Estimate
1	.756[a]	.731	.691	.4323

Source; Survey Data (2021)

The R-squared value of this model which is 0.731, depicts that it can explain 73.1% of the variability between performance and the two predictors (Entrepreneurial orientation and Business Operating Environment) Given this magnitude of the R-squared value then we can conclude that the model is strong.

Table 4.11: ANOVA statistics of model one

Model	Sum of squares	Df	Mean Square	F	Sig
Regression	34.80	3.00	11.6	33.14	0.000[a]
Residual	65.43	188.00	0.35		
Total		191.00			

Source; Survey Data (2021)

Table 4.11 shows the regression model to have statistical significance in predicting the dependent variable based on the two predictors (entrepreneurial orientation and Business

Operating Environment.) (x^2(3,191) =33.14, p=0.0005). And therefore the model has a significant ability to predict the SME Performance

4.10.2 Regression Coefficients

Table 4.12: Regression coefficients

Model	Unstandardized Coefficients		**Standard Coefficients**	**T**	**Sig**
	B	**Std. Error**	**Beta**		
(Constant)	.570	.237		-1.555	.100
Proactiveness	.207	.052	.122	3.770	.000
Innovativeness	.232	.64	.218	2.185	.001
Risk taking	.309	.63	.176	3.503	.005

Source; Survey Data (2021)

a. The dependent variable: Y (Performance of SMEs)

From table 4.12, the developed regression equation is given as:

Y=0.570+0.207 Proactiveness +0.232Innovativeness+0.309 Risk taking

The constant term value is 0.570, implying that when proactiveness, risk taking and innovativeness and are all set to zero; SMEs' performance will default to 0.570. All the predictors had statistic significance ($p<0.05$). Performance of SMEs is positively related to each of the three predictor variables is depicted by the model. The results show a prediction of every unit increase in SME performance is brought about by an increase in innovativeness by a factor 0.232, an increase in risk by a factor 0.30 and an increase in proactiveness by a factor 0.207.

Table 4.13: Regression coefficients of model one.

Model	Unstandardized Coefficients		**Standard Coefficients**	**T**	**Sig**
	B	**Std. Error**	**Beta**		
(Constant)	1.32	.337		-1.555	.078
Entrepreneurial orientation	0.650	.072	.342	5.670	.000
Business Operating Environment.	-0.457	.89	.267	3.561	.000

Source; Survey Data (2021)

The resultant model is as showed in table, the regression coefficients for the model are statistically notable ($p<0.05$), resulting in a model:

Performance = 1.32 + 0.650 Entrepreneurial orientation - 0.457 Business Operating Environment

This means an increase in unit performance to be a result of an increase in entrepreneurial orientation by a factor 0.650 and a reduction in Business Operating Environment by a factor 0.457.

Given that Business Operating Environment is statistically significant we include a moderation of the two variables in the third model.

Table 4.14: Summary of Interaction model

Model	**R**	**R^2**	**Adjusted R^2**	**Standard Error of Estimate**
1	.706[a]	.676	.634	.3456

Source; Survey Data (2021)

The moderation model was found to have an R-squared value of 0.676; this means that the model can explain 67.6 percent of the variation between the response variable and the independent variables.

Table 4.15: ANOVA of Interaction model

Model	Sum of squares	Df	Mean Square	F	Sig
Regression	38.80	4.00	9.7	24.37	0.000[a]
Residual	74.43	187.00	0.40		
Total		191.00			

Source; Survey Data (2021)

The model furthermore is found to be statistically as per the ANOVA table, $X^2(4,187) = 24.37, p=0.000 < 0.05$.

Table 4.16: Regression coefficients of Interaction model

Model	Unstandardized Coefficients		**Standard Coefficients**	**T**	**Sig**
	B	**Std. Error**	**Beta**		
(Constant)	0.56	.323		-1.97	.046
entrepreneurial orientation	0.43	.023	.342	5.670	.000
Business Operating Environment.	-.098	.57	.267	3.561	.000
Entrepreneurial orientation x Business operating Environment.	-0.78	0.45	0.54	2.76	0.030

Source; Survey Data (2021)

The resultant regression model is given as:

Performance = 0.56 + 0.43 entrepreneurial orientation – 0.098 Business operating Environment – 0.78 (entrepreneurial orientation x Business operating environment)

The two predictors as well as its interactions had statistical significance in the model; $p<0.05$.

A negative correlation exists between firm growth, Business operating environment and the

interaction variable; It is also found that a positive relationship exists between growth has positive relations with Entrepreneurial Orientation. A unit increase in performance is as a result of increase in entrepreneurial orientation by a factor 0.43, a decrease in Business Operating Environment by a factor 0.098 and a decrease in the interaction variable of entrepreneurial orientation and Business Operating Environment by a factor 0.78.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATION

5.1 Introduction

The fifth chapter summarizes the findings on the effect of business attitude on growth of small businesses in the county of Nairobi City, Kenya. The chapter further gives the survey conclusions and makes recommendations.

5.2 Summary

The Kenya's economy which is majorly contributed by Small and Medium Enterprises slowed down from September 2017 when compared to the same period of 2016 majorly due to shaky governmental and harsh atmospheric phenomenon which adversely affected the economy. The researcher's generally investigated how the entrepreneurial orientation affects productivity of Small businesses in the city of Nairobi city, Kenya with the specified objectives being to; look at the impact of taking risk, to analyze the result of innovation, and to finally establish the sequel of pro-activeness on progress of Small and Medium businesses. The research design used was cross sectional descriptive targeting a population of 2300 Small and Medium businesses registered to operate in Nairobi City County. A total 230 participants making a 10% of targeted population was obtained using a stratified sampling method. The results show that indeed entrepreneurial orientation positively impacted on the performance of SMEs.

Innovation led to improved market share, quality of goods, volume of sales and increase product portfolio. This shows that innovativeness has important results on business success.

There is a better business performance with higher risk being taken. Risk-taking characteristics are the foundation for benefit acquisition and improved business efficiency.

Proactiveness enabled the organization to improve business growth and profits. According to the findings, proactiveness has a significant impact on business success.

5.3 Conclusion

This study concludes that when the dimensions of entrepreneurial orientation are adopted, there will be a big impact on the business development of SMEs. The firm's Entrepreneurial focused activities assist the SMEs managers in decision making as per the strategic use of resources besides offering better performance. The study findings add more knowledge on how EO and SMEs performance are related and therefore adding more knowledge in entrepreneurship field.

Entrepreneurial orientation therefore is a significant predictor of SME growth and profitability. This research may have a variety of managerial consequences. To begin, business owners and managers should recognize entrepreneurial orientation as a critical component of firm success. Second, SMEs' owners/managers can cultivate an entrepreneurial culture that inspires workers to follow entrepreneurial goals. Employees of SMEs can only improve firm efficiency if they indulge in product business developments, embark on some risky projects, and are the first to come up with constructive measures. According to the findings, agro processing industries should adopt an entrepreneurial mindset that will improve firm efficiency.

5.3 Recommendation

The recommendations drawn from research results and subsequent conclusions are; SMEs must be entrepreneurially oriented so as to grow their business. Furthermore risk-taking is imperative to an effective reaction to the dynamic environments that may alter the direction of business performance when not responded to effectively.

Entrepreneurs should stay ahead of competition by innovating and developing new products, be proactive always by constantly scanning the environments for any new market opportunities or threat. Finally, the concerned department should strategize on incorporating the SMEs sensitization drive on the need of various entrepreneurship dimensions in growth of businesses.

5.4 Suggestion for Further Research

The researcher suggests more study on the mediating components in the entrepreneurial orientation impacts on SME growth like political instability, pandemics and hostilities.

REFERENCES

Ananga B.A. (2015) Entrepreneurial orientation and SMEs growth. A study of the food processing sector in Ghana. (Master's thesis) University of Ghana

Basile, A. (2012). Entrepreneurial Orientation in SMEs: Risk-Taking To Entering International Markets. *Far East Journal of Psychology and Business, 7*(1), 1-21.

Bigliardi, B. (2013). The Effect of Innovation on Financial Performance: A Research Study Involving SMEs. *E-content Management Pty Ltd. Innovation: Management, policy& practice 15 (2) 245–256.*

Bleeker, I. (2011). The influence of entrepreneurial orientation on the innovation process: an empirical research on manufacturing SMEs.

Brown, T. E., Davidsson, P., & Wiklund, J. (2001). An operationalization of Stevenson's conceptualization of entrepreneurship as opportunity-based firm behavior. *Strategic management journal*, *22*(10), 953-968.

Cantillon, R. (1959). Essay on the nature of trade in general (1755). *London: Reprinted for The Royal Economic Society by Macmillan &Co., ITD*, 48-59.

Coulthard, M. (2007). *The role of entrepreneurial orientation on firm performance and the potential influence of relational dynamism*. Monash University Faculty of Business and Economics.

Covin, J. G., & Lumpkin, G. T. (2011). Entrepreneurial orientation theory and research: Reflections on a needed construct. *Entrepreneurship Theory and Practice*, *35*(5), 855-872.

Covin, J. G., Green, K. M., & Slevin, D. P. (2006). Strategic process effects on the entrepreneurial orientation–sales growth rate relationship. *Entrepreneurship Theory and Practice*, *30*(1), 57-81.

Covin, J.G. & Wales, W. J. (2011). The measurement of entrepreneurial orientation. *Entrepreneurship: Theory and Practice*

Cronbach, L .J. (1951). Coefficient Alpha and Internal Structure of Tests. *Psychometrika*, 33, 93-96.

Egbetokun, A.,Siyanbola, W., Olamade, O., Adeniyi, A. &Irefin, I (2008) Innovation in Nigerian SMEs: *types and impact. National Centre for Technology Management, Globelics*

Gathungu, J. M., Aiko, D. M., & Machuki, V. N. (2014). Entrepreneurial orientation, networking, external environment, and firm performance: A critical literature review. *European Scientific Journal*, *10*(7).

Hughes, M., & Morgan, R. E. (2007). Deconstructing the relationship between entrepreneurial orientation and business performance at the embryonic stage of firm growth. *Industrial Marketing Management*, *36*(5), 651-661.

Joha Soininen, (2013) entrepreneurial orientation in small and medium sized enterprises during economic crisis. Lappeenranta University of Technology,Finland

Kenya National Bureau of Statistics, (2016), *Micro, Small and Medium Establishment (SMME Survey*. Retrieved from www.knbs.or.ke

Khandwalla, P.N. (1976). Some top management styles, their context and performance. *Organization and Administrative Sciences*, *7*(4), 21–51.

Kothari, C. (2004) *Research Methodology, methods and Techniques*, New Delhi, New Age International (P) LTD Publishers.

Koellinger, P. (2008) the relationship between technology, innovation, and firm performance – Empirical evidence from e-business in Europe.*Research Policy, pp. 1317–1328.*

Kreiser, P.M., Marino, L.D., Kuratko, D.F. & Weaver, M. K. (2013). Disaggregating Entrepreneurial Orientation: the Non-Linear Impact of Innovativeness, Proactiveness and Risk-Taking on SME Performance.*Small Business Economics pp.273–291*

Krueger, N. F. (2000). The cognitive infrastructure of opportunity emergence. *Entrepreneurship Theory and Practice*, 24(3), 5–23

Lumpkin, G. T., & Dess, G. G. (2001). Linking two dimensions of entrepreneurial orientation to firm performance: the moderating role of environment and industry life cycle, *Journal of Business Venturing,* Vol. 17, pp.429-451.

Lumpkin, G. T., Cogliser, C. C., & Schneider, D. R. (2009). Understanding and measuring autonomy: An entrepreneurial orientation perspective. *Entrepreneurship Theory and Practice*, *33*(1), 47-69.

McGrath, R. G. (2001). Exploratory learning, innovative capacity, and managerial oversight. *Academy of Management Journal,* 44: 118–131.

Merz, R. G., & Sauber, M. H. (1995). Profiles of managerial activities in small firms. *Strategic Management Journal*, *16*(7), 551-564.

Miller, D. & Friesen, P.H. (1982). Innovation in conservative and entrepreneurial firms: Two models of strategic momentum. *Strategic Management Journal*, *3*, 1–25.

Mintzberg, H. (1973). Strategy-Making in Three Modes. *California management review, 16*(2).

Mohammed, S. M., Ricardo B. &Harry E. (2014) Entrepreneurial Orientation and Financial Performance of Nigerian SMES: The Moderating Role of Environment. https://www.academia.edu/8937395/A

Moreno, A.M. & Casillas, J.C., (2008)", Entrepreneurial orientation and thriving of small business: a causal model", *Entrepreneurship Theory and Practice* 32 (2), 507–528.

Mugenda, A.& Mugenda, O. (2003) Research Methods; *Quantitative and Qualitative Approaches*;African centre for Technology Studies,

Mugenda, O. & Mugenda, A. (1999). *Research Methods: Qualitative and Quantitative*

Mwangi, M. M. A & Ngugi, K. (2014). Influence of Entrepreneurial Orientation on Growth of Micro and Small Enterprises In Kerugoya, Kenya. European Journal of Business Management, 1 (11), 417-438.

Namusonge M. & Nduriri. M.W, (2017) Market, entrepreneurial orientation and performance of SMEs hotels in Nanyuki, Kenya. European journal of business and strategic management

Coen,M. Hosman, Hughes, V. & Sascha K. J.P (2012) entrepreneurial orientation and the business performance of SMEs: a quantitative study from the Netherlands.

Schumpeter, J. A. (1942). *Capitalism, socialism, and democracy.* New York: Harper & Brothers.

Sirelli, G. (2000). Innovation and firm performance, summary of session C, Conference innovation and enterprise creation: Statistics and indicators, France, 23-24/11/2000.

Cao, Q. & Smith, K (2008).An entrepreneurial perspective on the firm-environment relationship.*Strategic Entrepreneurship Journal, pp. 329–344.*

Shepherd, D. & Wiklund, J. (2005), "Entrepreneurial orientation and small business performance: a configurationally approach", *Journal of Business Venturing* 20, 71–91.

De Wit, G. & Zhou, H. (2009). Determinants and dimensions of firm growth. *SCALES EIM Research Reports (H200903).*

APPENDICES

Appendix I. Research Questionnaire

My Name is Joshua Kivuitu, a Master of Business Administration (MBA) Entrepreneurship student at **Kenyatta University**. The researcher is undertaking a survey on ***"Entrepreneurial orientation and SMEs Performance in Nairobi County''*** This is in partial fulfilment of requirements leading to the award of a master degree in Business Administration. Information provided will be used for academic purposes only and treated confidentially. Please take a few minutes of your time to fill out this questionnaire.

Section A: General Information on Respondent

1. Gender: Male [ ] Female [ ]

2. Age of the business: Below 5 Years [ ] 5-19 [ ] 20-49 [ ] 50-99 [ ] 100-above [

3. The highest academic level attained?

4. Position of the respondents: Non Managerial [ ] General Manager [ ] Owner [

5. Firm size (Number of Employees): Less than 5 (Micro) [ ] 5 – 50 (Small) [ ] 51 – 150 (Medium) [ ]

6. Form of business: Sole proprietorship [ ] Partnership [ ] Limited Liability [ ]

7. The number of years worked here? Below Five years[ ] 5-10 [ ] 11-15 [ ] 16-20 [ ] 20-above [

8. Which is your business category?

a) Real estate's [ ] b) Entertainment [ ] c) Hotel and Food industry [ ]

d) Computer and technology [ ] e) Travel and Tourism [ ] f) Building and construction [ ] g)Manufacturing [ ] h) Fashion industry [ ] i) Consultancy [ ]

Section B: Innovativeness

Please rate how you concur on the assertions below, with 1=Strongly Disagree, 2=Disagree, 3=Neutral, 4=Agree, 5=Strongly Agree,

No	Innovativeness Variable	1	2	3	4	5
1	We encourage employees to have original and distinct thinking					
2	Our company encourages and supports new and creative ideas,					
3	Our company embraces new technology					
4	The company is slow in adopting new products and service lines					
5	Our company encourages innovation in its undertakings					
6	We undertake research and development					
7	We welcome all new form of thinking					

8. Has innovativeness influenced your company?

Yes ☐ No ☐

9. If yes, how did innovativeness influenced your company?

_____

_____

Section C: Risk-Taking Ability

Please rate how you concur on the assertions below,; with 1=Strongly Disagree, 2=Disagree, 3=Neutral, 4=Agree, 5=Strongly Agree,

No	Risk Taking Ability Variable	1	2	3	4	5
1	We are aggressive and firm decisions for the firms progress					
2	We Endeavour to take calculated risks in our operations					
3	Our company is risk averse on costly projects					
4	We don't respond to all emerging chances					
5	We always adopt new technology					
6	Our company encourages employees to be risk takers					
7	This company has daring employees					

Does risk- taking influence your company?

Yes ☐ No ☐

If yes, how has risk-taking influence your company?

_____

_____

Section D: Proactiveness

Please rate how you concur on the assertions below, with 1=Strongly Disagree, 2=Disagree, 3=Neutral, 4=Agree, 5=Strongly Agree,

No	Proactiveness Variable	1	2	3	4	5
1	We always forecasts for the future needs					
2	Our company is driven forward by its goals					
3	Our staff lead in finding and recognizing the customer needs					
4	Our company is always ahead of competition					
5	Our company takes aggressive posture compare to competition					
6	We don't pioneer introducing new things or new ways					
7	Our company is not surprised by emerging things					

Has proactiveness influence your company?

Yes ☐ No ☐

If yes, how has proactiveness influence your company?

_____

_____

Section E: SME Performance

Please rate how you concur on the assertions below; with 1=Strongly Disagree, 2=Disagree, 3=Neutral, 4=Agree, 5=Strongly Agree,

No	**Increase In Sales**	**1**	**2**	**3**	**4**	**5**
1	Our company has had increment in sales for the last two years					
2	Our sales objective have been achieved for the last two years					
No	**. Employee growth**	**1**	**2**	**3**	**4**	**5**
3	Our company has employed more new Employees for the last two years					
4	The company can accommodate more new employees in the next two years					
5	We had to send home some workers within the last two years					

Has business growth influence your company?

Yes ☐ No ☐

If yes, how did business growth benefited your company?

_____

_____

Section F: Environment Context

Please rate how you concur on the assertions below; with 1=Strongly Disagree, 2=Disagree, 3=Neutral, 4=Agree, 5=Strongly Agree,

No	Environmental Context Variables	1	2	3	4	5
1	The rate of inflation has no impact on the growth of this company					
2	The growth of our company is not affected by the currency depreciation of Ksh against major currencies.					
3	Increase in power and water levies don't interfere with company growth					
4	The current power rationing don't interfere with company operations					

Has environmental context influence your company?

Yes ☐ No ☐

REPUBLIC OF KENYA

NATIONAL COMMISSION FOR SCIENCE,TECHNOLOGY & INNOVATION

Ref No: **992024**

Date of Issue: **16/March/2020**

RESEARCH LICENSE

This is to Certify that Mr.. Joshua Kilungu Kilungu of Kenyatta University, has been licensed to conduct research in Nairobi on the topic: ENTREPRENEURIAL ORIENTATION AND PERFORMANCE OF SMALL AND MEDIUM- SIZED ENTERPRISES IN NAIROBI CITY COUNTY, KENYA for the period ending : 16/March/2021.

License No: **NACOSTI/P/20/4508**

992024

Applicant Identification Number

Director General
NATIONAL COMMISSION FOR SCIENCE,TECHNOLOGY & INNOVATION

Verification QR Code

NOTE: This is a computer generated License. To verify the authenticity of this document, Scan the QR Code using QR scanner application.