ENTREPRENEURIAL ORIENTATION AND ENTERPRISE PERFORMANCE OF SELECTED SMALL AND MEDIUM MANUFACTURING ENTERPRISES IN NAIROBI CITY COUNTY, KENYA

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DECLARATION

This project is my original work and has not been presented for academic purposes in Kenyatta University or any other University.

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As the designated University Supervisor, I confirm that the student, under my guidance and direction, has submitted this project exclusively for examination purposes.

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DEDICATION

To my family, expressing gratitude for their prayers, encouragement, and invaluable support.

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OPERATIONAL DEFINITION OF TERMS

Autonomy:	Independent initiatives undertaken by individuals or teams within a business, aiming to introduce innovations for the purpose of acquiring and maintaining a competitive edge.
Competitive Aggressiveness:	An intensive effort to outmaneuver competitors and is indicated by leading in introducing new technologies, processes and products or services, in order to improve market position or overcome market threats.
Entrepreneurship:	A person's behavior that includes identifying economic opportunities and exploiting them through embracing creativity and innovation.
Entrepreneurial Skills:	The skills needed to manage a successful enterprise such as risk-taking, innovation and identification of new markets.
Entrepreneurial Orientation:	EO is the degree to which a business adopts the five dimensions of EO to establish and uphold a competitive edge in the industry.
Innovativeness:	A tendency for an enterprise to embrace creativity and innovation resulting in the introduction of new products, services, technologies and processes.
Enterprise Performance:	Reflects a firm's market and financial performance, measured by sales, profits, market share and employee growth.
Pro-activeness:	A tendency to seek new and emerging opportunities and is indicated by acquisition of new services, products, markets, processes and technologies, ahead of competitors.
Risk Taking Propensity:	The willingness to boldly venture into new and uncertain markets and invest heavily in high risk-high return ventures, so as to maintain a leadership in the industry.
Small & Medium Manufacturing Enterprises:	Enterprises employing 10 to 99 employees and involved in production activities

ABBREVIATIONS AND ACRONYMS

CIP	Competitive Industrial Performance
EAC	East African Community
EO	Entrepreneurial Orientation
GDP	Gross Domestic Product
GLCs	Government-Linked Corporations or Enterprises
GOK	Government of Kenya
KAM	Kenya Association of Manufacturers
KER	Kenya Economic Report
KNBS	Kenya National Bureau of Statistics
RoK	Republic of Kenya
SMEs	Small and Medium Enterprises
SMMEs	Small and Medium Manufacturing Enterprises
UK	United Kingdom
UNIDO	United Nations Industrial Development Organization
WB	The World Bank Group
AGPO	Access to Government Procurement Opportunities
EAC	East African Community
COMESA	Common Market for East and Southern Africa
AfCFTA	African Continental Free Trade Area
AGOA	African Growth and Opportunities Act
MSEA	Micro Small Enterprises Authority

ABSTRACT

Entrepreneurial Orientation (EO) has become a focal point in entrepreneurship and strategy research, attracting considerable attention in both theoretical and empirical studies. EO is characterized by various entrepreneurial behaviors such as innovativeness, risktaking propensity, proactiveness, competitive aggressiveness and autonomy, that guide the pursuit of opportunities. The success of an enterprise is often assessed by the extent to which these EO dimensions are practiced. SMEs face a persistent risk of failure, with a notable proportion failing to transition into larger enterprises. The SME sector in Kenya, experiences a high mortality rate, where over 60% face closure annually, with many not surviving beyond the third anniversary. SMEs in Kenya, constitute about 80% of the manufacturing sector. However, their contribution to GDP stands at less than 20%, lagging behind larger enterprises. This poor performance is likely due to a lack of entrepreneurial orientation. Hence the purpose of this study was to identify the EO factors that can enhance SMMEs performance, to enable them contribute effectively to economic development. The study is significant and timely, because the EAC Industrialization Policy (2012-2032) and Kenya's Vision 2030, envision SMMEs transforming into vibrant businesses, contributing at least 50% to manufacturing sector GDP. A mandate that is unlikely to be achieved, if the current sub-optimal performance of SMMEs continues. A descriptive and explanatory survey research design was employed, with the study being guided by EO Theory, supported by Resource-Based View and Dynamic Capabilities Theories. The EO variables that were analyzed are innovativeness, risktaking propensity, proactiveness, competitive aggressiveness and autonomy as independent variables with enterprise performance as the dependent variable. The study targetted 309 Nairobi based SMMEs, from which 93 SMMEs were derived. A likert-type questionnaire was used for data collection and descriptive and inferential statistics were used for data analysis. Findings revealed that all five EO dimensions had a statistically significant relationship with Enterprise Performance as follows: Innovativeness ($\beta = .148$, Sig.=.006<.05), Risk-Taking Propensity ($\beta = .167$, Sig.=.020<.05), Proactiveness ($\beta = .489$, Sig.=.000<.05), Competitive Aggressiveness ($\beta = .393$, Sig.=.000<.05), and Autonomy ($\beta = .203$, Sig.=.001<.05). The study concluded that all five EO dimensions, individually and collectively, significantly influence performance among the SMMEs under study. The study therefore recommends that SMMEs embrace all EO dimensions to synergistically enhance enterprise performance.

CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

SMEs greatly influence the economic performance of economies worldwide. Data from developed countries highlights the importance of the sector in enhancing industrial and economic development. In Japan, SMEs constitute nearly 99% of all enterprises (Lima, Teixeira, Dantas & Almeida, 2018). In the US, SMEs generate approximately two-thirds of new jobs and contribute to over 50% of technological and innovative products (SBA). Within the East African Community (EAC), SMEs form the largest subsector, comprising an average of 60% in number, and even reaching 90% if informal enterprises are included (East African Community Secretariat). The sector provides immense opportunities for creating employment and improving livelihoods. The significance of this sector is further underscored by the EAC Industrialization Policy (2012-2032), which aims to transform SMMEs into profitable and sustainable enterprises, contributing to 50% of manufacturing GDP. In Kenya, approximately 80% of manufacturing entities are SMEs (Kenya Economic Report, 2020). Therefore, the performance of SMMEs greatly impacts manufacturing sector.

In Kenya SMMEs, are anticipated to play a critical role in job creation, poverty alleviation, and industrial transformation, in order to propel the country into a middle-income and newly industrialized nation by 2030 (Vision 2030). This necessitates a sustained GDP growth of 15% per annum in the sector. The aforementioned scenario underscores the fact that SMMEs are pivotal in accelerating economic growth in Kenya and should therefore be supported, to enable them to fulfill their mandate. Despite the above expectations, current data indicates that SMMEs' contribution to GDP remains below 20%, trailing behind larger enterprises, despite being the largest employer in the sector (Chege et al., 2014, KIPPRA, 2017). Additionally, the Kenya Economic Report (2020) states that the slow pace of industrialization is impeding structural economic transformation. The manufacturing sector's GDP contribution decreased to 7.5% in 2019 from 7.8% in 2018 (KNBS, 2020). This decline in performance is partially attributed to competition from imported goods, high production costs, and low technology adoption leading to poor performance. The sub-optimal performance of SMMEs also compromises the achievement of Kenya’s development goals. Hence the urgent need for SMMEs to be supported, to enhance productivity, efficiency, and competitiveness, so as to achieve projected industrialization and economic development goals.

To bolster this vital sector, the Kenyan government has implemented various structures and interventions such as the passing of the MSEs Act No. 55 of 2012, which designates MSEA to oversee the promotion, development, and regulation of the MSME sector in Kenya. Additional measures include facilitating affordable credit facilities through major banks, establishing an MSE fund (commonly known as the 'hustlers fund') to support small scale entrepreneurs, promoting infrastructure development for conducive working environments, raising awareness and formalizing businesses, and broadening market access for SMEs. Other strategies involve capacity-building through training and coaching, supporting SMEs through opportunities such as AGPO and affirmative action funds specifically directed towards vulnerable persons. Further, Kenya consistently provides SMMEs with market access through trade exhibitions and fairs. Moreover, the sector can tap into various opportunities through various trade agreements to access expanded markets, such as EAC, COMESA, AfCFTA) and AGOA. Unfortunately, most entrepreneurs are not aware about such potential markets, thus limiting their ability to capitalize on the opportunities these agreements offer.

Despite these concerted efforts, the sector continues to grapple with significant challenges, including limited access to affordable credit, hurdles in infrastructure deficiencies, market access, digitalization issues and competition from imported goods. These challenges impede the sector's growth, resulting in suboptimal performance. SMEs require enhanced capacity-building, in order to elevate product quality to meet required standards and digitization to facilitate e-commerce, a realm where many MSMEs struggle, causing them to miss out on available opportunities. A substantial portion of Kenyan MSMEs operates informally, facing financial constraints and encountering barriers when seeking support from traditional financial institutions for startup ventures because they lack collateral. This situation is particularly prevalent in Kenya, particularly impacting women and other disadvantaged groups. Research has demonstrated that one way to enhance SMME survival and growth is by embracing entrepreneurial orientation (EO). According to Wiklund and Shepherd (2005) and Rauch et al. (2009), EO is the ability of an enterprise to innovate, undertake high risk-high return projects, be proactive, and aggressively pursue market opportunities. Business enterprises that exhibit high EO continuously monitor the external environment in order to exploit emerging opportunities to grow market share (Covin & Miles, 1999; Keh et al., 2007). It is likely, therefore, that the poor performance and high mortality rates of SMMEs are, at least in

part, due to a lack of EO. This study therefore investigated ithe extent to which EO manifests in the SMMEs under study including how it influences performance.

1.1.1 Entrepreneurial Orientation

Entrepreneurial orientation (EO) is considered crucial because it has been established to have a positive influence on enterprise performance. EO has been characterized in various ways. According to Miller (1983), a firm is deemed entrepreneurial only if it excels in pro-activeness, innovation and risk-taking. Lumpkin & Dess (1996) expanded on this by defining EO as encompassing five constructs, including Miller's three along with competitive aggressiveness and autonomy. Rauch et al. (2009) defined EO as policies and practices that facilitate entrepreneurial decision-making. Colvin & Slevin (1991) and Lumpkin & Dess (1996) conceptualized EO, with the former suggesting it as a .one-dimensional construct, while the latter argued that the EO construct is multidimensional, meaning that the five constructs may not necessarily co-vary. Edwards et al. (2014) proposed that the level of EO can be assessed by examining how well it aligns with the five dimensions. Both measures have been employed by various researchers. For example, Chenuos and Maru (2015) and Amin, Thurasamy, Mohamad, Aznur, and Kaswuri (2016) assessed the EO construct using three dimensions, while Zehir, Can, and Karaboga (2015), Campos and Valenzuela (2013), and Zulkifli and Rosli (2013) examined all five dimensions. The current study examined all five EO constructs, using a multi-dimensional approach, which assumes that the EO constructs may not necessarily co-vary.

EO dimensions consist of innovativeness, risktaking propensity, proactiveness, competitive aggressiveness and autonomy. Innovativeness is indicated by an enterprise’s willingness to embrace new product and services development and adoption of new technologies. It motivates enterprises to invest heavily in new and innovative technologies, thus enhancing the enterprise's innovation ability (Lumpkin, G.T.; Dess, G.G., 1996). The ability to introduce novel ideas and solutions gives enterprises a strategic edge, positioning them as leaders in their respective industries. Innovative enterprises often exhibit a commitment to continuous learning and improvement. They invest in research and development activities, cultivating a forward-thinking mindset that propels them ahead of competitors. This commitment extends beyond the mere creation of new products or services, encompassing a holistic approach

to refining internal processes and workflows for maximum efficiency and effectiveness. Moreover, a company's innovativeness is closely tied to its capacity for risk-taking. Embracing innovation requires a willingness to venture into uncharted territory and experiment with unconventional ideas. Successful enterprises recognize the inherent risks associated with innovation but view them as opportunities for growth and advancement. This risk-taking mindset not only spurs creativity within the organization but also sets the stage for breakthroughs that can revolutionize industries.

Risk-taking Propensity is another crucial dimension of EO, showcasing the organization's readiness to embrace uncertainty and venture into unexplored territories. A high risk-taking propensity encourages enterprises to view challenges as opportunities rather than obstacles. This propensity is often manifested in the enterprise's willingness to allocate substantial resources to high-risk, high-return projects. It instills a mindset that perceives calculated risks as essential for achieving significant breakthroughs, fostering a culture that not only tolerates uncertainty but actively seeks it out. By taking on high-risk projects, enterprises position themselves at the forefront of industry innovation, pushing the boundaries of what is possible and setting new standards for excellence. According to Lumpkin (1996), firms with a high risk-taking propensity tend to take bold action in return for high rewards (Miller, 1987).

Risk-taking propensity can be looked at from two aspects: technological and market. In terms of technology, it is the enterprise investing heavily in technological innovation. In terms of market, it is the inclination of the enterprise to boldly explore new and uncertain markets, to facilitate growth (Lyon, D.W.; Lumpkin and Dess, 2000).Proactiveness relates to first mover advantage, whereby enterprises compete in terms of new product development. Proactive firms change the current business status by exploring existing and emerging opportunities and predicting future business trends (Boohene, 2012). In a competitive environment, proactiveness is critical in creating and maintaining competitive advantage (Jia, Zhao, Yu, Wang, and Will, 2018). Thus, proactive enterprises focus on identifying new markets and seizing new opportunities, in order to bring about innovation to enterprises (J Wiklund, D Shepherd, 2005). Being proactive involves more than just responding to changes-it requires a forward-thinking approach that anticipates shifts in the business landscape. Proactive firms actively seek out opportunities,

even before they become evident to others, positioning themselves at the forefront of industry trends. These forward-looking enterprises engage in continuous environmental scanning to identify both existing and potential opportunities. By staying vigilant and responsive to market dynamics, they position themselves to capitalize on emerging trends and gain a first-mover advantage. This strategic foresight enables proactive firms to shape industry trends rather than merely reacting to them. Competitive aggressiveness is reflected in the tendency for an enterprise to aggressively challenge competitors in order to enhance market share and positioning (Lumpkin, 1996, DeepaBabu & Manalel, 2016). This dimension of entrepreneurial orientation compels businesses to actively seek out opportunities to outperform rivals through assertive tactics such as aggressive marketing strategies, product innovation, and strategic alliances.

Competitive aggressiveness can be likened to launching a series of strategic maneuvers, employing various tactics and methods to outperform rivals (Ferrier et al., 2002). This approach enables the enterprise to achieve 'first mover advantage', so as to position itself as an industry leader. Interestingly, proactiveness and competitive aggressiveness represent two distinct yet interconnected EO dimensions, each contributing uniquely to an enterprise's strategic approach. Competitive aggressiveness entails the active pursuit of existing market opportunities, while Proactiveness centers around the notion of 'first mover advantage.' In practice, these two dimensions often work in tandem. Proactiveness lays the foundation by identifying opportunities, while competitive aggressiveness takes this a step further by swiftly executing bold and strategic moves, to capitalize on those opportunities. The combination of these dimensions allows enterprises to not only react to market changes but to actively shape and influence them.

Autonomy reflects the tendency of an enterprise to allow freedom to individuals or teams, to create new products, services and ventures (Rauch, Wiklund, Ismail, 2014; Lumpkin, Cogliser, & Schneider, 2009). Therefore, it is key to enterprise performance. By granting individuals or teams the autonomy to explore new ideas and approaches, which can significantly enhance the enterprise's competitive edge. Furthermore, autonomy plays a critical role in employee engagement and satisfaction. When individuals feel empowered and trusted to make decisions, they develop pride and ownership in their work, leading to high motivation and a greater willingness to invest time and effort into achieving enterprise goals.

1.1.2 Enterprise Performance

Enterprise performance is perceived as the level of achievement of predetermined financial and non-financial objectives by an enterprise (Jarvis et al., 2000; Miguel & Elena, 2009 Wood, 2006; Gerba and Viswanadham, 2016). Contrary to a common misconception associating performance solely with organizational profitability, Gerba and Viswanadham (2016) suggest that enterprise performance can be evaluated using various financial metrics such as sales volume and value, turnover, profitability, and total assets, as well as non-financial indicators like employment size, customer satisfaction, productivity, delivery time, and employee turnover. Other measures cited by scholars include operating performance (Chiara et al., 2015, Simiyu, 2013) and level of innovation. Researchers exploring business performance measurement have employed diverse indicators and criteria due to the lack of consensus on the choice of performance criterion.Elly (2012) also emphasized the pivotal role of performance measures in translating organizational strategy into desired outcomes. Elly (2012) identifies three integral components of performance, namely financial, market and customer performance. Financial performance is characterized by a focus on profit and return on investment. market performance places emphasis on sales volume, sales growth, and market share while customer performance focuses on loyalty resulting from customer satisfaction.

Studies on EO-performance relationship involving SMMEs include the research conducted by Fauzul Fairoz and Hirobumi (2016), who examined the EO-Performance relationship in Japan of 178 SMMEs. They utilized sales, market share, profit, and employment growth to evaluate enterprise performance. Gathungu and Baariu (2018) examined the EO-Performance relationship of SMMEs in Kenya. They employed measures such as sales growth, revenue, entrepreneurial satisfaction, growth in employment, and customer satisfaction to assess enterprise performance. Katialem, Muhanji, and Otuya (2018) studied the EO-Performance relationship of SMMEs in Nairobi City County, Kenya. Their performance measures included sales growth, revenue growth, and employment growth. Waithaka (2016) examined the EO-Performance relationship of agro-based manufacturing SMMEs in Kenya, using business earnings, number of employees, net worth, and years in business as performance indicators. Wambugu, Gichira, and Wanjau (2016) investigated the EO-Performance relationship of Agro Processing SMMEs in Kenya, using subjective measures where owner-managers rated

performance against sales growth, profitability, and employee growth in comparison to competitors over a period of years. This study employed sales, profitability, market share, growth in employee numbers and years in business as performance measures. This study employed sales, profits, market share and employee growth as performance measures.

1.1.3 Entrepreneurial Orientation and Performance

Entrepreneurial orientation has been a focal point, with over a hundred research studies dedicated to exploring this concept. Extensive research consistently supports the notion that entrepreneurial orientation significantly contributes to performance improvement. In a multivariate analysis encompassing 51 articles, Rauch et al, found a substantial positive correlation between EO and overall firm performance, based on growth and profitability (Rauch et al, 2009). In the face of ongoing globalization, heightened competition, and technological advancements, organizations are compelled to seek survival and growth strategies. Experts, including Rauch (2009), advocate for the pursuit of entrepreneurial orientation as a notable solution to these challenges. This study delves into each dimension of EO and its unique relationship to performance, recognizing that the link between different dimensions and performance can vary independently (Lumpkin & Dess, 2005). Entrepreneurial initiatives are determined at management level, requiring expertise to identify and pursue viable entrepreneurial opportunities, in order to enhanced performance.

1.1.4 Overview of SMMEs in Nairobi City County, Kenya.

Kenya's SME sector is considered the bedrock of economic development, because it contributes to 24% of the country's GDP. It comprises of over 90% of the private sector and constitutes 93% of the labor force (MIT&ED, Sessional Paper No. 05 of 2020). With this in mind, the government has put in place various initiatives aimed at fostering the growth. The first initiative was the Sessional Paper No. 10 of 1965, which underscored the importance of African ownership and entrepreneurship development. These policies laid the foundation for the MSE Act No. 55 of 2012, which emphasized the need for regulating the sector. The Act was subsequently enacted, assigning MSEA, the responsibility of regulating and developing sector. This was followed by the Sessional Paper No. 05 of 2020 which developed an MSEs promotion policy, for wealth and employment creation. Kenya classifies MSEs based on annual turnover

and workforce. Micro enterprises have an annual turnover of up to KES 500,000 with less than 10 employees, while small enterprises fall within the range of KES 500,000 to 5 million turnover and have a workforce of 10-49 people. Though not covered by the act, medium enterprises are generally recognized as having a turnover of between KES 5 million and 800 million, with 50-99 workers. this sector plays a vital role in providing immense employment opportunities and alleviating poverty, especially for youth, women, and individuals with disabilities.

Despite the significant role played by SMEs, particularly those in manufacturing, these Enterprises face operational challenges hindering them from reaching their full potential. A notable challenge is the lack of business management skills, often leading to the adoption of trial-and-error approaches. Managerial strategies focus on operational rather than comprehensive strategic plans. Additionally, these strategies often diverge from global managerial standards, leaving SME managers ill-equipped to handle enterprise challenges effectively. Access to finance emerges as a major hurdle, with many SMEs lacking credit access from financial institutions, mainly commercial banks. Stringent lending conditions, such as the need for collateral, pose difficulties for these enterprises, as their limited asset base restricts their ability to provide substantial collateral. Consequently, reliance on borrowing from friends and relatives becomes a common practice, albeit insufficient to meet the diverse needs of SMEs. This financial constraint forces management to resort to local and inexpensive technologies, often inappropriate for optimal operations.

The rapid pace of technological advancements poses another obstacle, as SMEs struggle to adopt new technologies due to high costs and compatibility issues to their specific needs. Economic growth in Kenya further hampers technology adoption. The introduction of new laws and regulations adds to the challenges faced by SMEs. As the government and stakeholders continuously implement regulations to regulate enterprise operations and foster sustainable economic growth, some of these laws prove too stringent, hindering SME growth. Other obstacles include competition from superior-quality, affordable imports, insufficient infrastructure, ineffective resource management, and inadequate government support. Given the critical role SMEs play, particularly in the manufacturing sector, intervention is necessary to revive the economy.

However, there is a silver lining because the challenges faced by Kenyan MSMEs have opened up various prospects, in which the government is prioritizing the development of MSMEs with initiatives such as AGPO, including mainstreaming vulnerable groups into flagship projects. Opportunities are also provided for SMEs to participate in trade exhibitions in order to expand market opportunities for them. The sector can also benefit from opportunities presented through the EAC, COMESA, AfCFTA, and AGOA trade agreements. Opportunities also exist in innovation, value addition, technology transfer and skills enhancement. The ability to adapt is essential for maintaining the international competitiveness of SMEs in Kenya. The future prosperity of these enterprises depends on them embracing initiatives such as investing in digital transformation, implementing robust risk management strategies, developing succession plans and integrating digital technologies to improve operational efficiency and market access.

SMMEs constitute approximately 80 percent of the manufacturing sector and are essential for propelling economic development, in order to transform Kenya into a middle-income and newly industrialized country by 2030. However, achieving this goal seems unlikely, considering the manufacturing GDP dropped from 10% in 2014 to 7.7% in 2018, contrary to the projected annual growth rate of 10 percent. Globally, Kenya's sector GDP share lags behind newly developed countries like Korea (30%), Malaysia (23%), Mauritius (16%), and South Africa (13%). Regionally, the sector lags behind Rwanda and Tanzania, which registered sector GDP manufacturing shares in 2022 of 8.2 and 8.1 percent respectively, against Kenya’s 7.8 percent (World Bank, 2016). As SMMEs are crucial for manufacturing sector growth (KAM, 2017), it is imperative for them to enhance competitiveness, efficiency, and productivity in order to actively engage in economic development initiatives and compete globally.

1.2 Statement of the Problem

SMEs play a critical role in fostering development, generating employment, promoting innovation, and alleviating poverty (Vega & Rojas, 2011). In the context of Kenya, SMEs made a noteworthy contribution, 24% of the country’s GDP. Despite these positive indicators, a substantial challenge emerges as 60% of SMEs collapse within two years of operation, resulting in diminished GDP and job losses (Ngugi, Gakure & Kahiri, 2013). In Kenya, the success of SMMEs, is crucial for the EAC Industrialization Policy (2012-2032) and Kenya's Industrialization Policy, both of which aim to elevate Kenya into an industrialized economy. It

is anticipated that this sector will drive economic growth, generate employment, and reduce poverty by establishing an additional 1,000 SMMEs per annum (Kenya Economic Report 2018). However, achieving this goal requires the sector to double its growth rate from the current 7.7 percent per annum to 15 percent. This is yet to be achieved because SMMEs, face numerous challenges that impede their growth, leading to low sales and profits, restricted market share, and a high attrition rate, ultimately hindering the sector's ability to fulfill its mandate.

According to UNIDO, the performance of Kenya's manufacturing sector (which constitutes 80% of SMEs) is way below the targeted 15 percent (UNIDO CIP Report 2020). Moreover, the most recent Competitive Industrial Performance (CIP) Index places Kenya's manufacturing sector's competitiveness at 115 out of 152 economies (UNIDO CIP Report, 2020). This ranks lower than other competitor African countries such as Eygpt at 64 and South Africa at 52. The CIP Index assesses economies' capacity to manufacture and export goods competitively. More worrying is that the scorecard for industrial competitiveness also indicates that Kenya's economy is gradually moving towards premature deindustrialization. For example, between 2014 and 2018, the sector's GDP contribution shrank from approximately 10 percent to 7.7 percent. This is a significant threat to the survival and growth of the sector, with the sub-optimal performance of the SMMEs being a major contributor.

The information presented above highlights a significant problem within Kenya's manufacturing sector, particularly concerning Small and Medium Manufacturing Enterprises (SMMEs). According to UNIDO, the sector's performance, where SMEs constitute about 80%, is considerably below the targeted 15 percent. This performance deficiency is underlined by the Competitive Industrial Performance (CIP) Index, which positions Kenya's manufacturing sector's competitiveness at 115 out of 152 economies, as per the UNIDO CIP Report of 2020. Notably, this ranking is lower than some competing African countries like Egypt (64) and South Africa (52). The CIP Index evaluates an economy's ability to manufacture and export goods competitively.

The severity of the situation is emphasized by the indication that Kenya's economy is heading towards premature deindustrialization, as suggested by the scorecard for industrial competitiveness. Between 2014 and 2018, the sector's GDP contribution decreased from around

10 percent to 7.7 percent. This poses a significant threat to the sector's survival and growth. The likely culprit behind this decline is suggested to be a lack of entrepreneurial orientation within the SMEs. This scenario points to a clear research gap in understanding the specific factors contributing to the poor performance of Kenya's SMEs within the manufacturing sector. It raises questions about the underlying causes of the lack of competitiveness, the challenges faced by SMEs, and the potential strategies or interventions that could reverse the trend of premature deindustrialization. Further research is needed to delve into these aspects and provide insights that can inform policies and initiatives aimed at revitalizing the manufacturing sector and fostering a vibrant SMME sector.

Currently, there is insufficient evidence linking entrepreneurial orientation to the performance of SMMEs under consideration yet Nairobi City has the highest concentration of SMMEs. Many EO-Enterprise performance relationship studies in Kenya have focused on select rather than all five dimensions of EO. For example, the study by Gathungu and Baariu's (2018) on competitive strategies impact on SMMEs performance focused on competitive strategies, while Mkalama, Ndemo, Maalu, and Pokhariyal's (2020) study focused on innovation. Mosonik, Maru, and Komen (2021) study focused on innovation, risktaking propensity and pro-activeness, excluding competitive aggressiveness and autonomy. Other studies such as Kusumwardhani (2013) conducted in Indonesia and Yamoah (2016) in Ghana may not be generalizable to the Kenyan setting. To address the gaps cited above, the current study examined the EO-performance relationship of SMMEs in Nairobi City County, using all five EO constructs, thus providing additional insights on the subject.

1.3. Objectives of the Study

1.3.1. General Objective

To investigate the effect of entrepreneurial orientation on SMMEs' performance in Nairobi City County, Kenya.

1.3.2. Specific Objectives

1. Investigate the effect of iinnovativeness ion SMMEs performance.

2. Determine the effect of risk-taking on SMMEs performance.
3. Examine the effect of pro-activeness on SMMEs performance.
4. Analyze the effect of autonomy on SMMEs performance.
5. Establish the effect of competitive aggressiveness on SMMEs performance.

1.4. Research Questions

1. Does innovativeness influence SMMEs performance?
2. Does risk-taking propensity influence SMMEs performance?
3. Does pro-activeness influence SMMEs performance?
4. Does competitive aggressiveness influence SMMEs performance?
5. Does autonomy influence SMMEs performance?

1.5 Research Hypotheses

1. **H01**: Innovativeness does not influence the performance of SMMEs in Nairobi.
2. **H02**: Risk taking propensity does not influence the performance of SMMEs in Nairobi.
3. **H03:** Proactiveness does not influence the performance of SMMEs in Nairobi.
4. **H04**: Competitive Aggressiveness does not influence the performance of SMMEs in Nairobi.
5. **H05**: Autonomy does not influence the performance of SMMEs in Nairobi.

1.6 Significance of the Study

This study provides useful insights for policymakers concerning the EO-performance relationship of SMMEs, in Nairobi City County. This knowledge will empower policymakers to craft, devise, and execute policies that establish conducive conditions for the successful implementation of entrepreneurial orientation strategies. For entrepreneurs and decision-makers this study will guide the decision-making process towards enhancing entrepreneurship development. Improved decision-making can lead to more efficient project implementation, ultimately saving both time and financial resources. The research results underscore the importance of investing significantly in entrepreneurship education, to highlight the importance of EO in

entrepreneurship and economic development. Such initiatives can be channeled through government bodies like the Chamber of Commerce and Industry. Small business owners will find this study immensely beneficial because it highlights the growing. importance, .of EO in enterprise .performance. This knowledge will equip them with valuable insights to navigate the competitive business environment effectively. The research findings will also benefit scholars and researchers, by serving .as a reference for further exploration.

1.7 Scope of the Study

The researcher examined the impact of EO on Nairobi based SMMEs. The study targetted 309 SMMEs from which a sample size of 93 was derived. The study assessed the impact of the five EO constructs on SMMEs performance, drawing on three theories namely: Entrepreneurial Orientation Theory as the anchor theory and the Resource-Based and Dynamic Capabilities Theories as supporting theories. A descriptive and explanatory research design, was selected for its'suitability in defining and elucidating the investigated phenomenon. Data analysis consisted of descriptive and inferential statistics, with the unit of analysis being SMMEs, and units of observation being SMME Owners or Managers.

1.8 Limitations of the Study

This research confined itself to the EO-Performance relationship and did not extend to the examination of other factors such as management styles, culture and so on. A logistical limitation of the study was the challenge of promptly retrieving completed questionnaires. Consequently, regular physical follow-up was essential to ensure a viable return rate. Despite these challenges, the quality and integrity of the study was maintained.

1.9 Organization of the Study

This project consists of five chapters. Chapter one introduces the background, statement of the problem, research objectives and limitations. Chapter two provides a review of theoretical and empirical literature and research gaps. Chapter three discusses the research methodology while chapter four delves into research findings. Chapter five summarizes findings, concludes and makes recommendations.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter explored relevant theoretical and empirical literature. Prior empirical investigations on EO and SMMEs performance were examined and critiqued and gaps identified in the existing research. Furthermore, theoretical and conceptual frameworks, were presented to illustrate the connection amongst the variables.

2.2 Theoretical Literature Review

This study was based on three theories namely; Entrepreneurial Orientation Theory as the anchor theory and the Resource Based View and Dynamic Capabilities Theories as supporting theories. These theories collectively delved into the essential competencies needed to augment enterprise performance. By drawing on these well-established theoretical frameworks, the study sought to determine the EO-Performance relationship of SMMEs in Nairobi City County, Kenya.

2.2.1 Entrepreneurial Orientation Theory

EO Theory is a framework that has attracted a lot of attention, due to it's relevance in understanding how to create and use competitive advantage to enhance performance. The EO concept was first introduced by Miller (1983) and Covin and Slevin (1986) and expanded upon by Lumpkin & Dess (1996). It emerged in response to the need to understand how certain firms outperform others in dynamic and competitive environments. Over time, the theory has evolved and expanded, with researchers refining its dimensions and exploring its impact on firm performance. Entrepreneurial Orientation (EO) Theory, which serves as the bedrock of this research, offers a robust and well-articulated framework characterized by its well-defined constructs. Aligned with supporting theories such as the Resource-Based View (RBV) and Dynamic Capabilities Theories, EO Theory presents a comprehensive foundation for understanding how firms, especially Small and Medium-sized Enterprises (SMMEs), can not only survive but thrive in highly competitive landscapes. The key to this success lies in cultivating and fostering an entrepreneurial orientation culture within the organization. The theory provides a strategic roadmap for organizations, guiding them in the development of a culture that is not only adaptive but also innovative and forward-thinking.

According to EO Theory, innovativeness is indicated by a generation of new products, services, and technologies. It involves a proactive approach to identifying and capitalizing on opportunities for innovation (Lumpkin & Dess, 1996). Proactiveness is characterized by a firm's high initiative and forward-thinking in anticipating and capitalizing on market opportunities. It involves a willingness to lead rather than follow (Miller, 1983). iRisk-taking propensity is characterized by engaging iin iactivities ithat involve uncertainty iand potential failure. It involves a calculated approach to taking risks in pursuit of growth and innovation (Covin & Slevin, 1986). Competitive aggressiveness pertains to a firm's assertive and proactive stance in gaining a competitive edge. It involves a willingness to challenge rivals and capture market share (Covin & Slevin, 1986).

Autonomy refers to the degree of independence and freedom given to employees to initiate and implement innovative and proactive initiatives. It involves delegating decision-making authority and empowering employees (Lumpkin & Dess, 1996). Research has confirmed that enterprises that exhibit a higher level of EO tend to achieve increased market share and superior financial performance (Wiklund & Shepherd, 2003; Rauch, Wiklund, Lumpkin, & Frese, 2009). By incorporating these EO constructs into the organizational culture, SMMEs can create an environment that not only survives but thrives in competitive landscapes. Such a culture encourages adaptability, creativity, and a proactive mindset, essential attributes for navigating the challenges of dynamic markets.

In this research, EO Theory is underpinned by two supporting theories: The Resource-Based View (RBV) and the Dynamic Capabilities Theories. The RBV emphasizes the strategic importance of a firm's unique and valuable resources as sources of sustainable competitive advantage, while the Dynamic Capabilities Theory emphasizes the need to adapt and reconfigure resources, in response to dynamic and changing environments. EO with its emphasis on innovation, proactiveness, and adaptability, aligns closely with the principles of RBV and dynamic capabilities theories, further reinforcing its significance in contemporary business strategy. Entrepreneurial Orientation Theory, in alignment with supporting theories, provides a comprehensive framework for understanding how firms, particularly SMMEs, can thrive in competitive landscapes through fostering a robust EO culture.

2.2.2 Resource-Based View (RBV) Theory

The Resource-Based View (RBV) theory is an important framework in entrepreneurship that undersores the importance of building and utilizing internal resources and capabilities within the enterprise, to gain competitive advantage. This theory states that a firm's unique and valuable resources, when properly leveraged, can lead to sustained superior performance. The concept of RBV emerged in the 1980s and 1990s as a response to traditional industry-based views of strategy. It was introduced and popularized by scholars such as Barney (1991) and Wernerfelt (1984). Since then, RBV has evolved and been refined through extensive research. The key tenets of RBV are resources, capabilities, heterogeneity, immobility and dynamic capabilities. They are tangible and intangible assets within the enterprise, such as human capital, physical assets, knowledge and organizational routines. They are valuable if they facilitate the exploitation of opportunities or mitigation of threats. Capabilities are the firm's capability to leverage these resources efficiently and effectively, in order to outmanouver competitors. RBV emphasizes that not all resources are equal. RBV suggests that by possessing and leveraging resources that are valuable, rare, inimitable, and non-substitutable (VRIN), firms can maintain a competitive edge (Barney, 1991). This allows them to command premium prices or achieve cost advantages (Peteraf, 1993).

While the RBV is an influential theory in research, it is not without its critiques. Some scholars argue that RBV may not fully account for the role of industry structure, market dynamics, and the external environment in determining firm performance. As a result, researchers have extended RBV with concepts like dynamic capabilities (Teece et al., 1997). RVB theory has been instrumental in providing useful insights on how firms can sustain competitive advantage. By focusing on internal resources and capabilities, It provides valuable insights for firms seeking to navigate complex and dynamic business environments. The Resource-Based View (RBV) provides a complementary perspective that supports and enhances the Entrepreneurial Orientation (EO) Theory: RBV emphasizes the significance of valuable and rare resources in achieving competitive advantage. Within the context of EO, firms exhibiting a proactive, innovative, and risk-taking orientation are likely to develop unique resources. For example, a firm with a culture of innovation (EO) may generate valuable intellectual property, creating a sustainable advantage (Barney, 1991). RBV argues that not all resources are equally distributed among firms. This aligns with EO, as not all firms possess the same level of entrepreneurial orientation. Firms with a

high EO most likely have distinctive resources that are inimitable, which they use to sustain competitive advantage (Peteraf, 1993, Barney, 1991).

2.2.3 Dynamic Capabilities Theory

Dynamic Capabilities (DC) Theory stands out as a key concept in entrepreneurship, highlighting the importance of adjusting, creating and reorganizing enterprise resources and abilities to quickly respond to the dynamic market landscape, thereby serving as a foundation for gaining a competitive edge. This theory suggests that a competitive advantage lies not only in its existing resources but also in its capacity to learn, change, and exploit new opportunities. The DC concept was first introduced by Teece, Pisano, and Shuen (1997). It emerged as an extension of the RBV theory, in response to the need for a more dynamic perspective on how firms can create sustainable competitive advantage. Dynamic Capabilities is indicated by the capacity of a firm to sense, seize and reconfigure. Sensing involves identifying changes in its external ienvironment and recognizing potential opportunities or threats. It requires a keen awareness of market trends, customer preferences, and technological advancements. Seizing refers to a firm's capability to act on identified opportunities effectively. This involves making strategic decisions and allocating resources to capitalize on the identified changes. Reconfiguring is adapting and restructuring existing resources and capabilities to align with new strategic initiatives. It involves organizational change, reallocation of assets, and restructuring of processes.

According to Teece et al. (1997), Dynamic Capabilities make it possible for firms to quickly respond to changing market conditions, giving them an edge over competitors who may struggle to respond effectively. The ability to sense and seize opportunities, coupled with the capacity to reconfigure resources, fosters innovation and value creation, which are critical drivers of competitive advantage (Eisenhardt & Martin, 2000). Dynamic capabilities enable firms to renew and reinvigorate their resource base over time, ensuring continued relevance and competitiveness (Zollo & Winter, 2002). While Dynamic Capabilities Theory has been influential, it is not without its critiques. Some scholars argue that the theory does not provide sufficient information on how firms can develop and nurture dynamic capabilities. Additionally, there is ongoing debate about the specific processes and mechanisms underlying dynamic capabilities (Helfat et al., 2007).

Dynamic Capabilities Theory provides valuable insights on how firms can navigate complex and rapidly changing business environments, to enhance performance. The theory provides a complementary perspective that supports and enhances the Entrepreneurial Orientation Theory, because it emphasizes the importance of sensing and seizing opportunities in dynamic environments. Firms with a strong EO are adept at both sensing (recognizing) and seizing (taking action on) opportunities, aligning with the core principles of the theory, which emphasize the ability to reconfigure resources, to adapt to changing environments. Entrepreneurially oriented firms are likely to be more agile in reconfiguring their resources to capitalize on new opportunities or address emerging challenges (Eisenhardt & Martin, 2000). Both EO and Dynamic Capabilities Theory emphasize innovation as a critical driver of competitive advantage. Entrepreneurially oriented firms are likely to be innovative, while dynamic capabilities enable them to continuously innovate and create value (Teece et al.; 1997, Eisenhardt & Martin; 2000). The theory also puts emphasis on renewing resources in in terms of engaging in continuous innovation and adaptation, leading to the renewal and revitalization of their resource base over time (Zollo & Winter, 2002).

The above review provides insights on the interplay between Entrepreneurial Orientation, Resource-Based View and Dynamic Capabilities Theories, in enhancing firm performance. The alignment of EO Theory with supporting theories like RBV and Dynamic Capabilities reinforces the strategic importance of an entrepreneurial orientation culture. These theories collectively offer valuable insights into the strategic pathways that firms can adopt to survive and thrive in dynamic business environments.

2.2.4 Theoretical Framework Summary

The Theoretical Literature shows that the synergistic application of EO, RBV and Dynamic Capabilities Theories, provides a comprehensive framework for firms seeking to enhance their performance. By fostering an entrepreneurial mindset, leveraging internal resources, and cultivating dynamic capabilities, firms can navigate competitive landscapes, drive innovation, and achieve sustainable growth and long term success. Table 2.1. summarizes the theories relating to this study.

Table 2.1 Underlying Theories

Theory	Proponents	Variables
Entrepreneurial Orientation Theory (Anchor theory)	Miller (1983), Covin and Slevin (1989), Lumpkin and Dess (1996)	Innovativeness, Risk Taking Propensity, Proactiveness, Competitive Aggressiveness Autonomy *(Independent Variables)*
Resource Based View Theory	Penrose (1959), Wernerfelt (1984), Barney (1991)	Innovativeness, Risk Taking Propensity, Proactiveness, Competitive Aggressiveness Autonomy *(Independent Variables)*
Dynamic Capabilities Theory	Teece & Pisano (1994); Teece, Pisano & Shuen (1997)	Innovativeness, Risk Taking Propensity, Proactiveness, Competitive Aggressiveness Autonomy *(Independent Variables)*
Enterprise performance		Enterprise performance *(Dependent Variable)*

2.3 Empirical Literature Review

This section reviews empirical literature, relating to the EO-performance relationship of SMMEs. The review explores various international, regional and local studies.

2.3.1 Innovativeness and Firm Performance

Mkalama, Ndemo, Maalu, Pokhariyal, (2020) studied the Innovativeness-Performance relationship of 363 Nairobi based SMMEs, using a cross sectional survey approach with environmental dynamism as the moderating variable. Findings revealed a significant relationship, with environmental dynamism moderating the relationship. The study presents a scope gap because it focused on innovativeness. Ngugi, McOrege, and Muiru, (2013) studied the Innovativeness-Performance relationship of 4560 Nairobi based SMEs, using a descriptive survey and exploratory design. Findings revealed a significant and positive relationship. The study presents a scope gap because it focused on innovativeness.

Kiveu, Namusonge, Muathe (2019) studied the Innovativeness-Competitiveness relationship of 284 Nairobi based SMMEs. The study used a descriptive - explanatory research design. Findings revealed that product, process, marketing and organizational innovations all had a positive effect on competitiveness with firm size having a significant moderating effect. This study focused on innovativeness, presenting a scope gap. Otieno, Bwisa and Kihoro's (2012) examined the Innovativeness-Performance relationship of 525 Nairobi based manufacturing

firms. They employed a quantitative and qualitative exploratory research design. Findings revealed positive significant relationship between innovativeness and performance. This study presents a contextual gap because it focused on manufacturing firms as a whole.

2.3.2 Risk taking and Firm Performance

Olaniran, Namusonge & Muturi (2016) studied the Risktaking Propensity-performance of 60 firms listed in the Nigerian Stock Exchange using Pooled, Random and Fixed regression models. They found a negative risk taking-performance with regard to Return on Assets and Equity and concluded that though risk-taking is widely practiced, it is yet to relate positively to performance. This study presented a contextual gap because it was conducted in Nigeria and a scope gap because it focused on risk taking propensity only. Mburu, Gichira & Kyalo (2017) studied the Risktaking-Performance relationship of Nairobi based family owned SMEs using descriptive and exploratory research design. Findings revealed a positive and significant relationship. This study presents scope gap because it focused on family owned businesses and risk-taking propensity only. Kitigin (2017) examined the risk-taking-performance relationship of 100 SMEs in Eldoret town using an expost facto research design. Findings revealed a significant positive relationship, indicating that calculated risktaking could increase returns and market share. This study presents contextual and scope gaps because it was conducted in Eldoret Town and focused on risktaking only.

2.3.3 Proactiveness and Firm Performance

Bature, Sallehuddin, Rosli & Saad (2018) assessed the influence of proactiveness and innovativeness on firm performance of 305 Nigerian based manufacturing SMEs, with organizational capability as a mediator. The study used a cross-sectional research design. The findings established a significant relationship with organizational capability significantly mediating the relationship. This study took place in Nigeria thus presenting a contextual gap. Wambugu, Gichira, Wanjau & Mung'atu (2015) studied the proactiveness-performance relationship of 111 agro processing SMEs in Kenya, using the Structural Equation Modeling. They established a strong positive proactiveness-performance relationship. This study focused on the agro processing sector, presenting a scope gap. Emmanuel Olayiwola Oni (2012) studied the proactiveness-performance relationship of firms in the Nigerian Stock Exchange and found that a positive proactiveness-performance relationship. The study took place in Nigeria, thus

presenting a contextual gap. Ng'aru, P., Muluku, P. E., & Sakwa, P. M. (2018) studied the proactiveness-performance relationship of 164 Top 100 Enterprises in Kenya feted between 2010 – 2015 and found a strong and positive proactiveness-performance relationship. This study focused on mid-sized enterprises only, presenting a scope gap.

2.3.4 Competitive Aggressiveness and Firm Performance

Baariu L.V., Gathungu J. & Ndemo B. (2021) studied the influence of competitive strategy drivers on the performance of 334 Nairobi based SMMEs, using a cross-sectional survey design. They found that environmental based drivers, resource-based drivers and hybrid strategy drivers strongly influence SMMEs performance. The study presents a conceptual gap because it focused on competitive strategy. Abdullahi, U., Kunya, S.U. Bustani, S.A. and Usman, N. (2019) studied the competitive aggressiveness-performance relationship of 139 Nigerian construction SMEs using a cross sectional survey design and Structural Equation Modeling (SEM). They found a positive and significant competitive aggressiveness-performance relationship. This study took place in Nigeria, thus presenting a contextual gap. Linyiru and Ketyenya (2017) studied the competitive aggressiveness-performance relationship 55 state corporations in Kenya and found competitive aggressiveness to be a key determinant of performance. This study presents a scope gap because it focused on competitive aggressiveness only. Shayo France (2020) studied the competitive aggressiveness-performance relationship of 202 export firms operating in the tourism sector of Tanzania and found a strong positive relationship between competitive aggressiveness and export performance. This study took place in Tanzania, thus presenting a contextual gap.

2.3.5 Autonomy and Firm Performance

Austin Andrew & Omondi Ouko (2019) studied 47 Kenyan State Owned Enterprises (SOEs), to determine the managerial autonomy-financial performance relationship using SOEs' annual reports. The study employed both qualitative and quantitative statistical analysis techniques. Findings revealed a significant and positive managerial autonomy-performance relationship. This study presents a scope gap because it focused on autonomy. Tufa, Belete and Patel (2021) studied the Autonomy-Performance relationship of of 124 small firms in Addis Ababa using professional experience as a moderator. The study employed ordinary least square (OLS) and hierarchical regression analysis. Findings revealed a significant and positive autonomy-

performance relationship and that professional experience moderates the relationship. This study took place in Ethiopia thus presenting a contextual gap. Ong'onge M. and Awino B Zachary (2015**)** studied the autonomy-financial performance relationship in commercial state corporations in Kenya using a descriptive research design. Findings revealed that autonomy increases public accountability and consumer satisfaction and that autonomy of state corporations was greatly influenced by political intervention and control. This study presents a scope gap because it focused on autonomy only.

2.3.6 Entrepreneurial Orientation and Firm Performance

Some studies investigated the relationship of all five EO dimensions. were conducted in different contexts and therefore present contextual gaps. For example, Kusumawardhani, Amie, (2013) studied the EO-Performance relationship of 150 Indonesian SMEs in the furniture industry using a mixed research approach. The study revealed that EO is moderated by contextual factors such as the nature of SMEs, the characteristics of the industry and the Indonesian culture. In this regard, the study revealed that only proactiveness registered a positive and significant relationship with performance. This study presents a contextual gap because it took place in Indonesia. Rachel Wanjiru Waithaka (2016) studied the EO-Performance relationship of 69 agro-based SMEs in Kiambu County using a mixed research design. Findings revealed a significant and positive EO-Performance relationship. This study presents a contextual gap because it was conducted in Kiambu County, Kenya and focused on agro-based SMEs only. Mosonik, Maru and Komen (2021) studied the EO-Performance relationship of Nairobi based MSMEs using a cross sectional explanatory research design. Results revealed a positive EO-Performance relationship with environmental factors moderating the relationship.

2.4 Summary of empirical studies and research gaps

The above empirical literature revealed scope and contextual research gaps which needed to be addressed through additional research. For example, most studies focused on one or two EO variables instead of all five. Others were conducted in different sub-sectors, sectors or locations. Very few studies were conducted in Nairobi City County, which has the largest concentration of SMMEs. Table 2.2. presents a summary of empirical studies reviewed and research gaps.

Table 2.2. Summary of Empirical Studies and Knowledge Gaps

Study	Focus of Study	Research Method	Findings	Knowledge Gaps	Focus of Current Study
Mkalama, Ndemo, Maalu, Pokhariyal (2020)	EO and innovativeness in SMMEs in Nairobi City County.	Cross sectional survey approach	Innovation has a significant effect on performance.	Scope and Conceptual gaps because the study was limited to innovativeness.	The current study investigated all five EO dimensions.
Kiveu,Namusonge, Muathe (2019)	Innovation and firm competitiveness of SMMEs in Nairobi City County.	Descriptive - explanatory research design	97% of SMMEs innovating incrementally.	Scope and Conceptual gaps because the study was limited to innovativeness.	The current study investigated all five EO dimensions.
Mburu, Gichira & Kyalo (2017)	Risk taking and performance of family owned SMEs in Kenya	Descriptive and exploratory research design.	Risk taking propensity has a significant effect on performance.	Conceptual and Scope gaps because the study was limited to Risk Taking Propensity and family owned businesses.	The current study investigated all five EO dimensions and covered a cross section of SMMEs.
Kitigin (2017)	Risk taking and SMEs performance in Eldoret town.	Expost facto research design	Risk taking propensity has a significant effect on performance.	Scope, Conceptual and Contextual gaps because the focused on Risk Taking Propensity and was conducted in Eldoret Town.	The current study investigated all five EO dimensions and covered a cross section of SMMEs in Nairobi City County.

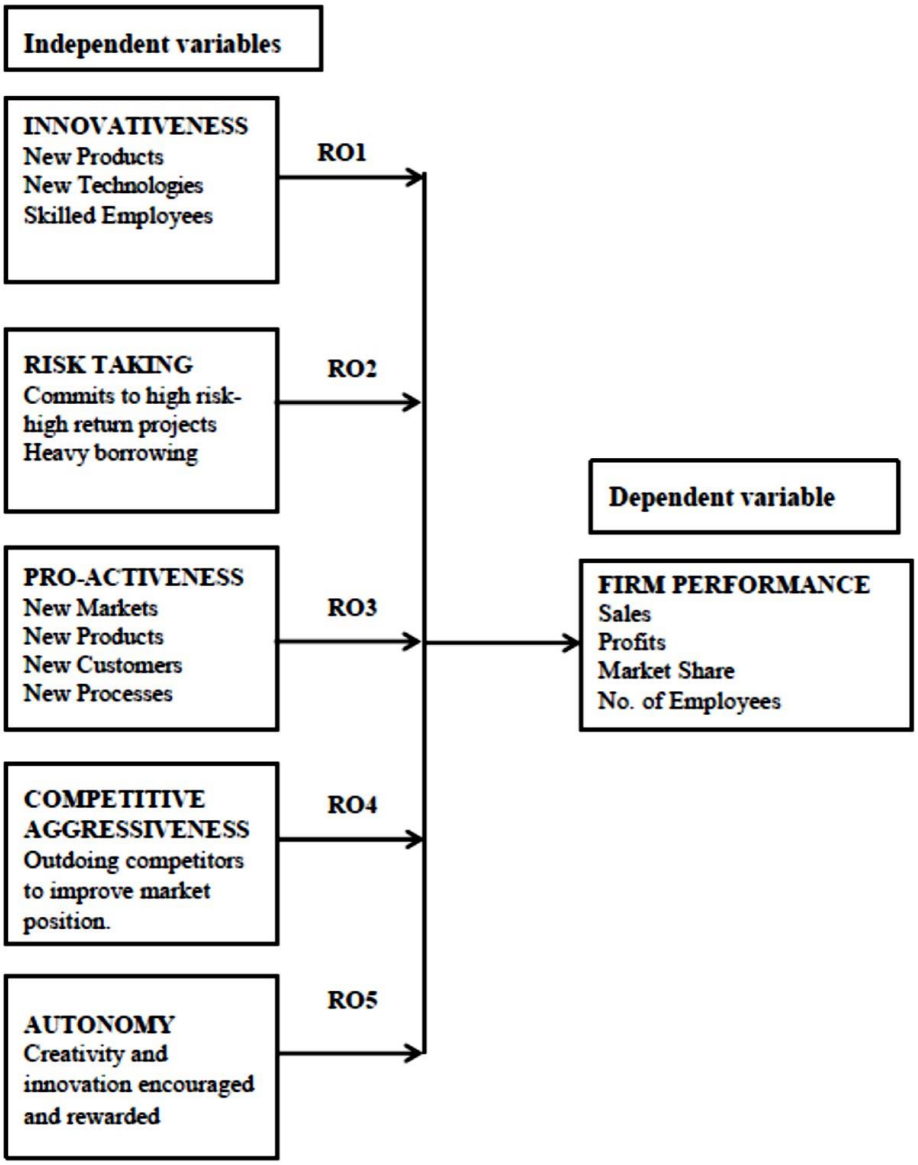
Table 2.2. Summary of Empirical Studies and Knowledge Gaps (Continued)

Study	Focus of Study	Research Method	Findings	Knowledge Gaps	Focus of Current Study
Wambugu, Gichira, Wanjau & Mung'atu (2015)	Proactiveness and the performance of agro processing SMMEs in Kenya.	Survey design	Proactiveness has a significant effect on performance.	Scope and Conceptual gaps because the study was limited to Proactiveness and AgroProcessing sub-sector.	The current study investigated all five EO dimensions and covered a cross section of SMMEs in Nairobi City County.
Baariu, Gathungu & Ndemo (2021)	Competitive istrategy drivers and performance of SMMEs in Nairobi, Kenya.	Cross-sectional survey research design	Competitive strategy drivers have a significant effect on performance.	Scope and Conceptual gaps because the study was limited to competitive aggressiveness.	The current study investigated all five EO dimensions.
Linyiru and Ketyenya (2017)	Competitive Aggressiveness and performance of SOEs in Kenya.	Explanatory research design.	Competitive Aggressiveness has a significant effect on performance.	Scope and Conceptual gaps because the study was limited to Competitive Aggressiveness.	The current study investigated all five dimensions of EO.
Tufa, Belete and Patel (2021)	The role of autonomy on enterprise performance.	Survey Design	Autonomy has a significant effect on performance.	Scope, Conceptual and contextual gaps because of focus on Autonomy only and conducted in Addis Ababa.	The current study investigated all five EO dimensions and covered a cross section of SMMEs in Nairobi City County.
Austin Andrew & Omondi Ouko (2019)	Managerial autonomy financial performance of Kenyan State Owned Enteprises (SOEs).	Qualitative and quantitative analysis techniques.	Autonomy has a significant effect on performance.	Scope and Conceptual gaps because study was limited to Autonomy.	The current study investigated all five EO dimensions and covered a cross section of SMMEs in Nairobi City County.

Source: Researcher (2023)

2.5 Conceptual Framework

Figure 2.1 depicts the relationships between the independent and dependent variables.



Source: Author (2022)

According to Figure 2.1, the first independent variable; innovativeness, is indicated by new products, technologies and skilled employees. Risk Taking Propensity is indicated by investment in high risk-high return ventures and heavy borrowing to finance growth. Proactiveness is indicated by new markets, customers, products and processes. Competitive Aggressiveness is indicated by outperforming competitors to improve market position while Autonomy is indicated by encouraging and rewarding creativity and innovation. The dependent variable which is Enterprise Performance, is operationalized by sales, profits, market share and growth in number of employees.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter presents the research methodology used to conduct the study.

3.2 Research Design

Bougie & Sekaran (2017), describe research design as a blueprint or a plan for guiding the study in terms of collecting and analyzing data. This study adopted a descriptive and explanatory research design. This design was selected because descriptive research describes a particular phenomenon or subject. It aims to provide a clear and detailed snapshot of the existing conditions, attitudes, behaviors or characteristics of a group or situation Mertens (2010). Explanatory research goes beyond description and aims to explain why a phenomenon occurs Daniel, W. W. (1999). It delves into the underlying causes and relationships between variables and seeks to establish causal relationships between different factors. Explanatory research often involves experimental studies, where researchers manipulate certain variables to observe their effect on others. It also employs advanced statistical techniques for analysis and derives conclusions from the findings.

3.3 Target Population

A target population is the population from which a study sample can be selected. The target population for this study consisted of 309 Nairobi based SMMEs registered with KAM. Nairobi City County was selected because it has the highest concentration of SMMEs, accounting for approximately 80% of the businesses (Kenya Climate Innovation Centre, 2020). The unit of analysis was Nairobi based SMMEs, while units of observation were owners or managers. The respondents were purposely selected, because they possessed the knowledge and information required to complete the questionnaires.

3.4 Sampling Design and Procedure

The study consisted of 309 SMMEs based in Nairobi. Stratified random and purposive sampling were used to derive the sample size, using the Mugenda and Mugenda (2003) approach which asserts that a sample size of 10% is appropriate for large populations and 30% for smaller populations. The researcher used 30% because the population size was not large. The sample size was determined as follows:

Small Enterprises (80% of 309 SMEs):

- Population Size of Small Enterprises (N1) = 0.8 * 309 = 247.2 (Rounded to 247).
- Desired Sample Size (n1) = 0.3 * 247 ≈ 74.1 (Round up to 74 for simplicity).

Medium Enterprises (20% of 309 SMEs):

- Population Size of Medium Enterprises (N2) = 0.2 * 309 = 61.8 (Rounded to 62).
- Desired Sample Size (n2) = 0.3 * 62 ≈ 18.6 (Round up to 19 for simplicity).

So, for this study:

- Total Sample Size (n_total) = n1 (from small enterprises) + n2 (from medium enterprises) ≈ 74 (from small) + 19 (from large) ≈ 93.

Purposive sampling ensured respondents were owners or managers of the SMMEs. Visual representations of the sampling procedure are presented in Tables 3.1 and 3.2.

Table 3.1 Distribution of Target Population

SMME Sub-Sector	Frequency	Percent	Respondents
Small Enterprises	247	80%	Owner/Manager
Medium Enterprises	62	20%	Owner/ Manager
Total	**309**	**100%**	

Source: Researcher (2023)

Table 3.2 Distribution of Sample Size.

Manufacturing Sub-Sector	Number iof Enterprises (N)	Multiplier Factor (30%)	Sample Size i(n)
Small Enterprises	247	0.3	74
Medium Enterprises	62	0.3	19
Grand Total	**309**		**93**

Source: Researcher (2023)

3.5 Data Collection Procedure

A Likert Scale questionnaire was used to obtain primary data because of its'suitability for

collecting large amounts of data within a reasonable time frame, in addition to being cost effective. After pilot testing the questionnaire and obtaining the necessary authorizations, the questionnaire was delivered to SMMEs, to be collected at an agreed on date. Secondary data was gathered from industry and sector reports, government publications, journals and periodicals.

3.6 Pilot Study

This study was conducted to detect errors or ambiguities in the questionnaire. According to Kothari (2004), it is advisable for the pilot survey's sample size to be approximately 10% of the expected sample size for the actual research. This study therefore derived a sample size of 9 respondents (10% of 93), to participate in the preliminary study. Participants involved in the pilot survey were excluded from the actual research, ensuring that the pilot survey data did not impact the outcomes of the primary investigation. The insights and feedback received were used to refine the questionnaire, in order to ensure its efficacy and accuracy, for the study.

3.6.1 Validity

The validity of any research instrument, is whether or not, it effectively measures what it is supposed to measure (Lewis, 1999). Face validity was established by subjecting the questionnaire to expert evaluation, primarily through the scrutiny of the project supervisor. The supervisor, possessing substantial expertise in the field, provided an initial assessment of the instrument to ensure that it appeared to be a reasonable and appropriate measure of the intended constructs. Content validity was adhered to by meticulously aligning the instrument with study variables and their corresponding indicators. This process involved a thorough examination of the instrument by the project superviser, to confirm that it comprehensively covered all facets of the conceptual framework and the constructs under investigation. By directly linking questions to the variables, content validity was strengthened. To reinforce construct validity, the questions in the instrument were specifically tailored to align with the conceptual framework's variables and their respective indicators. This meticulous alignment ensured that the instrument effectively captured the intended constructs, further bolstering the construct validity of the research. Expert input from the project superviser played a pivotal role in guaranteeing validity, by ensuring that only items that demonstrated high levels of validity were retained in the final questionnaire, thus enhancing the overall robustness of the instrument.

3.6.2 Reliability

Reliability pertains to whether a measurement tool consistently produces comparable results upon repeated administration of the same test (Orodho, 2009). Internal consistency was assessed using Cronbach's Alpha (α). The Alpha falls within the range of 0 to 1, with scores above .70 indicating a high levels of internal consistency and reliability. Collis and Hussey (2009) advocate that Cronbach Alpha values surpassing 0.7 are "recommended," while values within the range of 0.4 to 0.7 are considered "acceptable." The α-values for the study variables are detailed in Table 3.3.

Table 3.3. Results of Reliability Test

Questionnaire section	No. of Items	Cronbach Alpha Score	Remarks
Innovativeness	3	.977	Reliable
Risktaking Propensity	3	.897	Reliable
Proactiveness	3	.936	Reliable
Competitive Aggressiveness	3	.851	Reliable
Autonomy	3	.905	Reliable
Enterprise Performance	4	.981	Reliable
Overall Instrument Reliability	19	.925	Reliable

Source: Survey Data (2023)

The results show that all variables had coefficients above 0.70 which was considered acceptable, ranging from α = 0.981 for Enterprise Performance to α = 0.851 for Competitive Aggressiveness. The overall reliability of the whole questionnaire was α = 0.925, implying that the research instrument was internally consistent and therefore reliable.

3.7 Data Analysis and Presentation

The collected data was meticulously edited to ensure accuracy and completeness. Subsequently, it was coded to facilitate systematic organization and retrieval during analysis. Descriptive statistics were then employed for analysis which included calculating frequencies 0to determine the occurrence of specific responses, computing mean scores to establish central tendencies and determining standard deviations to assess the dispersion or variability within the data set. Inferential statistics were applied to draw broader conclusions and make predictions. Correlation and Regression Analyses were used to explore the existence and quantify the significance of relationships between the variables. Enterprise Performance,

which was the dependent variable, was assessed based on multiple indicators, namely, sales, profits, market share and employee growth. The regression model used to establish the impact of EO variables on enterprise performance was:

$$Y = \beta_0 i + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + \epsilon$$

Where,

Y– Performance

β_0– Constant

β_1 - β_5 represents the coefficients of X_1– X_5

$X_1 – X_5$ represents Innovativeness, Risk-Taking Propensity, Proactiveness, Competitive Aggressiveness and Autonomy respectively.

ϵ = Error term

3.8 Ethical Considerations

This study ensured that authorizations, informed consent, voluntary participation, and confidentiality were adhered to. Proper authorization and clearance for the study were obtained from Kenyatta University. Permission was also sought from participating organizations to administer the questionnaire. To ensure confidentiality, respondents did not indicate names, and data gathered was kept strictly confidential.

CHAPTER FOUR: DATA ANALYSIS AND INTERPRETATION

4.1 Introduction

The results and discussions of the study are presented in this chapter. It includes response rates, demographic profiles and data analysis, using descriptive and inferential statistics. The study targeted 93 SMMEs in Nairobi County, Kenya. Data was obtained from 67 respondents, which represents a 72% response rate, and is considered good in a descriptive survey research design. 26 (28%) questionnaires were unreturned. 19 items were developed to capture the EO dimensions of innovativeness (3 items), proactiveness (3 items), risk-taking propensity (3 items), competitive aggressiveness (3 items), autonomy (3 items) and Enterprise Performance (4 items).

4.2 Response Rate

Table 4.1shows that the return rate was 72%, which is considered acceptable.

Table 4.1 Response Rate

Response	Number	%
Completed	67	72
No Response	26	28
Total	**93**	**100%**

Source: Survey Data (2023)

Table 4.2 shows the response rate by manufacturing sub-sector which indicates that a diversity of sub-sectors in the SMME sector were represented in the study. The food and beverage sub-sector was the most prominent, with 19.4% of respondents followed by the metal and allied sub-sector with 14.9%. Overall, this data indicates a robust and diverse manufacturing sector within the surveyed SMME community, with entrepreneurs engaged in a variety of sub-sectors. This diversity can contribute to a dynamic and resilient economic landscape.

Table 4.2 Response rate by Manufacturing Sub sector

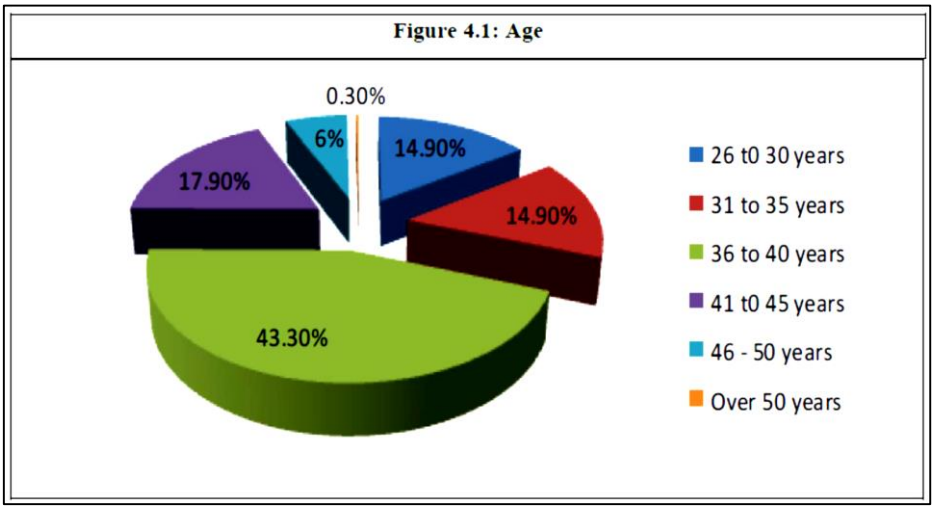
Manufacturing Subsector					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Textiles and Apparel	7	10.4	10.4	10.4
	Food and Beverage	13	19.4	19.4	29.9
	Leather and Footwear	2	3.0	3.0	32.8
	Wood and Furniture	7	10.4	10.4	43.3
	Metal and Allied	10	14.9	14.9	58.2
	Chemicals and Allied	6	9.0	9.0	67.2
	Building and Construction	4	6.0	6.0	73.1
	Electrical & Electronics	4	6.0	6.0	79.1
	Motor Vehicle & Access.	2	3.0	3.0	82.1
	Paper and Board	4	6.0	6.0	88.1
	Plastic and Rubber	2	3.0	3.0	91.0
	Pharmaceuticals	2	3.0	3.0	94.0
	Agriculture/Fresh Produce	4	6.0	6.0	100.0
	Total	67	100.0	100.0	

Source: Survey Data (2023)

4.3. Demograhic Information

4.3.1 Age Distribution

Survey data on age distribution is shown in Figure 4.1.

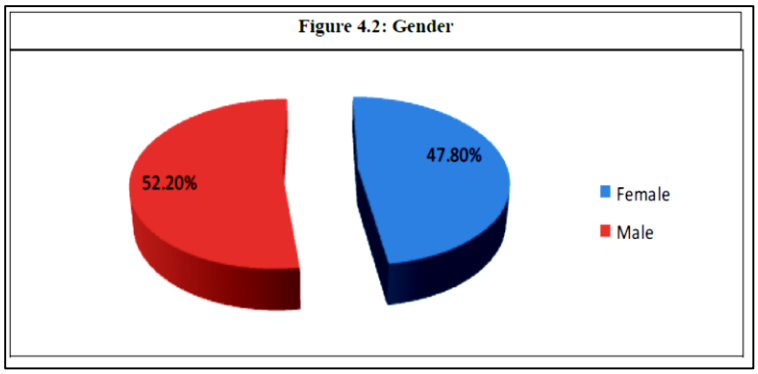


Survey data indicates that the majority of respondents (61%) are aged between 36-45 years, with only 3% representing over 50 years. The 61% of entrepreneurs falling between 36-45 years old suggests that this age range is particularly conducive to entrepreneurial activity. Conversely,

the low representation of 3% for those over 50 years indicates that entrepreneurship might be less common or accessible for individuals in this age group. These statistics may vary depending on the specific industry, region, and other factors, but this is the general trend based on the information provided.

4.3.2 Gender

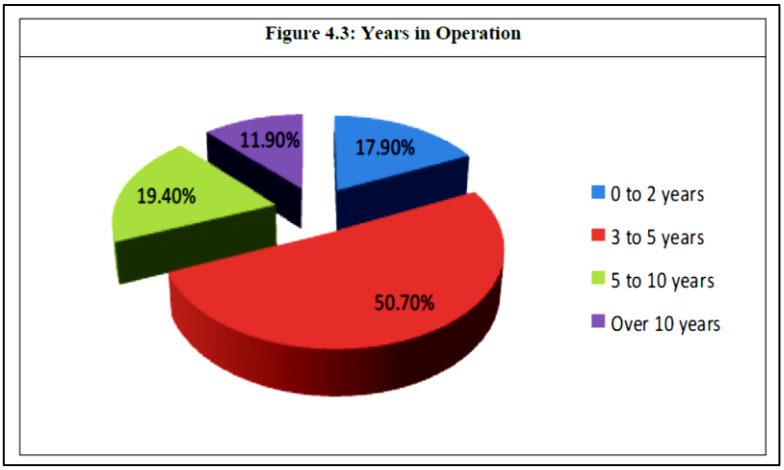
Survey data on gender distribution is shown in Figure 4.2.



In regard to gender, the respondents were fairly distributed. Female respondents represented 47.8% while male respondents represented 52.2%. This implies that there is a relatively balanced gender distribution among entrepreneurs in the surveyed population. With 47.8% female and 52.2% male respondents, it suggests that entrepreneurship is not heavily skewed towards one gender over the other. This is a positive sign for gender equality in entrepreneurship. These statistics may vary in different regions or industries, and there may still be challenges related to gender diversity in entrepreneurship that need to be addressed.

4.3.4 Years in Operation

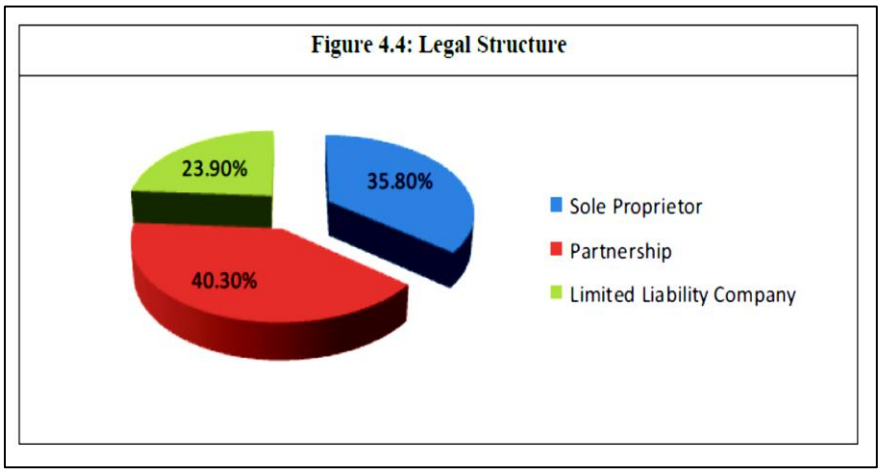
Survey data on Years in Operation of respondents is shown in Figure 4.3.



In regard to years the organization has been in operation, the majority (50.7%) were in the 3-5 years' category, 19.4% represented the 5-10 years' category. 17.9% represented relatively new enterprises of 2 years or less. This implies that a significant portion of the surveyed entrepreneurs are relatively young businesses. Specifically: 50.7% fall within the 3-5 years' category, indicating that a substantial portion of entrepreneurs have been in business for a relatively short period. 19.4% represent businesses in the 5-10 years' category, suggesting that there is also a significant presence of businesses that have been around for a bit longer but are still considered relatively young. 17.9% represent very new enterprises of 2 years or less, showing that there is a notable portion of entrepreneurs who have recently started their ventures. This data suggests a dynamic entrepreneurial landscape with a significant number of businesses in their early years. It also indicates that there's a relatively smaller representation of more established businesses with over 10 years of operation, based on the information provided. These statistics might vary depending on the specific industry and region being considered.

4.3.5 Legal Structure

Survey data on Years in Operation of respondents is shown in Figure 4.4.

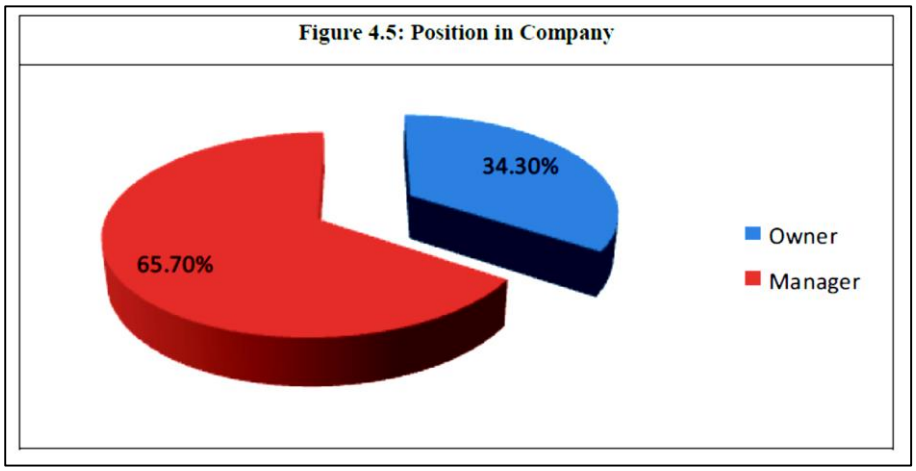


In regard to the legal structure, most irespondents (76.1%) were either sole proprietorships or partnerships with only 23.9% representing limited liability companies. This implies that a majority of entrepreneurs in the surveyed population operate under relatively simple legal structures, such as sole proprietorships or partnerships. Specifically:76.1% of entrepreneurs fall into the sole proprietorship or partnership category. In contrast, only 23.9% of entrepreneurs operate under limited liability companies (LLCs). This suggests that fewer

entrepreneurs have opted for the added legal protections and formalities associated with an LLC.This data indicates that the surveyed entrepreneurs may prioritize simplicity and flexibility in their legal structures, potentially valuing the autonomy and ease of management that comes with sole proprietorships or partnerships. However, it is important to keep in mind that the choice of legal structure can vary based on ifactors isuch ias industry, isize iof ithe ibusiness iand legal requirements in different regions.

4.3.6 Position in Company

Survey data on Position in Company of respondents is shown in Figure 4.5.



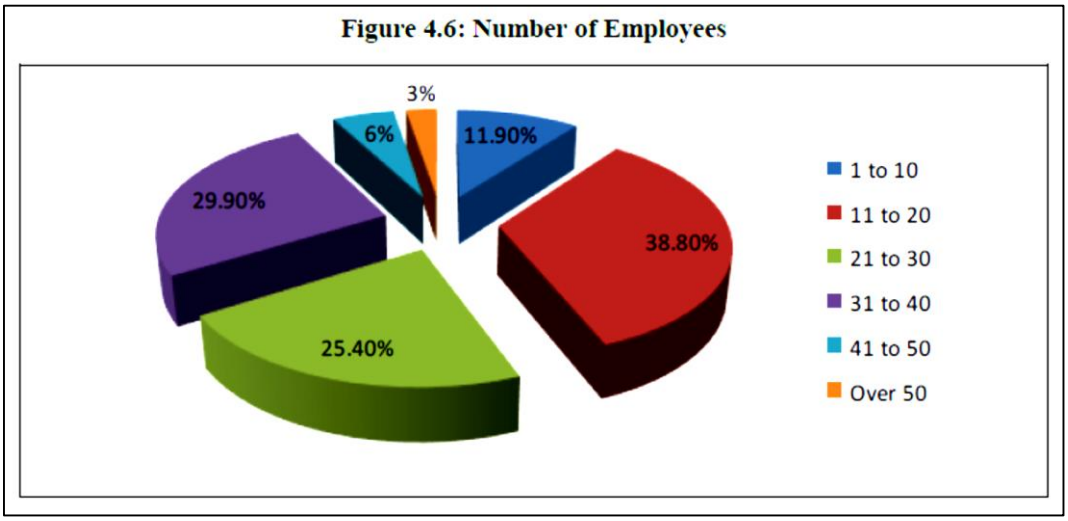
In regard to the position in the company, 56.7% were Owners while 43.3% were managers within organizations. This implies that the respondents were in key positions and could therefore answer questions relating to entrepreneurial orientation. It also implies that a majority of the surveyed individuals are owners of the companies they are involved with, comprising 56.7% of the respondents. This indicates a significant presence of entrepreneurs who have a direct ownership stake in their businesses. On the other hand, 43.3% of respondents hold managerial positions within organizations. This suggests that there is also a substantial representation of individuals who may not own the business outright but hold key management roles, indicating a mix of ownership and managerial responsibilities in the surveyed population. Overall, this data highlights the diverse roles and responsibilities within the entrepreneurial community, with a significant portion of individuals taking on both ownership and management functions in their organizations. In regard to number of employees the majority of respondents (76.1%) had between 1- 30 employees, with the 31-50 category representing 38.9%. This implies that the majority of the surveyed businesses are relatively small in terms of workforce size. Specifically: 76.1% of respondents have between

1 and 30 employees. This indicates that a significant portion of the surveyed businesses are considered small to medium-sized enterprises, which often have a more localized or specialized focus.

4.3.7 Number of Employees

Survey data on Number of Employees of respondents is shown in Figure 4.6.

Figure 4.6: Number of Employees



Additionally, 38.9% fall within the 31-50 employee category. This suggests that there is also a substantial representation of businesses that have slightly larger workforces, though they still fall within the SME category. Overall, this data indicates that the majority of the surveyed entrepreneurs are operating in relatively small to medium-sized businesses. These enterprises are typically characterized by more intimate work environments, potentially offering a closer connection between employees and management compared to larger corporations. However, the specific size and structure of businesses can vary widely based on industry and location.

4.4 Descriptive Statistics

A descriptive analysis of the study variables was carried out, where respondents were asked to rate their agreement with the statements for each study variable, on a scale of 1= 'strongly disagree' to 5= 'strongly agree'. The results are indicated below.

4.4.1. Innovativeness

Table 4.3 presents the Mean for Innovativeness items.

Table 4.3. Innovativeness

Statement	Mean	Std. Deviation	Minimum	Maximum
Employees in my organization are allowed to learn and innovate during their routine activities	2.54	0.980	1	5
My organization is continuously developing new products, services and competencies	2.45	0.977	1	5
My organization encourages sourcing of new technologies and processes	2.51	1.007	1	5
Composite score	**2.50**	**0.988**		

Source: Survey Data (2023)

The overall score stood at 2.50 with a 0.988 standard deviation. This infers moderate levels of innovation in the SMMEs sector. This could be because manufacturing being capital intensive, a majority of SMMEs lack adequate resources for research and development and adoption of new technologies that would enable them to innovate

4.4.2. Risk Taking Propensity

Table 4.4 presents the Mean for Risk Taking Propensity items. The composite score stood at 2.44 with a 0.982 standard deviation. This performance is below par and infers that the majority of SMMEs are averse to risktaking, probably because of their very limited resources which do not allow for investment in high risk-high return projects. Investing in such projects could have severe negative consequences, should the project undertaken fail.

Table 4.4. Risktaking Propensity

Statement	Mean	Std. Deviation	Minimum	Maximum
My Organization often invests in high risk-high return projects	2.58	0.969	1	5
My Organization considers missing an opportunity in the market a risk	2.43	1.020	1	5
In my organization, if a risk taken leads to failure, the risktaker is not penalized	2.30	0.957	1	5
Composite score	**2.44**	**0.982**		

Source: Survey Data (2023)

4.4.3. Proactiveness

Table 4.5 presents the Mean for Proactiveness items. The overall score stood at 2.33 with a 0.950 standard deviation. This infers below par performance in proactiveness in the SMME sub-sector. This could be due to lack of understanding of the importance of proactivity as a tool for creating and sustaining competitive advantage as well as lack of the resources required to take advantage of emerging opportunities.

Table 4.5. Proactiveness

Statement	Mean	Std. Deviation	Minimum	Maximum
My organization usually leads in the market, in introducing new products and services	2.25	0.935	1	5
My organization participates in and forms strategic alliances to improve market position	2.36	0.980	1	5
We excel at identifying emerging opportunities	2.39	0.934	1	5
Composite score	**2.33**	**0.950**		

Source: Survey Data (2023)

4.4.4. Competitive Aggressiveness

Table 4.6 presents the Mean for items.

Table 4.6 Competitive Aggressiveness

Statement	Mean	Std. Deviation	Minimum	Maximum
My organization is always looking for ways to differentiate itself from competitors	2.36	0.775	1	5
My organization continuously strives to lower costs faster than our competitors	2.70	1.062	1	5
My organization develops strong partnerships with suppliers to enhance competitiveness	3.18	0.993	1	5
Composite score	**2.75**	**0.943**		

Source: Survey Data (2023)

The overall score stood at 2.75 with a 0.943 standard deviation. This infers moderate levels

of competitive aggressiveness within the SMME sub-sector. This could be due to not understanding the importance of competitive aggressiveness as a tool for creating competitive advantage as well as lack of resources required to compete effectively.

4.4.5. Autonomy

Table 4.7 presents the Mean for Autonomy items. The overall score, stood at 2.43 with a 0.924 standard deviation. This infers below par levels of autonomy within the SMME sub-sector. This could be attributable to the extreme hands on approach of many owners and managers, thus stifling autonomy and ultimately, creativity and innovation.

Table 4.7. Autonomy

Statement	Mean	Std. Deviation	Minimum	Maximum
My organization gives employees authority and responsibility to make independent decisions.	2.48	0.938	1	5
My organization provides employees with all the information required to make important decisions	2.49	0.957	1	5
Operating divisions in my organization largely act independently	2.31	0.878	1	5
Composite score	**2.43**	**0.924**		

Source: Survey Data (2023)

4.4.6 Enterprise Performance

Table 4.8 presents the Mean for Enterprise Performance items.

Table 4.8. Enterprise Performance

Statement	Mean	Std. Deviation	Minimum	Maximum
Our sales increased in the last three years	2.46	0.989	1	5
Our profits increased in the last three years	2.66	0.949	1	5
Our market share increased over the last three years	2.37	1.038	1	5
Our employees increased over the last three years	2.21	0.987	1	5
Composite score	**2.43**	**0.990**		

Source: Survey Data (2023)

The Overall score for Enterprise Performance stood at 2.43 with a 0.990 standard deviation.

This infers that the performance of SMMEs is below par, implying the need for improvement in performance.

4.4.7. Summary of Responses

Table 4.9 provides a summary of responses related to various variables concerning enterprise performance. The overall score for EO as a whole stood at 2.48, indicating a moderate level of achievement.

Table 4.9. Summary of Responses

Variable	Mean	Std. Deviation	Minimum	Maximum
Innovativeness	2.50	0.988	1.00	5.00
Risk-taking Propensity	2.44	0.982	1.00	5.00
Proactiveness	2.33	0.950	1.00	5.00
Competitive Aggressiveness	2.75	0.943	1.00	5.00
Autonomy	2.43	0.924	1.00	5.00
Enterprise Performance	2.43	0.990	1.00	5.00
Composite score	2.48	0.963		

Source: Survey Data (2023)

Respondents, on average, reported a moderate level of innovativeness with a mean of 2.50. Risk-taking propensity and proactiveness were slightly below the midpoint, with means of 2.44 and 2.33 respectively. Competitive aggressiveness had a mean of 2.75 slightly above the midpoint, while autonomy stood at a mean of 2.43. The dependent variable, enterprise performance, scored slightly below midpoint at 2.43. Overall, the responses reflect a moderate perception of various aspects of enterprise performance with a composite mean of 2.48 and a composite standard deviation of 0.963. There is some variability in opinions, suggesting diverse approaches and attitudes within the surveyed population. This diversity presents opportunities for learning from different perspectives and potentially implementing strategies to enhance innovation, risk management, and overall performance. The findings highlight a balanced entrepreneurial orientation within the surveyed SMMEs, characterized by a willingness to innovate, a calculated approach to risk-taking, and a proactive stance in pursuing market opportunities. The descriptive statistics provide a baseline understanding of the traits and performance measures in the dataset, but further analysis, such as regression or correlation, may be needed to explore relationships and patterns in the data.

4.5 Inferential Statistics

The research employed Pearson Correlation and Regression Analysis so as to understand the relationship between predictor and outcome factors, and to test study assumptions. To accurately estimate a regression, the basic assumptions must be adhered to. Greene (2003).

4.5.1 Normality Tests

The researcher analyzed the data for skewness and kurtosis to test for normality. These values are considered normal if they fall between –1.0 and +1.0 and –3.0 and +3.0 respectively. Table 4.10 shows that the distribution of all study variables was within the normal range, thus enabling the conduct of additional tests.

Table 4.10. Results of Normality Tests

Normality Tests						
	N	Skewness		Kurtosis		Distribution
	Statistic	Statistic	Std. Error	Statistic	Std. Error	
Innovativeness	67	0.452	0.293	-1.110	0.578	Normal
Risk Taking Propensity	67	0.507	0.293	-1.068	0.578	Normal
Pro-activeness	67	0.922	0.293	0.330	0.578	Normal
Competitive Aggressiveness	67	-0.224	0.293	-1.094	0.578	Normal
Autonomy	67	0.645	0.293	-0.854	0.578	Normal
Enterprise Performance	67	0.353	0.293	-1.136	0.578	Normal
Valid N (listwise)	67					

Source: Survey Data (2023)

4.5.2 Collinearity Tests

Table 4.11 presents Collinearity Diagnostics results. Variance Inflation Factors **(**VIF) typically above 10 are indicative of collinearity while tolerance values close to 0 suggest potential issues. Eigenvalues greater than 5 and conditional indexes above 15 are indicative of collinearity issues. According to the results, the VIF, Eigen and condition indices values for all variables are within the acceptable range, thus meeting the required criterion. In summary, based on the specified criteria, the collinearity tests for the regression model seem to be acceptable.

Table 4.11. Collinearity Diagnostics Results

Collinearity Diagnostics					
Model	Dimension	Tolerance	VIF	Eigenvalue	Condition Index
1	Innovativeness	.194	5.168	.076	7.747
	Risktaking Propensity	.109	9.181	1.000	2.138
	Proactiveness	.136	7.333	1.949	1.000
	Competitive Aggressiveness	.677	1.477	.045	7.963
	Autonomy	.165	6.061	.133	5.860
a. Dependent Variable: Enterprise Performance					

Source: Survey Data (2023)

4.5.3 Pearson's Correlation

The linearity of the relationships was determined using bivariate correlation analysis. The correlation coefficient, (r), indicates ithe imagnitude iof ithe correlation and ranges from -1 to +1, while the significance ivalue (Sig.) iindicates ithe statistical importance of the correlation. As suggested by Mugenda (2008) a coefficient of 0.3 or higher indicates a linear relationship.

Table 4.12: Pearson's Correlation

Variable	Correlation Test	Enterprise Performance	Conclusion
Innovativeness	Pearson Correlation	0.776**	Linear
	Sig. (2-tailed)	0.000	
Risk-taking Propensity	Pearson Correlation	0.703**	Linear
	Sig. (2-tailed)	0.000	
Pro-activeness	Pearson Correlation	0.971**	Linear
	Sig. (2-tailed)	0.000	
Competitive Aggressiveness	Pearson Correlation	0.966**	Linear
	Sig. (2-tailed)	0.000	
Autonomy	Pearson Correlation	0.772**	Linear
	Sig. (2-tailed)	0.000	
**Correlation is significant at the 0.01 level (2 tailed)			

The results in Table 4.12 indicate a strong correlation between the independent and dependent variables as follows: innovativeness (r= 0.776, p=0.000), risk taking propensity (r= 0.703, p=0.000), proactiveness (r= 0.971, p=0.000), competitive aggressiveness (r= 0.966, p=0.000), and autonomy (r= 0.772, p=0.000). However, correlation does not necessarily imply causation (Wooldridge, 2000), hence the need for regression analysis to determine the impact of the EO variables on performance.

4.5.3 Regression Analysis

The study employed a multiple linear regression model to examine the impact of the five EO variables on enterprise performance. Cooper and Schindler (2011) posit that, such a model is appropriate where many independent variables exist. This computation yielded three outputs:

A Model Summary of Regression Results (Table 4.13), an Analysis of Variance or ANOVA (Table 4.14) and Coefficients table. (Table 4.15).

Table 4.13. Model Summary of Regression Results

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.984[e]	0.968	0.966	0.196
a. Predictors: (Constant), Innovativeness, Risk Taking Propensity, Proactiveness, Competitive Aggressiveness, Autonomy				

Source: Survey Data (2023)

According to table 4.13, the correlation value (R) was observed as 0.984, implying a strong linkage between EO and performance. The adjusted R^2 which establishes the predictive power of the model was 0.966, implying ithat 96.6% of the variations in performance is explained by the EO variables. The Standard Error of the Estimate value of 0.196 represents how much the observed values differ from predicted values and is attributable to other factors which were excluded from the model. The low value of 0.196 indicates that the model is quite accurate in predicting the dependent variable. Table 4.14 presents ANOVA results.

Table 4.14. Analysis of Variance (ANOVA)

ANOVA[a]						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	69.957	5	13.991	364.859	.000[f]
	Residual	2.301	60	0.038		
	Total	72.258	65			
a. Dependent Variable: Enterprise Performance						
b. Predictors: (Constant), Innovativeness, Risk Taking Propensity, Proactiveness, Competitive Aggressiveness, Autonomy						

Source: Survey Data (2023)

The findings revealed a significant EO-Performance relationship of F = 364.859, Sig. < 0.05. Additionally, the sum of squares (69.957) suggests that the regression sum of squares, at a 95% confidence level, accounts for approximately 69.96% of the variability in the dataset. However, there remains 2.301 of variability unaccounted for, as indicated by the residual sum of squares. Table 4.15 presents the regression coefficients for each variable.

Table 4.15. Regression Coefficients

		Coefficients				
		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
Model						
1	(Constant)	0.316	0.092		3.417	0.001
	Innovativeness	0.156	0.055	0.148	2.827	0.006
	Risk Taking Propensity	0.175	0.073	0.167	2.393	0.020
	Proactiveness	0.515	0.122	0.489	4.231	0.000
	Competitive Aggressiveness	0.412	0.110	0.393	3.756	0.000
	Autonomy	0.212	0.059	0.203	3.573	0.001
Dependent Variable: Enterprise Performance						

Source: Survey Data (2023)

The regression coefficient results established the constant at 0.316. This constant represents additional predictive factors not included in the model. The findings also revealed a statistically significant relationship, at a 95% confidence level, between each EO variable and performance as follows: Innovativeness ($\beta = 0.148$, Sig. = 0.006 < 0.05), Risk-Taking Propensity ($\beta = 0.167$, Sig. = 0.020 < 0.05), Proactiveness ($\beta = 0.489$, Sig. = 0.000 < 0.05), Competitive Aggressiveness ($\beta = 0.393$, Sig. = 0.000 < 0.05), and Autonomy ($\beta = 0.203$, Sig. = 0.001< 0.05). This implies that holding all other factors constant, a unit increase in each of these variables will result in a 0.148, 0.167, 0.489, 0.393 and 0.203 performance increase respectively. Notably, Proactiveness has the greatest impact, followed by Competitive Aggresiveness and Autonomy. The above results were summarized using the following regression model:

$Y = \beta_0 i + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + \epsilon$

Where,

Y– Performance

β_0– Constant

β_1 - β_5 represents the coefficients of X_1– X_5

$X_1 – X_5$ represents Innovativeness, Risk-Taking Propensity, Proactiveness, Competitive Aggressiveness and Autonomy respectively.

ϵ = Error term

Hence, the established model for this study was:

$Y = 0.316 + 0.148X1 + 0.167X2 + 0.489X3 + 0.393X4 + 0.203X5 + \epsilon$

4.5.4. Hypothesis Testing

In order to evaluate the null hypotheses posited in this research, inferential calculations were executed. These analyses were conducted with a confidence level of 95%. The decision to accept or reject the null hypotheses and consequently determine statistical significance, was made at a confidence interval of 0.05. Null hypotheses were rejected when the coefficients exhibited P-values significantly below the probability threshold of $P < 0.05$. Conversely, null hypotheses were accepted when the coefficients demonstrated P-values greater than the probability threshold of $P \geq 0.05$.

H01: Innovativeness does not influence the performance of Nairobi based SMMEs.

The first research objective was to evaluate the impact of Innovativeness on the performance of the SMMEs under consideration. The findings indicated a statistically significant association with $\beta = .148$, Sig. = .006 < .05. Hence the null hypothesis was rejected. These findings align with various other studies. For instance, a study by Ngugi, McOrege, and Muiru (2013) investigated the Innovativeness-Performance of Nairobi based SMEs established a significant and positive relationship. Additionally, Otieno, Bwisa, and Kihoro (2012) identified a significant correlation between innovativeness and performance. Similarly, Kiveu, Namusonge, and Muathe (2019) confirmed a significant Innovation-Competitiveness relationship of 284 Nairobi based SMMEs, revealing a robust positive influence of innovation on performance.

H02: Risktaking Propensity does not influence the performance of Nairobi based SMMEs.

The second research objective was to evaluate the Risk-Taking Propensity-Performance relationship of the SMMEs under consideration. The findings indicated a statistically significant association with $\beta = .167$, Sig. = .020 < .05. Hence the null hypothesis was rejected. These findings align with the outcomes of studies by other researchers, such as Mburu, Gichira & Kyalo (2017), who investigated the risk-taking propensity-performance relationship in family-owned SMMEs in Nairobi City, establishing a significant connection between the two variables. Similarly, Kitigin (2017) investigated the risk-taking propensity-performance relationship in 100 SMEs in Eldoret town, revealing a significant relationship between the two variables. Additionally, Krauss et al. (2005) found that risk-taking propensity significantly influenced business growth in South Africa, while Galetic and Milovanovic (2008) also established a positive correlation.

H03: Proactiveness does not influence the performance of Nairobi based SMMEs.

The third research objective of the study was to evaluate the impact of Proactiveness on the performance of the SMMEs under consideration. The findings indicated a statistically significant association with $\beta = .489$, Sig. = .000 < .05. Hence the null hypothesis was rejected. These findings align with various other studies, such as Wambugu, Gichira, Wanjau & Mung'atu (2015), who explored the proactiveness-performance relationship in 111 agro-processing SMMEs in Kenya, establishing a strong correlation between proactiveness and enterprise performance. Similarly, Bature, Sallehuddin, Rosli & Saad (2018) investigated 305 SMMEs in Nigeria to determine the proactiveness-performance relationship, revealing a positive association. Hughes and Morgan (2007) also found a positive impact of proactiveness on competitiveness.

H04: Competitive Aggressiveness does not influence the performance of Nairobi based SMMEs.

The fourth research objective was to evaluate the impact of Competitive Aggressiveness on the performance of the SMMEs under consideration. The findings indicated a statistically significant association with $\beta = .393$, Sig. = .000 < .05. Hence the null hypothesis was rejected. These findings align with various other studies, such as Wambugu, Gichira, Wanjau & Mung'atu (2015), who explored the proactiveness-performance relationship in 111 agro-processing SMMEs in Kenya, establishing a strong correlation between proactiveness and enterprise performance. Similarly, Bature, Sallehuddin, Rosli & Saad (2018) investigated 305 SMMEs in Nigeria to determine the proactiveness-performance relationship, revealing a positive association. Hughes and Morgan (2007) also found a positive impact of proactiveness on performance. These findings align with other research studies. For example, Linyiru and Ketyenya (2017), in their investigation into the competitive aggressiveness-performance relationship of 55 Kenyan parastatals established a positive relationship between the two variables. Similarly, Baariu L.V., Gathungu J., & Ndemo B. (2021) explored the impact of competitive strategy drivers on the performance of 34 Nairobi based SMMEs and found a positive relationship between the two variables.

H05: Autonomy does not influence the performance of Nairobi based SMMEs.

The fifth research objective was to evaluate the impact of Autonomy on the performance

of the SMMEs under consideration. The findings indicated a statistically significant association with $\beta = .393$, Sig. = .000 < .05. Hence the null hypothesis was rejected. These findings align with the research of Austin & Omondi (2019), who explored the role of managerial autonomy on the financial performance of 47 Kenyan State Owned Enterprises (SOEs) and found a significant managerial autonomy-performance relationship. Similarly, Tufa, Belete, and Patel (2021) investigated the autonomy-performance relationship of 124 small enterprises in Addis Ababa, and found a significant autonomy-performance relationship.

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter provides a synopsis of the study's discoveries, focusing on the specified objectives. The research examined the EO-Performance relationship of the SMMEs under study. The key findings, conclusion and recommendations for future research presented in the sections that follow.

5.2 Summary of Key Findings

This research examined the EO-Performance relationship of the SMMEs under study. An Adjusted R^2 value of 0.966 was observed, indicating that all five EO variables collectively account for 96.6% of the variations in performance, with the remaining 2.301 being attributable to factors not encompassed in the regression model. The subsequent sections provide detailed findings for each independent variable.

5.2.1 Innovativeness and SMMEs performance.

The research explored the Innovativeness-performance relationship of SMMEs under study. Innovativeness fosters creativity, resulting in introduction of new products, services and solutions, potentially expanding the business's market reach and competitiveness. Innovative enterprises adapt better to dynamic market conditions, staying ahead of industry trends and meeting evolving customer demands. The outcomes of the regression analysis indicated a statistically significant innovativeness-performance relationship. This suggests that SMMEs demonstrating a higher inclination for innovation tend to excel in meeting or exceeding customer expectations.

5.2.2 Risk Taking Propensity and SMMEs performance.

The research investigated the impact of Risk Taking Propensity-Performance relationship of SMMEs under study. A willingness to take calculated risks can lead to pioneering efforts in unexplored markets, positioning the enterprise as a market leader. Risk-taking can open avenues for diversification, helping the business navigate uncertainties and capitalize on emerging opportunities. The regression analysis results revealed a statistically significant risk-taking propensity-performance relationship, suggesting that SMMEs demonstrating a higher inclination to take risks, be it in terms of business ventures, financial commitments, or strategic decisions, tend to excel in terms of enterprise performance.

5.2.3 Proactiveness and SMMEs performance.

The research investigated the Proactiveness-Performance relationship of SMMEs under study. Proactiveness enables enterprises to identify and seize opportunities before competitors, contributing to early market entry and increased market share. Proactive businesses can strategically position themselves, staying ahead of industry changes and gaining a competitive advantage. The results revealed a statistically significant proactiveness-performance relationship. This suggests that SMMEs showcasing the capability to anticipate and seize opportunities to develop new products, adopt latest technologies and venture into new markets, tend to sustain a competitive advantage and therefore excel in terms of enterprise performance.

5.2.4 Competitive Aggressiveness and SMMEs performance.

The research assessed the impact of Competitive Aggressiveness-Performance. relationship of SMMEs under study. Competitively aggressive enterprises are more likely to explore and enter new markets, expanding their geographic reach and customer base. A direct and assertive approach towards competitors can result in increased market share and a stronger market position. The results revealed a statistically significant competitive aggressiveness-performance relationship. This suggests that SMMEs exhibiting a robust inclination to directly and vigorously challenge competitors, with the objective of gaining entry or improving market position, tend to excel in terms of enterprise performance.

5.2.5 Autonomy and SMMEs performance.

The research evaluated the impact of Autonomy-Performance relationship of SMMEs under study. Autonomy fosters a culture where employees feel empowered to take independent actions, potentially leading to increased creativity, innovation, and job satisfaction. Autonomous decision-making allows the enterprise to adapt quickly to changing conditions, fostering agility and resilience in the face of challenges. The results revealed a statistically significant autonomy-performance relationship. This suggests that SMMEs that promote independent initiative and empower individuals or teams to generate and implement ideas tend to excel in terms of enterprise performance.

5.3 Conclusion

5.3.1 Innovativeness and SMMEs performance.

The study concludes that Innovativeness influences enterprise performance. This could be

attributable to the fact that innovative SMMEs are better equipped to meet evolving customer expectations and adapt to changing market dynamics. By generating new products or improving existing ones, these enterprises enhance their competitiveness, leading to increased market share and profitability. A culture of innovation also fosters a proactive and forward-thinking organizational mindset, which can contribute to sustained growth and performance.

5.3.2 Risk Taking Propensity and SMMEs performance.

The study concludes that Risk Taking Propensity influences enterprise performance. This could be attributable to the fact that SMMEs with high risk-taking propensity are more likely to venture into unexplored markets, adopt innovative technologies, and implement strategic initiatives. Despite inherent uncertainties, this approach can lead to significant rewards, including increased market share, revenue growth, and enhanced competitiveness resulting from SMMEs ability to respond effectively to changing business landscapes.

5.3.3 Proactiveness and SMMEs performance.

The study concludes that Proactiveness influences enterprise performance. This can be attributed to the observation that proactive SMMEs exhibit an enhanced ability to recognize and capitalize on emerging opportunities, encompassing products, technologies, markets, and consumer demands. Through assertive pursuit of these opportunities, businesses can attain a competitive edge, resulting in improved market positioning and financial performance. Furthermore, a proactive orientation fosters a culture of adaptability and innovation, contributing to the resilience and long-term sustainability of SMMEs.

5.3.4 Competitive Aggressiveness and SMMEs performance.

The study concludes that Competitive Aggressiveness influences enterprise performance. This can be attributed to the observation that businesses with heightened competitive aggressiveness demonstrate a robust determination to directly and assertively challenge competitors. Such proactive behavior can lead to market entry or improved market positions, resulting in augmented market share and profitability. Additionally, fostering a culture of competitive aggressiveness propels an ongoing pursuit of excellence and innovation, contributing to sustained growth and performance.

5.3.5 Autonomy and SMMEs performance.

The study concludes that Autonomy influences enterprise performance. This can be attributed

to the observation that SMMEs empowering individuals or teams to autonomously bring forth and execute ideas tend to be more adaptable and innovative. Such autonomy nurtures a culture of creativity and ownership, leading to the development and implementation of novel solutions and strategies. Ultimately, this can result in increased operational efficiency, customer satisfaction, and overall performance for the SMMEs.

5.4. Recommendations

Based on the outcomes derived from this research, the following recommendations have been put forth.

5.4.1 Innovativeness and SMMEs performance.

The research confirmed that innovativeness significantly impacts the performance of the SMMEs under study. Consequently, it is advised that policymakers, business associations, and support organizations actively encourage and endorse a culture of innovation within the SMME sector. This can be achieved through training, workshops, and providing resources for research and development. Secondly, efforts should be made to facilitate access to technology and encourage technological leadership among SMMEs. This can include providing subsidies for acquiring advanced technology, offering training programmes, and creating platforms for knowledge sharing and collaboration. Thirdly, SMMEs should be encouraged to diversify their product lines. This can help them adapt to changing market demands and increase their competitiveness. Support organizations can provide guidance and resources for product development. Access to finance is crucial for implementing innovative ideas. Financial institutions and government agencies should create mechanisms to make funding more accessible to SMMEs, particularly those focused on innovation. SMMEs should be encouraged to collaborate with research institutions, universities, and other businesses. This can lead to knowledge transfer, joint research projects, and the development of innovative solutions. Mechanisms should also be established for monitoring and evaluating the level of innovativeness within the SMME sector. This can help identify areas that require additional support and track the impact of interventions over time. Additionally, policymakers should create an enabling environment for innovation by implementing policies that incentivize and protect intellectual property rights. This can encourage SMMEs to invest in research and development activities. Finally, SMMEs should be encouraged to conduct market research and gather customer feedback regularly. This can help them better understand customer needs and preferences, leading to more effective innovation

efforts. By implementing these recommendations, stakeholders can create an environment conducive to innovation SMMEs, leading to improved performance, competitiveness and greater impact on economic development.

5.4.2 Risk Taking Propensity SMMEs performance

The research confirmed that Risk Taking Propensity has a statistically significant impact on enterprise performance. Consequently, it is advised that SMME owners and executives be encouraged to embrace a culture of calculated risk-taking. Provide training and workshops on risk assessment and management to help them make informed decisions. Support organizations and government agencies should offer resources and tools for risk assessment and management. This could include access to market research, financial analysis, and scenario planning. Training institutions should enhance the financial literacy of SMME owners and executives, to help them better understand the implications of various financial risks. This can empower them to make more informed decisions about borrowing and resource allocation. SMMEs should also be encouraged to conduct thorough market research and feasibility studies before entering new markets or committing resources. This can help identify potential risks and develop strategies to mitigate them. SMMEs should also be encouraged to explore other financing such as venture capital, crowdfunding and angel investors as alternatives to traditional bamk loans. This can help spread financial risk and provide alternative funding sources. SMMEs should also be encouraged to establish risk management committees or appoint individuals responsible for assessing and mitigating risks. This can ensure a systematic approach to risk management within the organization. Government and SME support organizations should implement mechanisms for ongoing monitoring and evaluation of risk management practices within SMMEs. This can help identify areas that require improvement and track the effectiveness of risk mitigation strategies. They should also foster an environment where SMMEs feel supported in taking calculated risks. This can include creating networks of experienced entrepreneurs who can provide mentorship and advice. By implementing these recommendations, stakeholders can create an environment that encourages risk taking within the SMMEs, leading to superior performance.

5.4.3 Proactiveness and SMMEs performance.

The research confirmed ithat Proactiveness has a statistically significant effect on SMMEs performance. Consequently, it is advised that policy makers and support organizations encourage SMME owners and executives to adopt a proactive mindset. Provide training and

workshops on trend analysis, market scanning, and opportunity identification to enhance their ability to anticipate and exploit opportunities. These institutions should invest in market intelligence capabilities to help SMMEs stay informed about emerging trends, consumer preferences, and technological advancements. This information can be invaluable in identifying and capitalizing on opportunities. SMMEs should also be encouraged to establish strategic partnerships and networks with other businesses, research institutions, and industry associations. This can facilitate access to new technologies, markets, and collaborative opportunities. SMMEs should cultivate an environment that encourages creativity, experimentation, and a willingness to take calculated risks. This can promote a proactive approach to identifying and pursuing business opportunities. Support organizations and government agencies should facilitate access to resources, technology, and research and development facilities. This can empower SMMEs to proactively develop and introduce innovative products or services. SMMEs should be encouraged to to closely monitor industry trends and keep a watchful eye on competitor activities. This can help them identify gaps in the market and act swiftly to seize opportunities. SMMEs should recognize and reward proactive behavior. This can be done through incentives, awards, or recognition programs that acknowledge individuals or teams that excel in seizing business opportunities. SMMEs should also create mechanisms for collecting feedback from customers, suppliers, and partners. This can provide valuable insights into emerging opportunities and customer needs, allowing SMMEs to adjust their strategies proactively. By implementing these recommendations, stakeholders can create an environment that fosters proactiveness within the SMMEs, resulting in enhanced performance.

5.4.4 Competitive Aggressiveness and SMMEs performance.

The research confirmed that Competitive Aggressiveness has a statistically significant effect on SMMEs performance. Consequently, it is advised that SMMEs be encouraged to formulate and implement a clear competitive strategy that outlines their goals, target markets, and tactics for challenging competitors. This strategy should be dynamic and adaptable to changing market conditions. They should therefore be encouraged to allocate resources to conduct thorough market research and competitive analysis. This will help SMMEs identify specific areas where they can assert their competitive aggressiveness and gain an advantage over rivals. SMMEs should cultivate a strong customer focus by ensuring that competitive aggressiveness is aligned with meeting customer needs and expectations. They should prioritize customer

satisfaction while pursuing aggressive strategies to gain a competitive edge. SMMEs should provide training and empower employees to execute competitive strategies effectively. This includes equipping them with the necessary skills, knowledge, and tools to engage in competitive tactics. SMMEs should also monitor and adapt to competitor moves. They can achieve this by staying vigilant about competitor activities and adapting strategies accordingly. They should be agile and responsive to changes in the competitive landscape and embrace technological innovations that can enhance the firm's competitive position. This may involve investing in new technologies or utilizing existing ones in innovative ways. SMMEs should regularly benchmark against industry leaders and best practices ito iunderstand how to achieve and maintain a competitive iadvantage. They should learn from successful companies and apply relevant strategies to their operations. While pursuing competitive aggressiveness, it is also crucial for SMMEs to maintain ethical business practices. Unethical behavior can have long-term negative consequences for reputation and sustainability. They should also cultivate a culture of continuous improvement within their enterprises, by encouraging employees to seek out opportunities for innovation and efficiency gains, to maintain a competitive edge.

5.4.5 Autonomy and SMMEs performance.

The research confirmed that Autonomy has a statistically significant effect on SMMEs performance. Consequently, it is advised that that SMME owners and leaders should endeavor to create a work environment that values and supports autonomy. This can be achieved through policies and practices that empower employees to take initiative and bring their ideas to fruition. While promoting autonomy, it's essential to set clear guidelines and objectives to ensure that employees understand the boundaries within which they can exercise autonomy, and align their efforts with the overall goals of the enterprise. SMMEs should provide training and development programmes that equip employees with the skills and knowledge needed to take independent action effectively. This can include workshops on decision-making, problem-solving, and project management. They should also acknowledge and reward individuals or teams that demonstrate a high level of autonomy and successfully implement innovative ideas. This can be done through performance bonuses, recognition programmes, or career advancement opportunities. SMMEs can also create platforms and opportunities for employees to share their ideas and collaborate on projects. This can lead to the cross-pollination of innovative concepts and the development of more robust solutions. They should also ensure ithat employees have access to the necessary resources, tools, and itechnologies to

implement their ideas autonomously. This may involve investing in technology or allocating budgets for research and development. They should also establish mechanisms for regular feedback and communication between employees and management. This allows for continuous improvement and adjustment of autonomous initiatives based on performance feedback. SMME owners and leaders should endeavor to build trust between management and employees by delegating responsibilities and giving individuals the autonomy to make decisions within their areas of expertise. Trust empowers employees and fosters a sense of ownership. Finally, SMMEs should implement systems to measure and evaluate the effectiveness of autonomy practices within the organization. This can help to identify areas for improvement and track the impact of autonomy on performance. By implementing the above recommendations, stakeholders can create an environment that promotes autonomy within the SMMEs leading to enhanced performance.

5.5. Suggestions for Further Study

The above findings of the study revealed that the five EO dimensions individually and collectively contribute significantly to the performance of SMMEs. However, the Empirical Literature Review revealed scope, conceptual and contextual research gaps with regard to the EO-Performance relationship, which require further research, in order to enhance knowledge in this area. Therefore, the following areas have been recommended for future research: Some studies focused on specific sub-sectors or industries, potentially limiting the broader applicability of findings. Future research should aim for a more comprehensive examination of EO across various sectors. Some studies examined select dimensions of EO, potentially missing out on the comprehensive impact of all five dimensions. Future research should strive for a holistic assessment of EO's dimensions. While the potential synergies between EO, RBV, and Dynamic Capabilities Theory were discussed in this study, there is a need for more empirical research examining how these theories can be effectively integrated to enhance firm performance. Many studies provide cross-sectional analyses. There is a need for more longitudinal studies to track the long-term impact of EO on performance over time. Future research could also explore how cultural, institutional, infrastructural and other pertinent factors impact the adoption and effectiveness of EO practices in different regions and industries. Finally, future research could delve deeper into identifying and understanding the specific factors (such as access to finance, information, appropriate infrastructure, as well as the level of dynaminism and hostility in the business environment), that moderate or

mediate the EO-Performance relationship. Addressing these research gaps will provide a more comprehensive understanding of the complex relationship between EO, RBV, and Dynamic Capabilities Theory, ultimately enhancing our knowledge of how firms can strategically leverage these concepts to achieve sustained competitive advantage and superior performance.

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APPENDICES

Appendix I: Introduction Letter

To: ……..

……

Dear Sir/Madam,

RE: ACADEMIC RESEARCH ON ENTREPRENEURIAL ORIENTATION

I am currently pursuing a master of business administration degree at Kenyatta University. As part of the fulfillment of the degree, I am required to undertake research on the above-named topic.

To this end, I am kindly requesting your permission to gather relevant information from your organization using the attached questionnaire.

Any information provided by you will be kept strictly confidential and used for the current research only.

Thanking you, and looking forward to your approval of this request, I remain.

Yours Faithfully,

Cecilia Marwah

Appendix II: Research Permit

REPUBLIC OF KENYA

NATIONAL COMMISSION FOR SCIENCE,TECHNOLOGY & INNOVATION

Ref No: **269830**

Date of Issue: **05/April/2023**

RESEARCH LICENSE

This is to Certify that Ms.. CECILIA ANGELA WERE MARWAH of Kenyatta University, has been licensed to conduct research as per the provision of the Science, Technology and Innovation Act, 2013 (Rev.2014) in Nairobi on the topic: ENTREPRENEURIAL ORIENTATION AND ENTERPRISE PERFORMANCE OF SELECTED SMALL AND MEDIUM MANUFACTURING ENTERPRISES IN NAIROBI CITY COUNTY, KENYA. for the period ending : 05/April/2024.

License No: **NACOSTI/P/23/25007**

269830

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.

See overleaf for conditions

Appendix III: Research Questionnaire

PART A: BACKGROUND INFORMATION ON THE RESPONDENT

Age	☐ [26-30] ☐ [41-45] ☐ [31-35] ☐ [46-50] ☐ [36-40] ☐ [= or >50]
Gender	☐ Female ☐ Male
Industrial Sub-Sector	☐ Agriculture/ Fresh Produce ☐ Chemicals & Allied ☐ Leather and Footwear ☐ Building, Mining & Construction ☐ Metal and Allied ☐ Energy, Electrical & Electronics ☐ Motor vehicle and accessories ☐ Food & Beverages ☐ Timber, Wood & Furniture ☐ Plastic and Rubber ☐ Paper and Board ☐ Textiles & Apparel ☐ Pharmaceuticals
Years in operation	☐ [0-2 years] ☐ [3-5 years] ☐ [5-10 years] ☐ [Over10 years]
Legal Structure of the Business	☐ Sole Proprietor ☐ Partnership ☐ Limited Liability Company
Position in the company	☐ Owner ☐ Manager
Number of Employees	☐ [0-10] ☐ [31-40] ☐ [11-20] ☐ [41-50] ☐ [21-30] ☐ [Above 50]

PART B: ENTREPRENEURIAL ORIENTATION

To what extent do you agree with the following statements?
1- Strongly Disagree 2- Disagree 3- Neutral 4-Agree 5- Strongly Agree (Please tick)

INNOVATIVENESS					
STATEMENTS	**1**	**2**	**3**	**4**	**5**
IN1– Employees in my organization are allowed to learn and innovate during their routine activities					
IN2– My organization is continuously developing new products, services and competencies					
IN3– My organization encourages sourcing of new technologies and processes					
RISK TAKING PROPENSITY					
STATEMENTS	**1**	**2**	**3**	**4**	**5**
RT1– My Organization often invests in high risk-high return projects					
RT2– My Organization considers missing an opportunity in the market a risk					
RT3– In my organization, if a risk taken leads to failure, the risktaker is not penalized					
PROACTIVENESS					
STATEMENTS	**1**	**2**	**3**	**4**	**5**
PRO1– My organization usually leads in the market, in introducing new products/services					
PRO2– My organization participates in and forms strategic alliances to improve market position					
PRO3 – We excel at identifying emerging opportunities					

COMPETITIVE AGGRESSIVENESS					
STATEMENTS	**1**	**2**	**3**	**4**	**5**
CA1– My organization is always looking for ways to differentiate itself from competitors					
CA2– My organization continuously strives to lower costs faster than our competitors					
CA3– My organization develops strong partnerships with suppliers to enhance competitiveness					
AUTONOMY					
STATEMENTS	**1**	**2**	**3**	**4**	**5**
AUT1– My organization gives employees authority and responsibility to make independent decisions if it will be in the best interest of the company					
AUT2– My organization provides employees with all the information required to make important decisions					
AUT3– Operating divisions in my organization largely act independently					
ENTERPRISE PERFORMANCE					
STATEMENTS	**1**	**2**	**3**	**4**	**5**
EP1– Our sales have increased over the last three years					
EP2– Our profits have increased over the last three years					
EP3– Our market share has grown over the last three years					
EP4 – Our employees have increased over the last three years					

THANK YOU FOR YOUR PARTICIPATION

Appendix IV: List of Target Population

NO.	NAME OF COMPANY	INDUSTRY CLASSIFICATION
1	Agrico EA	Agriculture/ Fresh produce
2	Fine Exporters Ltd	Agriculture/ Fresh produce
3	Mordern Ways Ltd	Agriculture/ Fresh produce
4	Cretum Properties LTD	Building, Mining & Construction
5	Sann Hard Ltd	Building, Mining & Construction
6	Delta Cooling Systems Ltd	Building, Mining & Construction
7	Vista wireCows Ltd	Building, Mining & Construction
8	Mandhir Construction Ltd	Building, Mining & Construction
9	Unique Offers Limited	Building, Mining & Construction
10	Magnum Engineering & General Ltd	Building, Mining & Construction
11	International Energy Technik Ltd	Energy, Electrical & Electronics
12	Manufacturers & Suppliers (K) Ltd	Energy, Electrical & Electronics
13	Musteck East Africa Ltd	Energy, Electrical & Electronics
14	Repelectric Kenya Ltd	Energy, Electrical & Electronics
15	Powerex Lubricants Ltd	Energy, Electrical & Electronics
16	M-Kopa Kenya Limited	Energy, Electrical & Electronics
17	Azuri Technologies Kenya Limited	Energy, Electrical & Electronics
18	Prafulchandra & Brothers Ltd	Energy, Electrical & Electronics
19	Tony West Ltd	Food & Beverages
20	African Coffee Roasters	Food & Beverages
21	Afrimac Nut Company	Food & Beverages
22	Alpine Coolers Ltd	Food & Beverages
23	Capel Food Ingredients	Food & Beverages
24	Al-mahra Industries Limited	Food & Beverages
25	Agriner Agriculture Development	Food & Beverages
26	Frigoken Ltd	Food & Beverages
27	Green Forest Foods Ltd	Food & Beverages
28	Mini Bakeries (NBI) Ltd	Food & Beverages
29	Foods by Likii	Food & Beverages
30	Mama Millers Ltd	Food & Beverages
31	Re-Suns Spices Ltd	Food & Beverages
32	Spice World Ltd	Food & Beverages
33	Universal Sign Ltd`	Metal & Allied

34	Uni Industries E.A. Ltd	Metal & Allied
35	Canton Alloys Ltd	Metal & Allied
36	Hebatullah Brothers Ltd	Metal & Allied
37	Insteel Ltd	Metal & Allied
38	Ashut Engineers	Metal & Allied
39	Laminate Tubes Industries Ltd	Metal & Allied
40	Hobra Manufacturing Ltd	Metal & Allied
41	Machines Technologies (2006) Ltd	Metal & Allied
42	Pinnancle System LTD	Motor vehicle and accessories
43	King Solomon Enterprise	Motor vehicle and accessories
44	GSM Systems.com	Motor vehicle and accessories
45	Dakawou Transporter	Motor vehicle and accessories
46	Auto Industries Ltd	Motor vehicle and accessories
47	Pinnacle Systems Ltd	Motor vehicle and accessories
48	Pipe Manufacturers Ltd	Motor vehicle and accessories
49	Adpak International Ltd	Paper and Board
50	Chrome Partners Ltd	Paper and Board
51	Bags and Ballers Manufacturers Ltd	Paper and Board
52	Jubilee Tissue Industries Ltd	Paper and Board
53	Modern Lithographic (K) Ltd	Paper and Board
54	Green Pencils Ltd	Paper and Board
55	Economic Industries Ltd	Paper and Board
56	Medivel Kenya Ltd	Pharmaceutical & Medical Equipment
57	Quesia Care Ltd	Pharmaceutical & Medical Equipment
58	Syner Medica (Kenya) Ltd	Pharmaceutical & Medical Equipment
59	Goodman Agency Limited	Pharmaceutical & Medical Equipment
60	Shade Net Ltd	Plastic & Rubber
61	Ace Plastics Company Ltd	Plastic & Rubber
62	Polyblend Ltd	Plastic & Rubber
63	Shrink Pack Ltd	Plastic & Rubber
64	Visionone Industries Ltd	Plastic & Rubber
65	Brush Manufacturers Ltd	Plastic & Rubber
66	Jumbo Chem Industries Ltd	Plastic & Rubber
67	King Plastics Industries Ltd	Plastic & Rubber
68	Hope Plastics Ltd	Plastic & Rubber
69	Digital Packaging Innovations Ltd	Plastic & Rubber
70	Vajas Manufacturers Ltd	Textile and apparel
71	MLW Investments Ltd	Textile and apparel

72	Kinkraft Products Ltd	Textile and apparel
73	Mills Industries Ltd	Textile and apparel
74	Africa Apparels EPZ Ltd	Textile & Apparel
75	Hantex Garments EPZ Ltd	Textile & Apparel
76	Timber Treatment International Ltd	Timber, Wood & Furniture
77	Hirleys Furniture Ltd	Timber, Wood & Furniture
78	64Door Factory Ltd	Timber, Wood & Furniture
79	Party Lounges Ltd	Timber, Wood & Furniture
80	Woodtex Kenya Ltd	Timber, Wood & Furniture
81	PG Bison Ltd	Timber, Wood & Furniture
82	Index Modern Living	Timber, Wood & Furniture
83	Zingo Investments Ltd	Leather and Footwear
84	Azus Leather Ltd	Leather and Footwear
85	Yilmaz Company Ltd	Chemical and Allied
86	Canon Chemicals Ltd	Chemical and Allied
87	Ecological Industries Ltd	Chemical and Allied
88	Ken Nat Ink and Chemicals Ltd	Chemical and Allied
89	Kip Melamine Co Ltd	Chemical and Allied
90	Mosara Ltd	Chemical and Allied
91	Odex Chemicals	Chemical and Allied
92	Shreeji Chemicals Ltd	Chemical and Allied
93	Synresins Ltd	Chemical and Allied

Source: KAM Directory (2023)

Appendix V: Research Budget

Entrepreneurial Orientation and Enterprise performance of SMMEs in Nairobi City County, Kenya					
BUDGET (KES)					
NO	**ITEM**	**UNIT**	**RATE**	**DAYS**	**TOTAL**
1.0	**Personnel**				
1.1	Researcher	1	1,000	15	15,000
1.2	Research Assistant	2	500	15	15,000
1.3	Data Analyst	1	10,000	one off	10,000
1.4	**Sub-Total Personnel**				**40,000**
2.0	**Travel**				
2.1	Subsistence	2	500	15	15,000
2.2	Transport	2	1,000	12	24,000
2.3	Airtime		1000	6	6,000
2.4	**Sub-Total Travel**				**45,000**
3.0	**Materials**				
3.1	Questionnaires	100	6		600
3.2	Notebooks	5	50		250
3.3	**Sub-Total Materials**				**850**
4.0	**Total**				**85,850**
5.0	Miscellaneous 5%				4,293
6.0	**Grand Total**				**90,143**

Appendix VI: Research Work Plan

Entrepreneurial Orientation and Enterprise performance of SMMEs in Nairobi City County, Kenya.															
WORK PLAN															
Activity	Week-1					Week-2					Week-3				
	M	T	W	T	F	M	T	W	T	F	M	T	W	T	F
Mobilize respondents															
Prepare research questionnaires															
Distribute and pick questionnaires															
Analyze collected data															
Compile and submit report															