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ABSTRACT

When proactiveness is properly implemented, it leads to high organization performance. A proactive firm takes the initiative to venture into new markets, exploiting them and becoming the market leader in that market place. A proactive firm takes the initiative to shape the environment to its advantage in terms of technology and innovation, competition, customers, processes. Consequently, the study sought to examine the effect of proactiveness on performance of family-owned enterprises in Nairobi County. Descriptive research design was adopted. Data was collected through use of structured questionnaires. Descriptive statistics and regression analysis were used to analyze the data. Results of the study revealed positive and significant relationship between proactiveness and performance of family-owned enterprises in Nairobi County.

Key Words: Proactiveness, Performance, Family enterprises

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INTRODUCTION

Proactiveness refers to the firm's efforts to seize new opportunities, anticipating the future market demands and at the same time shaping the external environment (Lumpkin & Dess, 2001). This is an important characteristic of family firm's entrepreneurial behavior (Nordqvist & Melin, 2010). Wisner (2004) argues that the dimensions of proactiveness include creating a greater level of trust throughout the customers, identifying and participating in additional innovative products/services, keeping in touch with a firm's members, creating compatible communication channels and involving all supply chain members in a firm's product/service marketing plans. When this is properly implemented, it leads to high organization performance. A proactive firm takes the initiative to venture into new markets, exploiting them and becoming the market leader in that market place. A proactive firm takes the initiative to shape the environment to its advantage in terms of technology and innovation, competition, customers, processes e.t.c (Chen & Hambrick, 1995). It is the search for new opportunities even though they may not be related with the current operations (Rauch, Wiklund & Frese, 2004). Mentzer *et al.*, (2008) notes that SME proactive orientation strategies depend on a close interaction with in-company marketing and sales resources, processes and skills. Therefore, as a dimension of entrepreneurial orientation, it's an opportunity seeking and forward-looking perspective that entails acting in anticipation of future demand and trends and then capitalizing on such opportunities to gain benefits (Kropp, Lindsay & Shoham, 2008). Proactiveness is also related to innovativeness and risk taking (Pitt et al 1997). Innovativeness prepares the firm to come up with unique products, services or processes and also how it will manage the innovations in terms of scale of operations across all its borders. Risk taking on the other hand is the willingness to take up new opportunities that can either bring profits or losses. This willingness to assume calculated risk is as a result of alertness to assume that a product/service will sell better in

future (Oni, 2002). Proactiveness will be measured by considering how an organization identifies and exploits new opportunities and the rate at which they adopt new modes of payment in their operations.

Theoretical and Empirical Framework

Parker's Theory of Proactiveness

The confidence that one will be successful in an undertaking is especially important in proactive goal generation because being proactive entails a high potential psychological risk to the individual (Parker, 2006). A proactive goal involves a deliberate decision process in which the individual assesses the likely outcomes of his or her behaviours (Morrison & Phelps, 1999; Parker, Williams, 2006). Individuals must be certain that they can both initiate proactive goals and deal with their consequences before they act as well as see the value associated with being proactive to change a particular target.

Lakhani and Wolf (2003) argue that, pro-activity can be generated by intrinsic motivation. Motivation is important in proactive goal processes particularly for very long-term oriented proactive goals. Similarly, pro-activity can be motivated by an individual's experience, which helps him or her narrow focus to an activity that fully occupies him/her ignoring the time taken, fatigue, and everything else but the activity (Rousseau & Vallerand, 2008). Proactive goals are not only linked to current identities but also are motivated by future-oriented identities (Strauss, Griffin, & Rafferty, 2009). Like other possible future and past identities, future work will serve as a standard against which the present self can be compared (Carver & Scheier, 2008) and constitute motivational resources that individuals can use in the control and direction of their own actions (Oyserman & Markus, 2009). Strauss, Griffin, and Rafferty, (2009) showed that future work pertaining to individuals' careers motivated greater proactive career-oriented behaviours. In family enterprises for example, the entrepreneur must be proactive in order to start and grow his/her business to the

highest level possible. He is fully immersed in running his business considering the past and the present experiences and predicting the future of his enterprise. The entrepreneur takes risks, sacrifices his time, energy, family time and others for the sake of his business performance.

Proactiveness and Performance of Family-Owned Enterprise

Several studies have been conducted to try and establish the relationship of this factor with the firm performance. A research conducted by Yong, Jing and Ming (2008) examined the entrepreneurship orientation and performance of manufacturing family-owned enterprise from a population of the listed Taiwan Securities and Futures Institutes. Data was collected from 165 valid mailed questionnaires. A cross-sectional research design was employed. Performance of manufacturing family-owned enterprise was assessed by efficiency, growth and profit. Proactiveness was measured by how firms relate to market opportunities by taking down initiatives in the marketplace. The findings in this study agreed with Lumpkin and Dess (1996) that there is positive relationship between proactiveness and firm performance.

Kraus et. al., (2011) studied the effects of entrepreneurship orientation and business performance of SMEs in Netherlands during periods of economic crisis and the severe environmental turbulence that accompany such crisis. This was a quantitative study and a multi-dimensional model of EO was used. Data was collected using email survey method from 164 Dutch SMEs. The findings showed that proactive firm behaviour positively contributes to SMEs performance during economic crisis while innovative SMEs perform better in turbulent environments but those innovative enterprises should minimize the level of risk and avoid very risky projects.

In a sample of 308 street traders in Johannesburg (South Africa), Venter and Callaghan (2011) tested the relationship of proactiveness and firm performance. Proactiveness was assessed as growth willingness of the participants. Results of this study

confirmed that there is a positive and significant association between proactiveness and informal sectors performance hence supporting Mueller (2008) and De Clerq and Rouis (2007).

A study done by Oni (2012) on the relevance of entrepreneurial proactiveness on business performance drew samples from the Nigerian Stock Exchange handbook and Corporate Affairs Commission book of registered companies. The enterprises were randomly selected according to the size and performance measures. A structured questionnaire was given to the senior managers. The findings showed that those enterprises on high enterprise proactiveness responded positively to performance measures with continuous increase in size and employment of skillful and competent personnel.

In Kenya, a study on the relationship between Proactiveness and firm performance of SMEs in the Agro Processing was conducted by Wambugu, Gichira and Wanjau (2015). Data was collected from 111 agro processing enterprises that are registered by Kenya Association of Manufacturers. Structural Equation Modelling partial least squares (pls) approach was used. The findings indicated that Proactiveness was a significant predictor of firm performance of agro processing enterprises in Kenya.

METHODOLOGY

A step-by-step procedure indicating how the study objectives were achieved is known as research design (Orodho, 2009). Blumberg et.al (2011) viewed the research design as the blueprint for the collection, measurement and analysis of data, a strategic plan which aims at answering the research questions with minimal deviations. In the current study, cross sectional survey research design was used because it sets to explain the current phenomenon through the use of systematic and controlled methods in data collection (Mugenda and Mugenda, 2007). Campbell (1988) also points out that cross sectional design is helpful in establishing associations rather than the causes and that it helps to determine the prevalence rather

than the incidents. The design has been used by other scholars including Rotich (2016), in the study on the effect of banking and Entrepreneurial orientation on the financial performance of manufacturing firms in Kenya. The design was appropriate for the current study since it sought to examine the effect of entrepreneurial orientation and performance of family owned small and medium manufacturing enterprises in Nairobi City County.

Population refers to the entire group of people or objects of interest that the researcher wishes to investigate, Sekaran (2010). Mugenda and Mugenda (2008) defines population as an entire group of

individuals or objects having common observable characteristics. The population of the study was based on the listed KAM (2015) members in the manufacturing and production sectors based in Nairobi County. This is because they are in the same area and are exposed to the same business environment. The sectors include: Chemical and Allied 69, Foods and Beverages 174, Pharmaceutical and Medical Equipment 20, Textiles and Apparels 60, Metal and Allied 80 and Footwear and Leather 7. The total population was 410 enterprises. This provided a suitable representation of the Kenyan economy with varied representation of business ownership hence justifying the selection of this study.

Table 1: Target Population

Sector	Percentage of the total	Target Population
Chemical and Allied	16.9	69
Food and Beverages	42.4	174
Pharmaceutical and Medical Equipment	4.9	20
Leather and Footwear	1.7	7
Textiles and Apparels	14.6	60
Metal and Allied Sector	19.5	80
Total	100	410

Sampling frame is a list of all individuals or items to be considered in a particular study (Oso & Onen, 2009). This survey was done from a list provided by KAM in the Kenya Manufacturers and Exporters directory (2015). Due to the unavailability of database on family owned small and medium enterprises defining a sampling unit was done in two stages. Simple random sampling was used to select 201 SMFEs. According to Schindler te.al (2011), simple random sampling ensures that each unit has an equal probability of being chosen, and the random sample is the most representative of the entire population and least likely to result in bias. It has statistical properties that allow the researcher to make inferences about the population, based on the results obtained from the sample. For a survey design based on a simple random sample, the sample size required can be calculated according to the following formula

(Kothari, 2011).

$$n = \frac{Z^2 \times (1-p)}{m^2}$$

Where: n = required sample size

Z = confidence level at 95% (standard value of 1.96)

p = estimated percentage prevalence of the population of interest – 10%
m = margin of error at 5% (standard value of 0.05)

Therefore, the sample size was;

$$n = \frac{(1.96^2 \times 0.5 \times 0.5)}{0.069^2} = 201.$$

Mathematically the study considered 201 respondents who were drawn from the study target population. Stratified sampling technique was used to draw the respondents from six manufacturing sectors as shown in Table 2, as per the sector in which the performance of manufacturing family-owned enterprise operates.

Table 2: Sample Size

Sector	Percentage of the total	Sample
Chemical and Allied	16.9	34
Food and Beverages	42.4	85
Pharmaceutical and Medical Equipment	4.9	10
Leather and Footwear	1.7	4
Textiles and Apparels	14.6	29
Metal and Allied Sector	19.5	29
Total	100	201

Data Analysis and Presentation

Sekaran (2010), indicates that there are three objectives in data analysis which include: - a) getting a feel for the data. A feel for the data gives the researcher an idea of how well the respondent have reacted to the questions in the questionnaire and how good the questions or items and measures are. This includes descriptive statistics such as the response rate, mean and standard deviations of the observed variables, b) testing the goodness of the data. Establishing the goodness of the data gives credibility to subsequent analysis and findings since it measures the reliability and validity of the measures used in the study, and c) testing hypotheses developed for the research. When the data is ready for analysis, the researcher is ready to test the hypothesis already developed using appropriate statistical tests (Sekaran, 2010).

Sekaran (2010), states that regression analysis attempts to determine whether a group of variables predict a given dependent variable and hence attempt to increase the accuracy of the estimate. The regression model for this study was as follows:

$$Y = \alpha + \beta_1 X_1 + \epsilon$$

Y = Family-owned performance

X = Proactiveness

FINDINGS AND DISCUSSION**Proactiveness and Performance of Manufacturing Family-Owned Enterprises**

The main objective of the study was to establish the effect of proactiveness on the performance of manufacturing small and medium family-owned enterprises. To achieve this, the respondents were

requested to rate responses on a five-point Likert scale and the responses were summarized as shown in Table 3 using mean, standard deviation, frequency and percentage. The respondents were asked whether the firm is usually among the first to enter into new markets by introducing new products /services and new methods of production when compared to other firms. Majority (mean =3.9) agreed that, compared to other businesses in the same field, they are usually among the first to enter into new markets by introducing new or improved products and new methods of production. Zahra (1996) argues that proactive firms are usually the pioneers in certain markets and they introduce products/ services that might be in existence but are presented differently or they introduce completely new products/services thus becoming the pioneers in those markets. This gives them the ability to set the standards as well as the power to dictate the rules of the competition. Secondly, on being asked whether the firm tried to be among the leading establishments in the market place to change procedures of production and other activities in order to lead the market, 45.4% strongly agreed and 39.3% agreed that their firm always tried to do so in order to always lead the market. Technological leadership is one of the benefits acquired by proactive firms. This brings about efficiency and effectiveness in the production process and all other activities in the firm and the overall benefit is a more superior product/services. It is then able to have a competitive advantage over its rivals (Venkatraman, 1989).

The respondents were also asked whether the firm

monitored the market and responds more rapidly to the changes than the competitors. 51.5% strongly agreed and 41.8% agreed that they monitored the market and responded more rapidly to the changes than their competitors. Proactive firms will keenly monitor the market and in case there are any changes, they quickly adopt it before the competitors do. This brings about changes in the business environment and such firms are usually among the first to benefit from those efforts (Kraus, 2011).

Finally, on being asked if the firm always adopted the new modes of payment in the industry, 45.4% agreed and 40.3% strongly agreed that the firm always did so. This was based on the fact that entrepreneurs are always on the lookout for any new innovations in form of products, processes, systems and anything else that indicates new opportunities worth of exploitation.

Their philosophy is to innovate or die. In the recent past, there has been major transformation in the business environment due to globalization. Thus,

organizations have intensified their search for new strategies that will give them a competitive advantage over its rivals (Popadiuk & Choo, 2007; Mehrdad et. al, 2011). The findings agreed with those of Coulthard (2007) that proactiveness is an important ingredient of entrepreneurship. Dean, Shook and Payne (2007) studied the past, present and the future of entrepreneurship research data, analytic trends and training and they found that firms with a proactive posture will always act entrepreneurially and are thus likely to post superior performance. This is supported by a study by Oni (2012) that showed that proactiveness positively affects firm performance. A proactive firm makes bold moves, initiates change, shapes the competitive landscape rather than just reacting on the moves of others, actively drives demand and markets and it is an industry leader not a follower, (Bateman et.al 1999). Such firms come up with proactive strategies such that when utilized maximally, brings about effectiveness and efficiency in all the organizations operations thus gaining a competitive advantage (Zahra, 1991).

Table 3: Proactiveness and Performance of Manufacturing Family-Owned Enterprises

	N=196						M	SD
	Sd %	D %	N %	A %	SA %			
Compared to other businesses in the same field we are usually among the first to enter into new markets and to introduce new products and new methods of production	3.6	9.7	12.2	38.3	36.2	3.9	1.1	
The firm always tries to be among the leading establishments in the market place to change procedures of production and other activities in order to lead the market		6.6	8.7	39.3	45.4	4.2	0.9	
The firm monitors the market and responds more rapidly to the changes than our competitors	0.5	1	5.1	41.8	51.5	4.4	0.7	
We ensure that the firm has adopted the new modes of payment in the industry	1	3.6	9.7	45.4	40.3	4.2	0.8	
Overall average						4.2	0.9	

*M-Mean SD – Standard deviation, %-Percentage Sd- Strongly disagree, D- Disagree, N-Neutral, A-Agree, SA-Strongly agree

Test for Significance of Proactiveness and Performance of Manufacturing Family-owned Enterprise

Null hypotheses: H0. Proactiveness has no significant influence on performance of manufacturing family-owned enterprises in Nairobi

County.

Alternative hypotheses: H_a . Proactiveness has significant influence on performance of manufacturing family-owned enterprises in Nairobi County.

Results in Table 4 showed that 78% of the variation in performance of manufacturing family-owned enterprise can be explained by proactiveness while the remaining percentage can be explained by other factors excluded in the model.

Table 4: Proactiveness and Performance of Manufacturing Family-Owned Enterprise Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.882a	0.78	0.78	0.47

a. Predictors: (Constant), Pro activeness

b. Predictors: (Constant), Proactiveness,

Analysis of variance in Table 5 showed that proactiveness has a significant influence on performance of manufacturing family-owned

enterprise since the p value was less than 0.05 ($F=680.028$, $p\text{ value} = 0.00$)

Table 5: Proactiveness and Performance of Manufacturing Family-Owned Enterprise ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	151.718	1	151.718	680.028	.000a
	Residual	43.282	194	0.223		
Total		195	195			

a. Predictors: (Constant), Proactiveness

b. Predictors: (Constant), Proactiveness,

There was a positive and significant relationship between proactiveness and performance of manufacturing family-owned enterprise among family-owned enterprises ($\beta = 0.88$, $p\text{ value} < 0.05$). Proactiveness as demonstrated by how enterprises identify and exploit new opportunities and the way new modes of payment are adopted had a significant and positive relationship with the performance of the family-owned businesses. This agreed with Venter and Callagan (2011) study of South African traders that found similar study when regression analysis was conducted on the data about the traders. Many of the firms were willing to grow, especially in the informal business sectors. Small businesses are in most cases planned to start small based on the principle of “think small and grow big” hence the high rate of proactiveness explains better the increase in performance of such ventures/enterprises.

Assessing how firms explore market opportunities through the projects initiated over time is a clear indication of the firms that are proactive. Using the same notion, Yong et al., (2008) observed that firms listed in Taiwan exhibit proactiveness that can be related positively to firm own performance thus confirming the current study findings. With an expounding fact from Dutch SMEs, Kraus et al., (2011) argues that irrespective of the environment under which firms continued to operate, proactiveness will in most cases if not all, yield positive returns, even in economic turbulent moments. Mentzer et al., (2008) echoes that SMEs proactiveness is another strong strategy that uniquely relies on how the marketing and sales resources, skills and processes take place.

Table 6: Proactiveness and Performance of Manufacturing Family-Owned Enterprise Regression Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients		
	B	Std. Error	Beta	t	Sig.
1 (Constant)	0.054	0.034		1.588	0.072
Pro activeness	0.88	0.03	0.88	26.08	0.00

CONCLUSION AND RECOMMENDATIONS

The management of manufacturing companies should be proactive so as to foster positive performance among family-owned enterprises. Those in charge must launch new initiatives, generate constructive changes and lead in a proactive fashion. There is need to discourage the management from retaining the status quo in the current business environment and avoidance of conformity in the current models of business management. The management should not only anticipate organizational changes but also create it, through adoption of creative management procedures associated with dynamic business environment. All family members should be participants and agents of change in a given business issue and the culture of sitting back,

waiting for the others to explore and give options and being expectant of better results due to changes imposed by others should be discouraged.

The study revealed that proactiveness positively affects a firm's performance. The researcher recommended that SMFEs should always be on the ground so that they are able to detect the changing trends in their markets and thus proactively satisfy their customer's needs. This will ensure that they will be among the first to benefit from the new ideas or innovations thus becoming the market or industry leaders. This can be achieved through visiting trade fairs, workshops, seminars and following the latest trends in their environment.

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