



**EFFECT OF ENTREPRENEURIAL ATTRIBUTES ON PERFORMANCE OF SMALL AND MEDIUM ENTERPRISES IN KENYA. A CASE OF NAIROBI COUNTY**

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**ABSTRACT**

*This study sought to establish whether entrepreneurial attributes influence the performance of SMEs in Kenya. The study adopted descriptive research design. The target population was 202 respondents. The firms having established structures in place and they were the fastest growing small medium sized firms in Kenya, it was easy to trace their performance for a given period of time. Stratified random sampling was used to select a sample of 133 Top high performers, small and medium firms which was drawn from the stratum. The study was limited to survey variables of resourcefulness, pro-activeness, risk taking and innovation. Further, questionnaires were administered as the research instrument to SMEs. In addition, pretesting of the questionnaires was done to determine validity and reliability. Further, Statistical Package for Social Science version 21 (SPSS) was used to analyse the data. Both qualitative and quantitative data was collected. Quantitative data was analysed by descriptive and inferential analysis. Further, descriptive design involved was measured of central tendency which included the mode, mean and median. Also, involved was measures of dispersion which was range, standard deviation and variance. Finally, inferential design was analysed through multiple regression analysis to determine the relationship between the selected variables. Basing on the study results of the ANOVA Test or F-test in obtaining results, a good response rate of 96% was experienced and the study found that there is positive relationship between resourcefulness, pro-activeness, risk taking and innovation and performance of SMEs. R squared was 0.682 implying that there was 68.2% variation of performance of SMEs firms, due to the changes of resourcefulness, proactiveness, risk taking and innovation. The remaining 31.8% implied that there were other factors that affect performance of SMEs which were not discussed in the study.*

**Key Words:** resourcefulness, pro-activeness, risk taking, innovation, SMEs

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## INTRODUCTION

Small and Medium Enterprises (SMEs) are increasingly seen as playing an important role in the economies of many countries (Economic survey, 2017). Thus, governments throughout the world focus on the development of the SME sector to promote economic growth (Finlayson, 2013). In Kenya, the Government has been reforming policies, building and developing the multi-sector market economy. United Nations Industrial Development Organisation (UNIDO) estimates that SMEs represent over 90 per cent of private businesses and contribute to more than 50 per cent of employment and of gross domestic product (GDP) in most African countries. The SME and informal sector in Kenya is estimated to be providing employment to 3,982,900 and 7,192,400 persons in the urban and rural areas respectively with an estimated 17million enterprises (UNDP, 2017). In terms of the sector's contribution to the GDP, the SME contributes 45% to the GDP. According to Lipinge (2011) small businesses in Africa face several constraints during their developmental phase, thus experiencing a failure rate of 85 per cent. Knowledge about entrepreneurial attributes and its impact on business performance is still lacking especially entrepreneurial attributes within the business (Idris, Wahab & Jaapar, 2015).

Mitchelmore and Rowley (2011), asserts that entrepreneurial competency concept has its foundation on both attributes and entrepreneurship. This maybe expounded more when identifying outstanding and publically visible figures such as Bill Gates and Steve Jobs as entrepreneurs who have become more successful in the business industry. Assessment tools and indicators for entrepreneurship education (2014), defines entrepreneurial attributes to cover both cognitive and non- cognitive skills required in the different phases of an entrepreneurial venture. A Number of constructs are used to capture these skills such as; risk taking, marshalling resources, creativity, self-confidence, long term involvement, persistence, problem solving, learning from failure,

taking initiative, seeking personal responsibility and decision making (Bird, 2011). Attributes are exhibited in individuals, who begin to transform and add value to organizations through organizing resources and exploiting of opportunities. Attributes are conceived as a baseline in launching and planning a business venture (Kottler & Armstrong, 2014).

In India, much has been written recently by both management thinkers and other observer about the uniquely Indian characteristics of successful business leaders operating in India. These characteristics include commitment to inclusive growth (Jayaram, Dixit & Motwani, 2014). Small and Medium enterprises contribute to 95% of industrial units, 45% of the industrial output and 40 % of India's exports. This sector employs 60 million people becoming the second largest employment generator in India after agriculture sector. More than 30 million SMES IN India contribute 10% to India's GDP and the sector is growing strongly at a growth rate of 8% per year. Of these 30 million SMEs, Karnataka host more than 3,080,000 units that are employing around 2.200,000 people (Jayaram, Dixit & Motwani, 2014).

SMEs in Africa suffer from weak financial performance and high failure rate. Sha and Jingsheng (2010) and Carey and Tanewski (2016), argue that judging by the poor performance of the informal sector, not much progress seems to have been achieved, despite government efforts to promote SMEs activity. Given the significant role of SMEs in the Nigerian economic development, the need for this sub-sector to catch up with the counterparts in the globalized world cannot be overemphasized. Entrepreneurial attributes are some of the internal challenges facing SMEs (Arham, 2014). The extent to which members of the organization contribute in harnessing resources equally on how well the leaders of the organization understand and adopt appropriate management style in performing their roles as managers and leaders (Gbandi & amissah, 2014).

In Kenya, SMEs contribute 45 percent of the Gross domestic Product (GDP) and employ 84 percent of

the labour force (Government of Kenya, 2014). The SMEs sector is very volatile and experiences a high degree of business closure and shrinkage. As a result, Government have been making numerous efforts to assist the development of the SMEs sector. The high mortality rate implies that SMEs are limited in their ability to create long term sustainable employment and may also be responsible for the greatest number of job and wealth losses. Despite the many challenges and difficulties of the SMEs, the sector has great potential for increased employment creation. Some studies carried out indicate that most SMEs fail due to lack of appropriate entrepreneurial competencies that steer the firms through hard times (Ochanda, 2014).

In Kenya classification of enterprises is primarily by the number of employees engaged by the firms. Micro-enterprises in the Kenyan context are those with 1-9 workers and annual turnover of Kshs.500, 000. According to Micro and Small Enterprise Act (2012), a small enterprise is a business that has sales of between Kshs.500, 000 - 5 million a year and has 10-49 workers. Medium enterprises employ 50-99 workers with an annual turnover of between Kshs.5 million -800 million, while large firms are firms with 100 workers or more. The classification of Small and Medium firms in Kenya is based on their business characteristics which include; their business outlook, talent policies, peer in terms of revenue growth, profit growth, returns to shareholders and cash generation, social responsibility and the role played by innovation in their operations. The classification also captures their contribution to job creation whilst bearing in mind that not all industries are labour intensive (KPMG, 2014).

Nairobi is the leading economic hub of the country and SMEs have played a crucial role in the economic growth of the county (Economic Survey, 2017). SMEs operating in different sectors earn billions of revenue for the county (UNDP, 2015). These SMEs have therefore lowered the unemployment levels in the city (Muthoka, 2012). The Government through the Youth enterprise

fund has enabled many youths to start and own businesses. The Economic Survey (2017), indicates that developing countries with large informal or micro enterprise sectors, SMEs constitute the middle of the size range, a fact that explains much of their strategic importance.

### **Statement of the Problem**

The informal sector is estimated to constitute 98% of business in Kenya, contributing the largest sector in the economy employing of up to 83 % of the Kenya's workforce and contributing up to 45% of the country's Gross Domestic Product (GDP) (Economy survey, 2017). However, it is also a sector that faces challenges day in day out. According to the Kenya National Bureau of statistics (KNBS) survey, (2016), approximately 400,000 Small and Medium enterprises (SMEs) did not get to celebrate their second anniversary in the last five years raising concern over sustainability of this critical sector.

In the KNBS report, a total of 2.2 million SMEs were closed in the last five years, 2016 inclusive. This represents a significant of 46 percent of the SMEs surveyed that died in their first year of establishment. Research has claimed that the success or failure of an organization solely rest on the attributes of an entrepreneur (Yildiz, Basturk & Boz, 2014). The performance of SMEs in Kenya is still challenge, despite various financial assistance from government and NGOs and other non-financial incentives and facilities, favourable government policies and now MSE Act of 2012. According to Kenya Session Paper No.2 of 2005, three out of five fail within first 3 years of operations. The high rate of SMEs failure in the country shows poor performance and lack of ability to remain competitive.

According to Robertson (2012), entrepreneurial attributes provide a clear and compelling sense of business direction in terms of future goals. Crossan and Apaydin (2011), emphasized on the importance of ability to innovate which is the development of new ways of working and product improvement for better performance. According to

Gerli, Gubitta, and Tognazzo (2011), entrepreneurial competencies determine both personal and business performances. Given the high failure rate of SMEs in Kenya, as revealed in the statistics, there is perhaps a need to establish the entrepreneurial attributes being exemplified by enterprises and link it to performance. This study therefore sought to establish the effect of entrepreneurial attributes on the performance of Small and Medium Enterprises in Kenya.

### **Study Objectives**

The study sought to establish the effect of entrepreneurial attributes on performance of Small and Medium Enterprises in Kenya. The specific objectives were:-

- To assess the effect of resourcefulness on the performance of Small and Medium enterprises in Kenya.
- To establish the effect of pro-activeness on the performance of Small and Medium enterprises in Kenya.
- To determine the effect of risk-taking on the performance of Small and Medium enterprises in Kenya.
- To establish the effect of innovation on performance of Small and Medium enterprises in Kenya

## **LITERATURE REVIEW**

### **Theoretical Literature Review**

#### **Resource- Based Entrepreneurship Theory**

The Resource Dependency theory was developed in the 1970s by Davis and Cobb. The theory is based on the premise that the organization acquires power when they possess resources that are valued by other organizations. The resource dependency theory draws attention to the firm's internal environment as a driver for competitive advantage and emphasizes the resources that firms have developed to compete in the environment.

Researchers subscribing to the resource dependency theory argue that only strategically important and useful resources and competencies should be viewed as sources of competitive

advantage (Hessels & Terjesen, 2010). Previously scholars such as Bryant and Davis (2012) have used terms such as core competences, distinctive competencies and strategic assets to indicate the strategic importance of resources and competencies, provide a firm with a potential competitive edge. Strategic assets are 'the set of difficult to trade and imitate, scarce, appropriable and specialized resources and capabilities that bestow the firm's competitive advantage. Distinctive competencies refer to all the things that make the business a success in the market place.

### **The Theory of Pro-Activeness**

Pro-Activeness is related to initiative and first-mover advantages and to 'taking initiative by anticipating and pursuing new opportunities (Lumpkin & Dess, 2011). This is the acting in anticipation of future problem, needs, or changes. Lumpkin and Dess (2011), argue that proactive may be crucial to an entrepreneurial attribute because it suggests a forward-looking perspective that is accompanied by 'innovative'. Entrepreneurial activity in terms of pro-active is considered according to the range of conception and the implications associated to it outlined.

Pro-activeness is associated with performance, and not following, as a proactive enterprise 'has the will and foresight to seize new opportunities even if it is not always the first to do so' (Karlan & Champion, 2012). However, being a first entrant into a market is not necessarily a guarantee of a durable competitive pioneer advantage, according to Cahill (2012), but is associated with mixed results. According to the conception of Cahill (2012), increased earnings might not necessarily be predictably associated with higher levels of perceptiveness.

### **Frank Knight Bearing Theory**

Knight (1921) introduced the dimension of risk taking as a central characteristic of entrepreneurship. The author made a clear distinction between uncertainty and risk and argued that due to this uncertainty perfect

competition will not eliminate all the profits. According to Knight (1921) it will appear that a measurable uncertainty or 'risk' is so different from an immeasurable one that if it is not an uncertainty at all. Therefore there should be a differentiation between 'risk and 'uncertainty' (Kotler & Armstrong, 2014). The entrepreneur as an economic actor has according to Kotler & Armstrong (2014), the function to bear this 'true' uncertainty. Cooper (2012) asserts that the entrepreneurial ability of an individual is defined by how well an individual is able to deal with this 'true' uncertainty and that the entrepreneurial success is determined by it.

### Entrepreneurship innovation Theory

This theory is propounded by Ebner (2011) who viewed entrepreneurship as the forth factor for production, a catalyst of economic growth and revitalization. He also indicated that an entrepreneur is the one who is innovative, creative and has a foresight. Innovation and enterprise are concerned mainly with producing new combinations (Ebner, 2011). It is the entrepreneur who breaks the cycle of routine, swimming against the stream to produce new products and services, new techniques of production. Discover new markets, explore new sources of raw materials and rearrange markets (Davidson, Delmar & Wiklund, 2012).

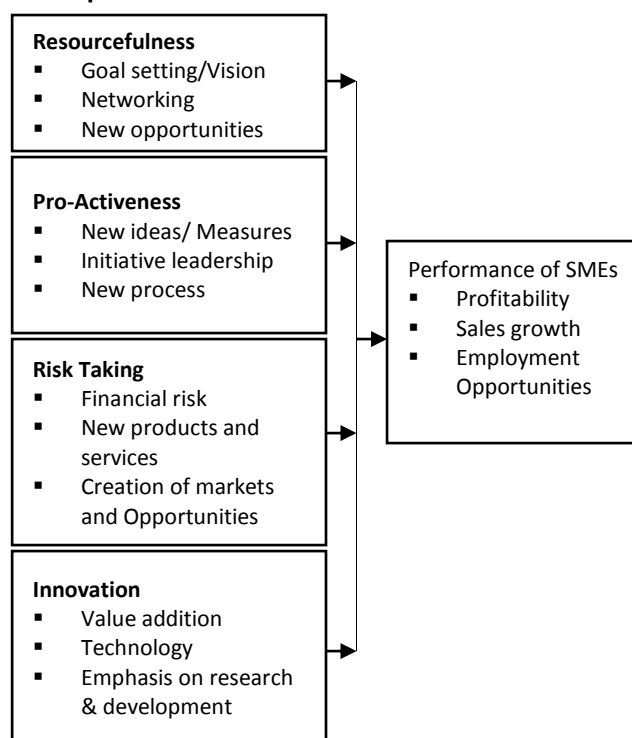
### Enterprise Growth Theory

The theory was proposed by Greiner in the year 1990. According to the theory, an entrepreneurial venture is successful if it is growing. Growth has various connotations. It can be defined in terms of revenue generation, value addition and expansion in terms of volume of business. It can also be measured in terms of qualitative features like market position, quality of product and good will of the customers (Kruger & Kumar, 2011).

There are many factors like characteristics of the entrepreneur, access to resources like finances and manpower which affect the growth of the enterprise and differentiate it from a non-growing

enterprise. Gilbert *et al.* (2011) suggested how and where questions are important in the context of the growth of the enterprise. It has been highlighted that growth is a function of the decisions an entrepreneur makes, like how to grow internally or externally and where to grow in domestic market or international market. The theory is relevant to the study as it explains that various factors such as characteristics of the entrepreneur, access to resources like finance, and manpower affect the performance of the enterprise and differentiate it from a non-growing enterprise.

### Conceptual Framework



Independent Variables      Dependent variable

**Figure 1: Conceptual Framework**

Source: Author (2018)

### Empirical Literature Review

#### Resourcefulness

In a study on entrepreneurial attribute as the potential to create value, Levin (2013) established that unpacking the concept of entrepreneurial attribute to include three categories of essential ingredients, provides a fruitful framework for applying Kirzner approach to entrepreneurship bridging the entrepreneur as someone alert to opportunities to create value, to real world

situations requiring the entrepreneur's evaluation of resources inputs and prospective outputs, and his perception of what actions are necessary and need to be coordinated, in an environment of sufficient mutual understanding.

In Sweden, Berglund (2014) carried out a study on entrepreneurial attribute existing and created in Sweden mobile internet industry and established that the entrepreneurial attributes have been discovered and deemed worthwhile, the entrepreneur undertakes a series of exploitation activities. These include raising financial and other resources, protecting information about the opportunity from competitors, and designing appropriate organizations and business models (Berglund, 2014). The world is unpredictable with the respect to technology, markets and competitors. Therefore the entrepreneur will often craft strategies to deal with these uncertainties by introducing slack, identifying niche markets and forming strategic alliances. Careful planning is thus vital for exploitation of an opportunity, especially under conditions of high uncertainty (Cowling & Liu, 2013). Crafting a solid business plan helps the venture by evaluating conjectures about future events, focusing attention on bottlenecks and additional resource requirements, clarifying goal and objectives, and facilitating communication and increasing legitimacy in interaction with external stakeholders (Cowling & Liu, 2013).

### **Pro-Activeness**

Lim and Xavier (2015), researched on pro-active of the entrepreneurial attribute as a management function: among technology entrepreneurs in Malaysia. Descriptive statistics were used in the study. It was noted that on the overall, the contributions by entrepreneurial attributes as a management function was considered significant on most aspects of strategy development. However findings revealed that the role of the entrepreneurial attribute as a management function is an aspects of strategy development such as identification of customer requirement and performance.

Makombe (2014) researched on an analysis of the entrepreneurial attribute on pro-activity strategies in use in the Zimbabwe poultry value chain. Descriptive statistics was used in this study. one factor that statistically significantly contributes towards environmental pro-activity is the amount of focus placed on the management of certain environmental aspects. The presence of other operational systems and the presence of a sufficient environmental budget also influence the adoption of a particular pro-activity strategy. The most influencing stakeholders in pushing for environmental action in the poultry industry are the regulatory stakeholders and shareholders. These can push for better environmental practices within the industry.

### **Risk-Taking**

Peng, (2015) researched on risk taking and Firm performance. Descriptive statistics was used in the analysis of the study data. Domestically-owned entrepreneurial private firms are more risk avoidant than domestically-owned affiliated private firms. Foreign -owned affiliates private firms are much more risk taking than domestically-owned private firms. However leverage is not strongly associated with the less corporate risk taking, but it adversely influences corporate investment significantly. Risk taking has statistically and economically significant effect on corporate performance and corporate earnings, and during a credit crisis, risk taking is also positively related to corporate earnings and thus higher risk taking firms have smaller cash flow shortfalls.

### **Innovation**

A study by Rosenbusch, Brinckmann, and Bausen (2011) used meta-analysis to examine the relationship of innovativeness and performance in small business in Canada. The results showed that the relationship of innovativeness and small business performance is highly dependent on the particular situation. Under conditions of resources scarcity, small companies benefit from the innovation. They found an association of small

business innovation and performance is moderated by factors such as age of the firm, type of innovation, and the influence of cultural content.

### **Performance of SMEs**

A study by Kanyari and Namusonge (2011) sought to determine the determinants of SMEs performance. Using a descriptive research design, it was established that the major determinants of performance among other factors, skills of the entrepreneur, training, and leadership which can be shown by the management. According to the findings 71% of the respondents who had received entrepreneurship training reported that they were now able to carry out daily book keeping of their business transactions. The findings also revealed that managerial skills and leadership positively affects performance.

Another study by Stuetzer, (2014) in assessing the relentless pursuit of opportunities, all entrepreneurial activities originate in the creative acts of individuals. This places significant importance on the individuals within an entrepreneurial firm. Entrepreneurial organization need individuals who are alert to opportunities. Individuals are more susceptible to identify opportunities through opportunity recognition capability (ORC), defined and outlined as individual prior knowledge of industries, markets, or customers (Stuetzer, 2014). In reviewing personal risk, studies by Singapore Government (2012) prove that the most significant risk among small businesses involves human factor. High degree of employee turnover and shortage of know-how experts both results in wastage of manpower and additional cost of training. In a long term, human factor will lower the productivity and affect the brand image of small business as an employer.

### **METHODOLOGY**

The study employed a descriptive research design. A descriptive research design is the systematic empirical investigation of observable phenomena via statistical, mathematical or computational

techniques (Lisa, 2011). The target population is the total number of subjects targeted by the study (Kasomo, 2014). The unit of analysis of this study comprised of 202 Manufacturing SMEs in Nairobi County. While the unit of observation were the Business Owners of the manufacturing firms in Nairobi County. The study used stratified random sampling technique in choosing the sample size from the target population. Since the study aimed at extracting raw (original) data directly from the study population, primary data collection approach was effective. Primary data was collected using structured and unstructured questionnaires. The data collected was coded and entered in the computer using SPSS and MS excel.

### **RESULTS**

#### **Effect of Resourcefulness on SMEs Performance**

The researcher asked the respondents to indicate the extent to which they agree with the listed statements about the effect of resourcefulness in performance of SMEs in Nairobi County, Kenya. According to the findings the respondents agreed that the business owners gave managers more of a say in how they did their job as shown by a mean of 3.688 and standard deviation of 0.737, the business owners exploited new opportunities in the external environment as shown by a mean of 3.883 and standard deviation of 0.855, The business owners communicated business vision to enable the firm meet higher goals as shown by a mean of 3.922 and standard deviation of 0.848.

According to the findings the respondents agreed that business owners created enterprise vision and enable it meet its objective as shown by a mean of 3.961 and standard deviation of 0.894, business owner's network with the external environment to learn the new competitive environment as shown by a mean of 3.734 and standard deviation of 0.829. The findings are related to Christensen, Germain and Birou (2012) who established that resourcefulness enhances performance. From the results the mean scores were above average.



**Table 1: Effect of resourcefulness on SMEs performance**

Statements	Mean	Std. Deviation
The business owners give managers more of a say on how they do their job	3.688	0.737
The business owners exploit new opportunities in the external environment	3.883	0.855
The business owners communicate business vision to enable the firm meet higher goals	3.922	0.848
Business owners networks with the external environment to learn the new competitive environment	3.734	0.829

**Effect of Pro-activeness on SMEs Performance**

The study sought to indicate the extent to which the respondents agree with the list of statements about the effect of pro-activeness on the performance of SMEs in Nairobi County. According to the findings the respondents agreed that the business owner anticipates future demand increases due to value addition as shown by a mean of 3.805 and standard deviation of 0.795, There was a forward looking perspective of an entrepreneur as shown by a mean of 3.844 and standard deviation of 0.828, The business owner evaluates new opportunities, monitors market trends to increase market base of the business as shown by a mean of 4.070 and standard deviation of 0.945.

According to the findings the respondents agreed that the business owner evaluates new

opportunities, monitored market trends to increase market base of the business as shown by a mean of 3.820 and standard deviation of 0.837, the business owner is a head of the rest in finding new market opportunities as shown by a mean of 3.914 and standard deviation of 0.866, the business owner initiate actions that are taken up by competitors as shown by a mean of 3.805 and standard deviation of 0.795. The findings concur with the findings of Karungani and Ochiri (2017) who noted that the pro-activeness is effective in enhancing performance of the firms.

**Table 2: Effect of pro-activeness on SMEs performance**

Statements	Mean	Std. Deviation
The business anticipates future demand increases due to value addition	3.805	0.795
There is a forward looking perspective of an entrepreneur	3.844	0.828
The business owner evaluates new opportunities, monitors market trends to increase market base of the business	4.070	0.945
Business owners are a head of the rest in finding new market opportunities	3.820	0.837
The business owner initiate actions that are taken up by competitors	3.914	0.866

**Effect of Risk taking on SMEs Performance**

The research sought to determine the extent to which they agree with the listed statements about the effect of risk taking on SMEs performance in Nairobi County. From the findings the respondents

agreed that the entrepreneur does not practice 'wait and see' tendency to minimize risks as shown by a mean of 3.820 and standard deviation of 0.838, The entrepreneur employs a brave and open minded approach to achieve business goals as

shown by a mean of 3.859 and standard deviation of 0.843 The business borrows heavily to invest in new products, technologies, markets and services as shown by a mean of 3.922 and standard deviation of 0.845.

The firm invests in high risks projects, unexplored technologies and take new products to the market as shown by a mean of 3.781 and standard

deviation of 0.770 and the entrepreneur has a function to bear a true uncertainty as shown by a mean of 3.953 and standard deviation of 0.891. The findings are related to the findings of Bosibori (2012) who revealed that there is a positive relationship between performance and the risk taking elements.

**Table 3: Effect of Risk taking on SMEs performance**

Statements	Mean	Std. Deviation
The entrepreneur does not practice 'wait and see' tendency to minimize risks	3.820	0.838
The entrepreneur employs a brave and open-minded approach to achieve business goals	3.859	0.843
The business borrows heavily to invest in new products, technologies, markets and services	3.922	0.845
The firm invests in high risks projects, unexplored technologies and take new products to the market	3.781	0.770
The entrepreneur have a function to bear a true uncertainty	3.953	0.891

**Effect of Innovation on SMEs Performance**

The research sought to determine from the respondents the extent to which they agree with the listed statements about the effect of innovation on the performance of SMEs in Nairobi County. From the findings the respondents agreed that the business owners have invested adequately in creation and market of new products as shown by a mean of 3.820 and standard deviation of 0.787, The business had invested heavily in research and development activities as shown by a mean of 3.703 and standard deviation of 0.721, Business

owners have been innovative in identifying the new markets as shown by a mean of 3.797 and standard deviation of 0.763. The business owners have invested adequately in new technology in order to improve production as shown by a mean of 3.563 and standard deviation of 0.675 and The business owners have partnered with research institutions in order to improve on production methods as shown by a mean of 3.695 and standard deviation of 0.756. The findings concur with Masheti (2016) who established that innovation is effective in enhancing performance of a firm.

**Table 4: Effect of Innovation on SMEs performance**

Statements	Mean	Std. Deviation
The business owners have invested adequately in creation and market of new products	3.820	0.787
The business owners have invested heavily in research and development activities	3.703	0.721
The business owners have been innovative in identifying the new markets	3.797	0.763
In business owners have invested adequately in new technology in order to improve production	3.563	0.675

The business owners have partnered with research institutions in order to improve on production methods	3.695	0.756
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### Performance of SMEs

The respondents were asked to rate statement on performance of SMEs on a 5- point Likert scale. The respondents were asked to indicate whether they achieved any of the following effects in their firms.

The findings showed that the respondents agreed that their business had experience an increase in employment opportunities since its inception, an increase in sales growth and the business has an increase in the market share since its inception.

**Table 5: Performance of SMEs**

Statements	Mean	Std. Deviation
The business has experienced an increase in the market share since inception	3.65	1.13
The business has experience an increase in revenue since its inception	3.66	1.18
The business has increase in branch expansion coverage opening up many branches country wide	3.56	1.03
In business has continued to experience a reliable cash flow	3.85	0.80
The business has experience high employee retention	3.79	0.94

The implication of the findings indicate the overall, the business experienced positive performance effects. The entrepreneurial attributes have positive impact on the profitability, sales growth and employment opportunities.

performance of SMEs as shown by  $r=.810$ , statistically significant  $p=0.001<0.01$ ; there was a positive correlation between pro-activeness support and performance of SMEs as shown by  $r = .798$ , statistically significant  $P=0.002$ ; there was a positive correlation between risk taking and performance of SMEs firms as shown by  $r =.802$ , statistically significant  $P=0.001$ ; there was a positive correlation innovation and performance of SMEs firms as shown by  $r=.800$ , statistically significant  $P =0.001$ .

### Inferential Analysis Correlation Analysis

The study used correlation to ascertain the association between independent variables and dependent variables. From the descriptive findings, it was observed that the mean scores were above average. This implied that resourcefulness, pro-activeness, risk taking and innovation had influence on performance of SMEs firms in Nairobi County. The results revealed that there was a strong positive correlation between resourcefulness and

This implied that resourcefulness, pro-activeness, risk taking, innovation significantly influence the performance of SMEs. The findings concur with Agus and Noor (2013) who established that entrepreneurial attributes influences performance of SMEs in Nairobi Kenya.

**Table 6: Correlation Analysis**

		Performance of SMEs	Resourcefulness	Pro-activeness	Risk-taking	Innovation
Performance of SMEs	Pearson correlation Sig (2-tailed)	1 .000	.000	.000	.000	.000

Resourcefulness	Pearson correlation Sig (2-tailed)	.810** 0.001	1			
Pro-activeness	Pearson correlation Sig (2-tailed)	.798** 0.001	.356 .001	1 .001		
Risk-taking	Pearson correlation Sig (2-tailed)	.802** 0.001	.512 0.001	.534 .001	1 .001	
Innovation	Pearson correlation Sig (2-tailed)	.800** 0.001	.288 0.001	.434 0.001	.274 0.001	1
	<b>N</b>	<b>128</b>	<b>128</b>	<b>128</b>	<b>128</b>	<b>128</b>

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

### Model Summary

The study analyzed the variations of performance of SMEs firms due to the changes of resourcefulness, pro-activeness, risk taking and innovation. R squared was 0.682 implying that there was 68.2% variation of performance of SMEs firms, due to the changes of resourcefulness , pro-activeness, risk taking and innovation. The remaining 31.8% implied that there were other factors in relation to

performance of SMEs which were not discussed in the study. R is the correlation coefficient which showed the relationship between the study variables. From the findings, the study found out that there was a strong positive relationship between the study variables as shown by 0.682. The findings concur with Munster and Vestin (2012) who established that Entrepreneurial attributes enables the firms to perform better.

**Table 7: Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.826 <sup>a</sup>	0.682	0.657	0.009

### Analysis of Variance

The analysis of variance ANOVA is used to determine whether the data used in the study is significant. From the ANOVA statistics, the processed data (population parameters) had a significance level of 0.001. This showed that the data was ideal for making conclusions on the population's parameter as the value of significance

(p-value) was less than 5%. The F calculated was greater than F critical (59.501 >2.445). This showed that resourcefulness, pro-activeness, risk taking and innovation significantly affected the performance of SMEs. The findings concurred with Kader and Akter (2014) who established that entrepreneurial attributes enhance effective performance of SMEs.

**Table 8: Analysis of Variance**

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	18.986	4	4.747	59.501	.001 <sup>b</sup>
	Residual	9.812	129	0.080		
	Total	28.798	132			

### Multiple Regression Analysis

Regression analysis was used to determine the extent of the effect of entrepreneurial attributes on performance of SMEs in Nairobi, Kenya. The study ran the procedure of obtaining the coefficients and the results were as shown on the table below. According to Stewart (2015), regression analysis is a statistics process of estimating the relationship between variables. Regression analysis helps in generating equation that describes the statistics relationship between one or more predictor

variables and the response variable: Multiple regression analysis was to determine the effect of entrepreneurial attributes on performance of SMEs in Nairobi County.

The regression equation was;

$$Y = 1.114 + 0.652 X_1 + 0.626 X_2 + 0.538 X_3 + 0.447 X_4$$

The equation above revealed that holding resourcefulness, pro-activeness, risk taking and innovation, constant, the variables would significantly influence performance of SMEs as shown by constant = 1.114.

**Table 9: Coefficients of Determination**

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
1 (Constant)	1.114	.215		.181	.005
Resourcefulness	.652	.101	.567	6.455	.000
Pro activeness	.626	.108	.549	5.796	.002
Risk taking	.538	.092	.412	5.848	.002
Innovation	.447	.098	.384	4.561	.010

### Resourcefulness

Resourcefulness is statistically significant to performance of SMEs firms as shown by ( $\beta=.652$ ,  $P=0.000$ ). This shows that resourcefulness had significant positive relationship with performance of SMEs. This implied that a unit increase in resourcefulness will result to increase in performance of SMEs. The findings concur with Smaros *et al.*, (2013) who established that resourcefulness enables the firms to perform better.

### Risk Taking

Risk taking is statistically significant to performance of SMEs firms as shown by ( $\beta=.538$ ,  $P=0.002$ ). This showed that Risk taking had significant positive relationship with performance of SMEs firms. This implied that a unit increase in Risk taking will result to increase in performance of SMEs firms. The findings concur with Shiati *et al.*, (2012) who established that Risk taking enables performance of firms.

### Pro-activeness

Pro-activeness is statistically significant to performance of SMEs firms as shown by ( $\beta=.626$ ,  $P=0.002$ ). This indicated that Pro-activeness support had significant positive relationship with performance of SMEs firms. This implies that a unit increase in Pro-activeness will result to increase in performance of SMEs firms. The findings concur with Ryan *et al.*, (2013) who established that Pro-activeness can be used improve performance of firms.

### Innovation

Innovation is statistically significant to performance of SMEs firms as shown by ( $\beta=.447$ ,  $P=0.010$ ). This implied that Innovation had significant positive relationship with performance of firms. This showed that a unit increase in Innovation will result to increase in performance of SMEs firms. The findings concurred with Sharma (2013) who established that Innovation was an enabler of improving the performance of firms.

## CONCLUSIONS

The study concluded that small and medium enterprises in Kenya agree to the fact that resourcefulness is essential and one of the key factors to the performance of SMEs, business owners exploits new opportunities in the external environment, they communicate business vision to enable the firm meet higher goals, they create enterprise vision and enable the firm meet its objective and networks with the external environment learning new competitive environment. This study concludes that resourcefulness is positively related to performance of SMEs in Nairobi.

Pro-activeness is key for the growth of an enterprise. This study concluded that pro-activeness is positively related to performance of SMEs, The business owners evaluates new opportunities, monitors market trends to increase market base of the business and business owners are a head of the rest in finding new market opportunities.

This study concluded that risk taking is positively related to performance of SMEs in Nairobi, the firm invests in high risks projects, unexplored technologies and take new products to the market, and the business borrows heavily to invest in new products, technologies, markets and services, the business has invested adequately in creation of new market and new products.

This study concluded that innovation is positively related to performance of SMEs in Nairobi County. The business has invested adequately in new technology in order to improve production. The study also established that emphasis on research and development, introduction of new products and changes to the current products as measures of innovation were influencing the performance of SMEs in Kenya.

## RECOMMENDATIONS

The study recommended that factors that lead to resourcefulness variability need to be looked into with a view of managing the variability as this has

an effect on the overall performance. There is need for SMEs to establish the resources that fits the enterprise, tailor it to the enterprise needs and other structures that are dynamic to the changing needs of the firms over its lifespan. Moreover the firms should evaluate and modify their governance structures regularly to adopt to the changing needs and business dynamics.

The study recommended that pro-activeness elements and indicators in the organization should be looked at in an effective manner to enhance performance. The business owners should evaluate new opportunities, monitors market trends to increase market base of the business should be a head of the rest in finding new market opportunities.

The SMEs firm's owners should train in curbing and mitigating risk that may arise in the firms. There is need for firms to develop and implement risk in business so as to be able to effectively cope with business changes as they are easily affected even by the smallest changes in the market place such as changes in customers, new moves by competitors, or fluctuations in the overall business environment can impact their cash flow and how positive risk taking can result business performance.

There is need for the firms to learn more and enhance on innovation by monitoring and reviewing enterprise innovation needs through consistent monitoring and evaluation on regular and timely basis in order to identify any variances and inefficiencies so that corrective action can be taken to improve the performance of SMEs.

## Areas for Further Research

The study was a milestone for further research in the field of performance of SMEs firms in Africa and particularly in Kenya. The study focused on establishing the effects of entrepreneurial attributes on performance of SMEs in Nairobi County, Kenya as indicated by an  $R^2$  value of 68.2% and should therefore be expanded further in future in order to include other entrepreneurial attributes that may as well have a positive significance to performance of SMEs to cater for the remaining

31.8%. Existing literature indicated that there is need to undertake similar research in other sectors in Kenya and other countries in order to establish

whether the explored practices herein can be generalized to affect performance in the SMEs.

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