



**FACTORS INFLUENCING THE PERFORMANCE OF GROWTH ORIENTED SMALL AND MEDIUM ENTERPRISES IN
THIKA SUB-COUNTY**

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THIKA SUB-COUNTY**

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ABSTRACT

SMEs play a key role in Job creations, technology and innovation growth, and economic growth and development. Despite the significant role they play, their growth to maturity is not fully guarantee and is likely to die due to poor performance and lack of competitiveness. Out of every 5 SMEs that are started, 3 die within the first two years. Such death or retardation result to loss of livelihood, retarded economic development, and failure to develop innovation and technology in a country. The purpose of the study was to investigate the factors which influence the performance of growth oriented SMEs in Thika Subcounty of Kiambu County. This study was guided by two specific objectives: Investigate the influence of innovation on the performance of growth Oriented Small and Medium Enterprises and to find out the influence of entrepreneurial orientation on the Performance of growth Oriented Small and Medium Enterprises on the performance of growth Oriented Small and Medium Enterprises in Thika Sub County. The study used descriptive survey design to investigate both the dependent and independent variables. The study targeted a population of 300 growth oriented SMEs which are over 3 years in operation and had been licensed by the Thika Sub county of Kiambu County. The data was collected using self-administered questionnaires and document analysis. The regression analysis done indicated that internationalization had a positive influence on the performance of Growth oriented SMEs and that innovation had a significant positive influence on the performance of SMES in Thika Sub County. The study found out that Innovation influenced performance of growth oriented most. The study recommended that , entrepreneurs keep on scanning the environment to establish unmet need by introducing new products into the market, cutting on their production cost by establishing cheaper but quality raw materials, introduction of new production methods, which are cost effective, but producing quality and competitive product and finally identification of new unmet market through market segmentation and Introduction of the above named aspects of innovation would lead to increased performance by the growth oriented SMEs. For the growth oriented SMEs to perform optimally they needed to be proactive in their business. The researcher recommended that the research on the above named factors to be conducted in other Counties with an aim of providing adequate data for generalization.

Key Words: Innovation, entrepreneurial Orientation, Performance, SMEs

INTRODUCTION

Research into small and medium-sized enterprises (SMEs) has grown during the last decade due to the fundamental contribution of this business sector to the overall performance of the economic stability and development of a nation, (Maria, Pilar and Tejada, (2015);Fritsch and Storey, 2014 and Ayyagari *et al.* 2011), job creation (Ayyagari, Demirguç-Kunt, & Maksimovic,2011; Satish and Purnima, 2015). This fundamental contribution of the SMEs on the overall Performance of the economy constitutes a crucial motive for researchers to investigate the key success factors behind their performance (Wiklund *et al.*, 2011).

These enterprises have affected world economy through four channels, i.e. entrepreneurship, Innovation and change in technology, dynamism of industry, and eventually, creating job opportunities and increasing income (Fereshteh and Nasibeh, 2015).However, no country can guarantee survival of any particular SMEs; individual SMEs must fight to remain competitive. In Kenya, the SMEs play an important role in employment and wealth creation, income distribution, accumulation of technological capabilities and spreading the available resources among a large number of efficient and dynamic small and medium size enterprises (IDRC, 1993).

Currently there is no accepted worldwide definition of SMEs (Omar, Arokiasamy & Ismail, 2009; Hooi, 2006).According to Garikai (2011) SMEs are defined by number of workers employed, capital employed and sales turnover. Internationally, the most commonly used method to define SMEs is the number of employees, (Zheng, O'Neill, & Morrison, 2009). In Kenya, a small and medium scale enterprise is defined as a firm employing more than five employees but with a maximum of 50 employees, (Mensah, 2004).With such noTable contribution of the SMEs into any country, their performance and survival is therefore critical. However due to globalization,

small and Medium enterprises face increasingly pressure from competition from across the world.

When compounded with the changing sophistication of customers worldwide it becomes apparent that SMEs face increasingly difficult in maintaining and improving business performance (Kraus, Raftering, Hughes and Hosman, 2010). Angudwita and Mustafid, (2013) observed that there is increased number of SMEs caused competition and this has resulted to SMEs experiencing more severe challenges to be able to maintain their existence and expand its business. Hence, the SMEs performance amidst this challenging competition environment is key to guarantee their survival. KNBS (2007) observed that majority of SMEs that are started do not live to see their second anniversary and majority die at infant stage.

However, a few small businesses are able to overcome these challenges, survive and achieve a remarkable growth rate, (Maria *et al* 2015). Poor performance of these SMEs would eventually cause death or complete closure of the SMES. According to KNBS (2007), three out of every five SMEs started die within the first years of existence, while Moya (2009) observes that more than half of new businesses will disappear in the first five years due to poor practices, poor management and shortage of funds. In Africa, SMEs could play a critical role in stimulating economic development and alleviating poverty (Beyene, 2002). Small and medium-sized enterprises (SMEs) are the backbone of most countries in Africa, and Kenya is no exception. Previous researchers have exploited wide range of growth measures that have been used as separate measures or as combinations. Measures have included changes in turn over, assets, number of employees, market share, market value of the firm, physical output and different measures of profitability (Dobbs and Hamilton, 2007).

There are various studies, which have been undertaken to investigate factors influencing the performance of SMES. A study done by Mwangi, (2013) found out that Lack of capital, technical skills, tendering process ,social culture, and personality, franchising government policy have been identified as factors that influence the performance of SMEs Enterprise. Age and strategic management process have been identified to Influence performance (Gathenya, 2012).

Literature has also identified innovation (Minna and Juhani, 2014), EO (Pillars and Tejada, 2015), internationalization (Fernando and Maria, 2011) and debt financing (Yazdanfar and Ohma 2015) as factors which influence the performance of SMEs. Given that the above factors can influence the performance of SMEs, little studies have been carried out on whether the above named factors can influence the performance of growth oriented SMEs in Thika Sub County. Consequently this study strived to establish the influence of the EO the performance of growth oriented Small and medium Enterprises in Thika Sub County in Kenya.

Statement of The Problem

The role of SMEs in the economy development cannot be gain said. Satish and Purnima, 2015) confirm that SMEs play a key role in Job creations, technology and innovation growth, and economic growth and development. Despite the significant role they play, their growth to maturity is not fully guaranteed. According to KNBS (2007), three out of every five SMEs started die within the first years of existence while Moya (2009) observes that more than half of new businesses will disappear in the first five years due to poor practices, poor management and shortage of funds.

On the other hand Out of the total SMEs that start up each year, only 17.5% can survive two years later (Pavon, 2010), the rest close before that time, which shows poor performance and

lack of ability to remain competitive . Such death or retardation would result to loss livelihood, retarded economic development, and failure to develop innovation and technology in a country. Further, the Sustainable Development goal has identified the small medium Enterprises as the key driver to the realization of the vision 2030 (UNDP, 2015).

SMEs that institutionalize entrepreneurial orientation, innovation, entrepreneurial finance and internationalization perform better in terms of sales, profitability and expansion than those that have not institutionalized the same. There are various studies done on the factors, which influence the performance of SMES. The study seeks to investigate entrepreneurial orientation, innovation, debt finance and internationalization and their role on the performance of the growth oriented SMEs.

Different studies on factors influencing the performance of SMEs have been undertaken. María, Pillar and Tejada, (2015), studied the role of EO on performance of SMES, Minna and Juhani (2014) did a study on the relationship between innovation capability and performance of SMEs. Fernando and Maria (2011) studied whether product, International diversification influence SMEs' performance, Finally Yazdanfar, and Ohman (2015) did a study to examine the relationship between debt level and performance among small and medium-sized enterprises (SMEs). The above named studies concluded that the mentioned factors influence the performance of SMEs. However, there exist little empirical studies in Thika Sub County on the influence of the identified factors on the performance of SMEs. Consequently, this study strived to fill the above-identified gap by establishing whether EO, innovation, debt finance and internationalization have any influence on the performance of growth oriented small and Medium Enterprises in Thika Sub County in Kenya.

Study Objectives

The general objective of this study was to investigate the factors that influence the performance of Growth Oriented Small and Medium Enterprises in Kenya (Case study of Thika Sub County). The specific objectives were:-

- To investigate the influence of innovation on the performance of growth Oriented Small and Medium Enterprises in Thika Sub County.
- To find out the influence of entrepreneurial orientation on the Performance of growth Oriented Small and Medium Enterprises in Thika Sub County.

LITERATURE REVIEW

Theoretical Review

Schumpeterian Theory (Schumpeter 1934)

Schumpeter (1934) cited in Aloulou and Fayolle (2005) highlighted that entrepreneurship is about combining resources in new ways. These ways are such as the introduction of new products with higher quality, with new methods of production breakthroughs in new market, and conquests of new sources of supply of raw materials and reorganization of a new sector, that disrupts the market equilibrium in economic systems. Schumpeter (1934) is known for his dynamic theory of innovation and entrepreneurship. Schumpeter's writings were the role of innovation ("new combinations") and entrepreneurship in economic growth.

Schumpeter (1934) described development as historical process of structural changes, substantially driven by Innovation, which was divided into five types. Namely launching of a new product, application and utilization of new processes or methods of production, exploring and opening of new markets where the industry or the branch was not represented, acquiring of new sources of supply of raw materials at a lower but competitive price, and utilizing new industry

structures such as creation or destruction of a monopoly position.

There are different types of innovation. Miika, (2010) carried out a study on the types of innovation, sources of information and performance in entrepreneurial SMEs. He found out those different sources of information influences profitability while at the same time different types of innovation affect the performance of SMEs in terms of growth and profitability. Projaro (2016) carried out a study in Australia on the role of business environments (in terms of dynamism and competitiveness) as contingency factors, which affect the effectiveness of different types of innovation strategies (in terms of product and process) in delivering business performance.

He found out that dynamic environment strengthen the effect of product innovation on business performance while Competitive environments, on the other hand, weaken the effect of product innovation on business performance, but strengthen the effect of process innovation on business performance. Zheng, O'Neill and Morrison, (2009) in their study on the role of innovative human resource practices discovered that the extent to which firms have adopted innovative human resource practices is shown to be closely associated with human resource outcomes and firm performance. The Schumpeterian Theory on innovation aims at explaining the effect on entrepreneurial innovation on the performance of small and medium manufacturing enterprises in Kenya.

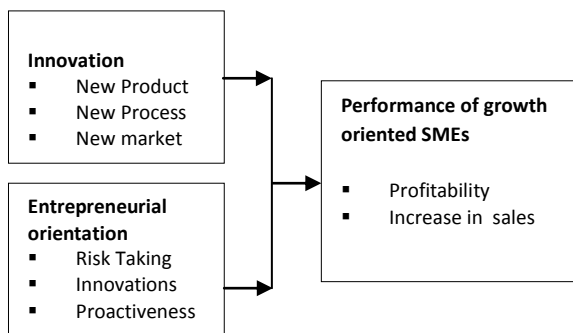
McClelland Theory (McClelland, 1961)

Characteristic of that society at that time in history. When children with high n Achievement mature, they are inclined to engage in entrepreneurial activity, which is reflected in economic progress for the society. Need for achievement is the urge to excel, to accomplish in

relation to a set of standards, to struggle to achieve success.

Indeed, studies investigating this entrepreneurial behavior, a phenomenon known entrepreneurial orientation (EO), have found that EO influences learning, information acquisition and utilization, satisfaction with the firm, global success ratings made by owners or business managers, sales growth and return on investments (Miller, 2011; Rauch *et al.*, 2009). Furthermore, firms that have a strong entrepreneurial orientation, where they direct their strategic decisions and practices towards pursuing new opportunities, perform much better when compared to firms that do not adopt an EO (Rauch *et al.*, 2009). The entrepreneurs will pursue the entrepreneurial orientation i.e. proactive, innovativeness and risk taking, competitive aggressiveness and autonomy (Rauch *et al.*, 2009; Wales *et al.*, 2011) with an aim of achieving their business goals. The theory aims at investigating the influence of entrepreneurial orientation on the performance of small and medium enterprises.

Conceptual Frame Work



Independent Variables **Dependent Variables**

Figure 1: Conceptual Framework

Innovation

Innovativeness plays a key role in determining survival and development of SMEs and SMEs accelerate technical advancement, discover market opportunities, and lead experiment of increasing output (Lan and Wu 2010). A firm

capability to produce innovation has been suggested to be crucial for its success. (Sanna and Ukko, 2014).It is argued that those small firms, which are innovative, are keen to grow and adopt more structured and strategic approach to their businesses. Firms of all sizes have recognized the need to continually innovate and provide new and better products and services (Brem and Voigt, 2009; Lazonick and O’Sullivan, 2000). A firm can achieve a competitive advantage by possessing resources and capabilities that are valuable, unique and difficult to imitate by others (Hsu and Ziedonic, 2013);They may implement brand or market orientations both of which are regarded as important factors in generating growth and profitability (Reijonen *et al.*, 2014).

The findings of a research by Bunyasi (2015), agreed that adopting innovative practices in the business have an influence on the growth of SMEs. It further revealed that those SMEs, which introduced new products and services to the market strongly, agreed that this had an influence on the growth of their businesses. Yanadori and Cui, (2013) observed that small and medium-sized enterprises (SMEs) are important engines for innovation and technological advancement (Mulhern, 1995). SMEs often possess the flexibility to adjust their inputs, processes, products and prices quickly in response to environmental changes, and this is a crucial business survival tool (Reid, 2007).

As it is now widely appreciated, in turbulent market economies, innovation is the elixir of life for firms, regardless of their size or other attributes. Growth, success and survival, all depend on the ability of firms’ to innovate on a continual basis, (Littunen, (2010). Much as innovation in SMEs is critical it has not been given ample attention by researchers. It is further postulated that innovation often leads to better business performance in large firms (Gunday *et al.*, 2011;Han *et al.*, 1998; Hult *et al.*, 2004).However, researchers are yet to examine the value of innovation in SMEs (Forsman and

Temel, 2011). This is critical noting the value and importance the SMEs play in economic development. SMEs can be used as the engine for technological and innovation growth development in a nation. However, SMEs need to evaluate their competitive strategies and incorporate innovation into their activities in order to achieve long-term success (Madrid-Guijarro *et al.*, 2013).

A firm can achieve a Competitive advantage by possessing resources and capabilities that are valuable, unique and difficult to imitate by others (Hsu and Ziedonic, 2013). However, the sustainability of a competitive advantage depends on the firm's innovative capacities (Yanadori and Cui, 2013). SMEs often possess the flexibility to adjust their inputs, processes, products and prices quickly in response to environmental changes and this is a crucial business survival tool (Reid, 2007). Compared to large firms, SMEs might be more willing to undertake risky investments and innovative behaviors to improve their business performances (Latham, 2009; Salavou *et al.*, 2004). Hence, SMEs need to evaluate their competitive strategies and incorporate innovation into their activities in order to achieve long-term success (Madrid-Guijarro *et al.*, 2013).

The accessibility of external financing by SMEs is dependent on its innovativeness in terms of developing and introduction of new products and technologies, knowledge transfers, and new production processes. An investigation of the firm characteristics associated with innovation in over 19,000 firms Across 47 developing economies revealed that access to external financing is associated with firm innovativeness (Morone and Testa, 2008). Therefore, Greater firm innovation will determine the accessibility of external financing. In adaption, financiers would be interested in financing the business objective, which is innovative and is not likely to fail or sink with the investment. Innovation strategies help a firm in three ways namely exciting its customers

out performing competitors and building a new product portfolio.

There exist different innovation strategies for SMEs. Among innovative firms, process Innovation and organizational changes are, by far, are the most influential Innovating strategies available for SMEs (Morone and Testa 2008). Nevertheless, Kraus, Rigtering, Hughes and Hosman (2011) advise that SMEs should take calculated risk and should, if possible, delay the introduction of highly risky new products, services or projects, since radical innovation might not be as profitable as under normal market circumstances owing to the negative interaction effect shown by risk-taking and market turbulence on business performance.

Entrepreneurial Orientation

Entrepreneurial orientation is defined as a multidimensional construct, applied at the organizational level, which characterizes firm's entrepreneurial behavior and includes one or several of these three dimensions: risk-taking, Innovativeness and pro-activeness (Rauch, Wiklund, Lumpkin and Frese 2004). Pro activeness refers to processes which are aimed at "seeking new opportunities which may or may not be related to the present line of operations, introduction of new products and brands ahead of competition and strategically eliminating operations which are in the mature or declining stages of the life cycle" (Venkatraman 1989, p. 949). Innovativeness is about pursuing and giving support to novelty, creative processes and the development of new ideas through experimentation (Lumpkin and Dess 1996). Risk taking is about uncertainty originating from entrepreneurial activities. According to Morris *et al* (2008.) entrepreneurs need to take moderated and calculated risk-taking instead of extreme and uncontrolled risk-taking.

On the other hand, Wiklund and Shepherd (2003) refer to Entrepreneurial Orientation (EO) as the

strategy making processes that provide organizations with a basis for entrepreneurial decisions and actions. Entrepreneurial Orientation may be viewed as the entrepreneurial strategy-making processes that key decision makers use to enact their businesses' purpose, sustain its vision, and create competitive advantage (s).

The future of a business is likely to benefit from pursuing an entrepreneurial orientation and particularly if passed on from one generation to another (Rauch, Wiklund, Lumpkin and Frese 2004). Entrepreneurial Orientation dimensions (Innovation, risk-taking, proactiveness) are of equal importance in explaining business performance so that the business owner does not pass on an enterprise that is collapsing (Miller, 2011 and Rauch *et al.*, 2009).

Dyer, Gregersen and Christensen (2008) assert that innovative entrepreneurs are more likely to engage in questioning, observing, experimenting, and develop strong networking behaviors. This could mean that they will also be concerned about the future of their enterprises and hence plan beforehand their succession. Similarly, business owner who have demonstrated a strong ability to adapt, innovate and seize opportunities have enhanced their ability to survive from generation to generation, as they are able to tactfully plan and hand over the businesses to their identified successors (Scotland 2010).

Innovation and increasing the size of the business is critical as Gomba (2014), postulates that when the business starts growing, family members will gain interest from being involved with the business and for as long as the business turns a profit, it remains attractive to the potential successors. Unfortunately, most female entrepreneurs were found to be lacking business skills training (formal and informal) and have less business experience than male entrepreneurs which may affect their innovativeness (Chirwa 2014). Innovative dimension of Entrepreneurial orientation means creativity of enterprises

pursuing challenging, or new solutions, or schemes, including developing product and services and mastering new techniques to form structural function. Unlike large corporations, SMEs have deficiency of resource and market capability, so SMEs face a more challenging situation in global operations. Entrepreneurial orientation focuses on admission of new markets.

Innovative ability reflects progress on the way to new ideas, products, and technologies. Firms with entrepreneurial orientation could enable innovation at their enterprise level, and creativity is a source of competitive power in the global context (Lan & Wu, 2010 and Miller, 2011). Enterprises with Innovative orientation have properties of introducing creative concepts and conforming innovative resources. Innovative orientation, regarded as a continuum could achieve enterprises' innovation via various channels. Numerous relevant studies have found that entrepreneurial orientation helps improve entrepreneurial performance and realization of strategic capability (Lan & Wu, 2010; Wales *et al.*, 2011)

Indeed, over time a firm deploying an EO would be expected to develop a suite of skills for example, ability to manage uncertainty; ability to innovate to meet emerging opportunities and threats; ability to anticipate direction and nature of market change; ability to tolerate risk) that shape a firm entrepreneurship capability to further improve business performance. (Kraus *et al.*, 2010)

Performance of SMEs

Intents affect behavior of small business owner managers (Ajzen 1991) and are manifested in business goals (Reijonen, 2008). Intentions can influence behavior directly or indirectly (Reijonen *et al.*, 2014). It is worth noting that not all firm owners or managers aim to grow their businesses or have growth intentions as agenda for their business. The performance of firms in terms of

their growth, of course, is combination of their desire to grow as well as the presence of conditions suitable for growth.

The performance of firms in terms of their growth, of course, is a combination of their desire to grow as well as the presence of conditions suitable for growth. (Hashi & Krasniqi, 2010). As a result, small business owners or managers with greater growth intentions are more likely to realize growth (Delmar & Wiklund, 2008). However, it is argued that those small firms, which are keen to grow, are likely to be very innovative and adopt more structured and strategic approach to their businesses.

Firms with growth intention accumulate resources and are very inefficient at the beginning of their growth; during the growth, slack resources are put in use and exploited to grow, and firms become more efficient. They also seek to improve their Competitiveness, increase in size, and search for new market opportunities and acquire comparative advantage (Casillas2007; Wong & Merilee's, 2008; Kim, 2003)

Performance refers to the firm's success in the market, which may have different outcomes Chittithaworn *et al.*,(2011). However, it is also a complex and multi-dimensional phenomenon where by Performance can be characterized as the firm's ability to create acceptable outcomes and actions. Business performance determines how well a firm manages its internal resources, adapts to its external environments, which reflects the accomplishment of its strategic objectives and growth goals (Hult *et al.*, 2004) and this can be seen from the satisfaction of the owners manager on the profit, turnover and business development (Alasadi & Abdelrahim, 2007). Both financial and non-financial measures should be used to enable a firm to make efficient strategic decisions and to measure long-term success (Avci *et al.*, 2011). This research focused on profitability and sales turnover.

RESEARCH METHODOLOGY

The study adopted a descriptive survey design which sought to obtain information that describes known phenomena or characteristics concerning individuals group or situations (Yogosh ,2008). The targeted population for this study comprised of the licensed SMEs by the Thika sub county and who had been in the business for over three years with focus on owners and managers of the SMEs. Sampling frame consisted of the SMEs in textile, woodwork, metalwork; animal feeds manufacturer and soap making industry within Thika Sub County of Kiambu. Stratified random sampling technique was used to select the sample. The study grouped the population into strata of each sector. From each stratum, the study used simple random sampling to select sample size of which represent 20% of the population respondents. Questionnaires and document analysis was used as the main tools for collecting data because the instrument focused on the exact issue of the research. The research instrument used was pilot tested with an aim of identifying misunderstandings, ambiguities and useless or inadequate items in the instruments. Preliminary analysis using the pilot test data was undertaken to ensure that data collected enabled the researcher to investigate questions to be answered. Data analysis was guided by the objective of the study, which was to investigate the factors that which influence the performance of growth oriented SMEs.

RESEARCH FINDINGS AND DISCUSSIONS

A total of 73 questionnaires were administered and the study managed to obtain 55 completed questionnaires representing 75.34% response rate. On the gender composition of the respondents who participated in the research, Majority, 56 % were male while 44 % were female. This is an indication that the there was gender balance in the business management. It also implied that most of the respondents' in Thika Sub County who involved themselves in the sector under study were men. Different age

groups had different representation. Respondent between the age of 19-35 years were 8.6%, 36-40, 66.6%, 41-50,19% and over 50 years 19.0%. The study sought to find out the category of business activity of the SMEs in Thika Sub County. From the respondent majority of the SMEs were in animal feeds manufacturing representing 33.3%. Woodwork represented 28.3%, metalwork 13.3%, textile 15.00% while soap making represented 1.7%. The study also sought to establish the time the business had been in operation. 40% had been in operation for over 3years, 25% had been running the business for the last 8 years while 20% of the respondents had been in existence for over less than 2 years. The study further sought to know the size of the businesses by virtue of the number of employees each had. The study established that 65% of the businesses had 5-9 employees followed by those who had 1-4 employees at 21.7% and those with 10-49 employees at 5 %. This indicated that most of the businesses in Thika Sub County were micro businesses of less than 10 employees. The study sought to establish the objective the SMEs owner had while establishing the business. From the findings, 80% of the respondent had growth and performance of the SMEs as their prime objective. 16.36% of the respondent had no growth as an objective in their business while 3.6% of the respondents were not sure of their objective in the business. On education level of the Entrepreneurs, 43% of the respondents had reached certificate level, 29% of the respondents were holders of diplomas, 16% of the respondents were holders of degrees whereas 12% of the respondents held postgraduate certificates. As per these studies' findings, majority of the respondents were well above diploma level.

Innovation

The study sought to investigate whether innovation influenced performance of SMEs in Thika Sub County. 87.27 % of the respondents were of the opinion that innovation influence

performance whereas 12.73 % of the respondents were of the contrary opinion. The study sought to establish the extent to which respondents agreed with the statements relating to innovations influence performance of growth oriented SMEs in Thika Sub County. The study focused on the degree to introduction on new products influences performance of growth oriented SMEs. The findings showed that respondent agreed that introducing new products of the same line or different line influences performance of growth oriented SMEs with 26% strongly agreeing with the statement. 35% of the respondent only agreed that introduction of new products into the business influences the performance. 20% were not sure on whether introduction of new products influences the performance of the SMEs in any way. It further emerged that 7% did not agree with the statement while 13% did strongly disagree with the fact that introducing new products influences performance of growth oriented SMEs. This therefore implied that introduction of new and diverse goods into the business played an integral role in improving the performance of SMEs in Thika Sub County. The findings were in line with the findings by Bunyasi (2015) who confirmed SMEs, which introduced new products, and services to the market strongly agreed that this had an influence on the growth of their businesses.

The study sought to establish to what extent establishing new supplies line for goods influenced the performance of the SMES. From the results, majority of the respondents (14.54%) strongly agreed with the statement that new supply lines of raw materials and goods influence the performance of their businesses. 43.6% of the respondents agreed with the fact that new supplies influence performance of their business, 20% were neutral , 9.10% disagreed while 12.70% strongly disagreed with the same fact. This implied that new supply lines of goods and raw materials influence the performance of SMEs in the study area.

The study sought to establish the influence of new production methods on the performance of Growth Oriented SMEs in Thika Sub County. From the findings, 25% of the respondent strongly agreed that new production method arm of innovation did influence the performance of SMEs. 36% did agree with the statement while 15% of the respondents were not sure of whether new productions methods had any influence on the performance of SMEs. On the other hand, 11% of the respondent disagreed that new productions methods influences performance of SMEs while 13% strongly disagreed with that fact. These findings implied that new production methods had a significance influence on the performance of SMEs in Thika Sub-county.

The study sought to establish the influence of new market for goods on the performance of Growth Oriented SMEs in Thika Sub County. According the findings, 21.80% strongly felt that establishing new markets had a significance influence on the performance of their SMEs. On the other hand, 38.20% agreed fully with the statement that new markets for goods have a direct influence on the performance of growth oriented SME. In addition it emerged that form the study that 12.87% of the entrepreneurs studied were not sure on whether new markets for their goods had any influence on the performance of their businesses. 14.50% of the respondents disagreed while 12.70% strongly disagreed with the fact that new markets had any influence on the performance of the SMEs. Therefore according to this study it was clear that entrepreneurs who venture into new markets leap big since new markets had been seen to influence the performance of growth oriented SMEs. These findings were in tandem with a study by Reijonen et al, (2014) who established that SMEs might implement brand or market orientations both of which are regarded as important factors in generating growth and profitability.

Entrepreneurial Orientation

The researcher sought to investigate whether Entrepreneurial Orientation influence the performance of SMEs in Thika Sub county. 78.18% of the respondent studied believed that entrepreneurial orientation influenced SME performance whereas 21.82 % of the respondents were of the contrary opinion. This tallied with the results of research by Kraus , Hughes and Hosman (2011) who established that EO impacts business performance of SMEs when the skills associated with an EO namely ., ability to manage uncertainty; innovate to meet emerging opportunities and threats; anticipate the direction of markets; tolerate risk come into play. The study further sought to establish the extent to which the respondent agreed with the statement that pro activeness in business influenced the performance of Growth oriented SMEs in Thika Sub County. 10% of the respondent strongly agreed that the being proactive had enabled them to increase on their performance. 35% on the other hand agreed that proactiveness played a role in improving the performance of SMEs. It further emerged that from the study 20% of the respondent were neutral on the influence of proactiveness on the performance of growth oriented SMEs. A proportion of 10% disagreed and strongly disagreed that proactiveness had any influence on the performance of SMEs. Based on the above results then, it emerged that pro activeness played a pivotal role in influencing the performance of growth oriented SMEs. These results tallied with the result of findings by Miller,(2011) and Rauch *et al.*, (2009) who established that proactiveness a dimension of Entrepreneurial orientation was equal importance in explaining business performance. In addition Hughes and Morgan (2007) from their study of UK firms, established that pro activeness is a cornerstone of the role EO plays in driving firm performance

The study sought to establish the relationship between risk propensity and business performance. According to the findings, 15% of

the entrepreneurs confirmed strongly that taking calculated business risks influenced the performance of growth oriented SMEs. 45% of the respondent too agreed that the risk propensity aspect of entrepreneurial orientation influences the performance of growth oriented SMEs. On the other hand it emerged that 25% of the respondent were not sure on whether taking risks in business influences the performance of growth oriented SMEs. The study also revealed that 5% and 10% of the respondent disagreed and strongly disagreed respectively that risk propensity has any influence on the performance of growth oriented SMEs. Nevertheless, it was important to note that from this study, taking calculated business risks influenced the performance of growth oriented SMEs. The results were in tandem with the study by Kraus *et. Al.*, (2011) who established that risk - taking has a significant relationship with business performance.

The study further sought to establish the degree to which the respondent agreed with the statement that being open and not rigid to more new ways of doing business influences performance of growth oriented SMEs. From the findings, 25% agreed strongly that introducing new methods of doing business influenced the performance of growth oriented SMEs while 35% agreed to the same statement. However, 20% neither agreed nor disagreed that new methods of doing business influences performance. Those respondent who disagreed and others strongly disagree had 10% representation each. The researcher therefore deduced that new methods of conducting and running one business have a significant role on the performance of growth oriented SMEs.

Business Performance

The study aimed at establishing how the respondent measure the performance of their growth oriented SMEs. From the results on, majority of the respondent used sale turnover as a measure of their performance with a

representation of 45%. On the other hand, 30% indicated that they use profitability to measure the performance of their enterprises. It further emerged that 15% of the SMEs studied used customer base while 10% used market share to measure the performance of their SMEs. The above results showed that sale turnover was the key performance indicators of the SMEs. The findings were in line with Bruyat & Julien (2000) who observed that most SMEs performance is determined by the turnover size per annum, as it was the engine of economic performance of SMEs.

The study sought to establish the performance experienced by growth oriented SMEs in Thika Sub County for the last the last three years. From the findings, majority of the respondents (36%) had moderate performance for the last three years, 24% indicated that they had good performance for the same period while 16% reported to have good performance for the three years under study. On the other hand, 9% and 15% indicated to have experienced bad and poor performance respectively for the same period. Thika Sub County had moderate performance.

It was therefore clear from the results most of the growth oriented SMEs that were studied had not embraced innovation, entrepreneurial orientation, internationalization and use of debt financing in their businesses and hence affecting performance of their enterprises. To remain competitive and perform better than peers, then growth oriented SMEs needed to introduce innovation into their business, capitalize on entrepreneurial orientation, and explore more on international market and source for cheaper source external debts.

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

The study sought to establish whether innovation influences performance of growth oriented SMEs in Thika Sub County. From the research findings,

majority of the respondent were of the opinion that innovation influence performance of growth Oriented SMEs in Thika Sub county. This means that innovation influenced performance of Growth oriented SMEs in Thika Sub County. The study also established that introduction of new products and services influenced the performance of growth oriented SMEs. These findings tallied with results of study by Littunen, (2010 who established that we found that the growth of firms was associated with the introduction of product, process and market innovations. In addition it emerged that establishment of new supplies of raw materials influenced performance of growth oriented SMEs. New production methods different from the old one influenced performance of Growth oriented SMEs. The respondent also agreed that identification of new markets for goods influenced played a significant role in the performance of the growth oriented SMEs. The study further revealed that innovation was statistically significant and positively influenced performance of SMEs in Thika Sub county at 5% level of significance.

The research findings further showed that, majority of the respondents were of the opinion that entrepreneurial Orientation influenced performance of growth Oriented SMEs in Thika Sub county. This implied that Entrepreneurial Orientation influenced performance of SMEs in Thika Sub county. The respondent further strongly agreed that being proactive in doing business influenced performance of the SMEs. Propensity to risk taking was strongly supported and viewed to influence performance of Growth oriented SMEs in Thika Sub county. The respondent further agreed strongly that being open to new ways of doing business had significant influence on the performance of growth oriented SMEs. This inferred that pro activeness, high propensity to calculated risk, and open to new methods of doing business components of entrepreneurial Orientation played an important role on performance of growth oriented SMEs in Thika

Sub County. Further, the study revealed that entrepreneurial orientation was statistically significant and positively influenced performance of growth oriented SMEs in Thika Sub County at 5% level of significance. This implied that entrepreneurial orientation was an important factor that influences performance of growth oriented SMEs in Thika Sub County.

The study revealed that most of the respondents believed that performance of their growth oriented SMEs was moderate. This was explained by the fact that they had introduced innovation into their businesses, In addition, they had not fully institutionalized the aspects of Entrepreneurial orientation. From the findings of the study, it emerged that innovation and Entrepreneurial Orientation influenced performance of growth oriented SMEs in Thika Sub County. It was recommended that a further research be conducted on other factors influencing the performance of growth oriented SMEs in Thika sub county.

On conclusion, It merged that that innovation influence performance of Growth oriented SMEs in Thika Sub County. The study also established that introduction of new products and services influenced the performance of growth oriented SMEs. In addition it emerged that establishment of new supplies of raw materials influenced performance of growth oriented SMEs. New production methods different from the old one influenced performance of Growth oriented SMEs. It also emerged that identification of new markets for goods influenced played a significant role in the performance of the growth oriented SMEs. Additionally from the researcher it emerged that Entrepreneurial Orientation influenced performance of SMEs in Thika Sub county. Further pro activeness in doing business- influenced performance of the growth oriented SMEs. Propensity to risk taking was viewed to influence performance of Growth oriented SMEs in Thika Sub county. The respondent further agreed strongly that being open to new ways of

doing business had significant influenced on the performance of growth oriented SMEs

Recommendations

The study becoming competitive Innovation played a key role on the performance of SMES. Therefore, entrepreneurs needed to keep on scanning the environment to establish unmet need by introducing new products into the market, cutting on their production cost by establishing cheaper but quality raw materials, introduction of new production methods, which were cost effective, but producing quality and competitive product and finally identification of new unmet market through market segmentation and . Introduction of the above named aspects of innovation would lead to increased performance by the growth oriented SMEs.

Entrepreneurial orientation was found to play a key role on the performance of the growth oriented SMEs. Therefore for the growth oriented SMEs to perform optimally they needed to be proactive in their business. In addition, they need to take calculated risks and venture into new areas and market with an aim of maximizing in and profitability. This could be done through

keeping abreast with the trends in the society and gathering information about business trends. The business people needed to liaise with the ministry of Micro, Small and Medium enterprises to get data on latest surveys about the emerging business trends. The SMEs further needed to be volatile in conducting their business and be able to adopt new ways and methods of doing business. This would enable them to change with changing business needs and demands of the society. The central and county government should also work hand in hand in developing policies, which would create security for intellectual property both at central and county levels. This would ensure more creativity and taking of risks without fear of losing the business or idea.

Areas for Further Research

The study sought to establish the factors influencing the performance of Growth oriented SMEs in Thika Sub County. The researcher recommends that the research on the above named factors be conducted in other county with an aim of providing adequate data for generalization.

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