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**RELATIONSHIP BETWEEN ENTREPRENEURIAL ORIENTATION AND GROWTH OF SMES IN NAIROBI COUNTY**

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## RELATIONSHIP BETWEEN ENTREPRENEURIAL ORIENTATION AND GROWTH OF SMES IN NAIROBI COUNTY

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### ABSTRACT

*The purpose of this study was to determine the relationship between entrepreneurial orientation and growth of SME's in Nairobi County. The study adopted descriptive research design. The population of this study comprised of 380 SME's in Nairobi County. The sample size of the study was made up of 114 respondents drawn from both manufacturing and service SME's in Nairobi County. Primary information for the study was collected through questionnaires. Descriptive analysis was used to determine the proportions and frequency of the variables. Statistical Package for Social Science (SPSS) was used to facilitate data analysis. The results showed that innovativeness had a positive relationship with growth of SME's in Nairobi County. Risk taking propensity also significantly influences growth of SME's in Nairobi County. The results of the study further found that Proactiveness was positively related with growth of SME's in Nairobi County. It was also noted that competitive aggressiveness influences growth of SME's in Nairobi County. Finally firm autonomy influences the growth of SME's in Nairobi County. The results added to the body of knowledge by confirming that entrepreneurial orientation influences growth of SME's. The study concluded that SME's should embrace entrepreneurial orientation in order to enhance their growth trend in the Nairobi County. The study further concluded that the established regression model was fit for forecasting and could be used for forecasting growth of SME's in Nairobi County. The study recommended that the policy makers should embrace entrepreneurial orientation in their business in order to enhance growth. SME's should review their practices and policies in line with the entrepreneurial orientations. It also recommended that future studies including other sectors in the economy and SME's in other counties be carried out. These findings would provide an increase in knowledge and a rich data base for future research, which can then be compared with the results of this study.*

**Keywords:** Innovativeness, Risk Taking, Proactiveness, Competitive Aggressiveness, Autonomy, SMEs

## INTRODUCTION

The goal of every business person is to be successful in their entrepreneurial endeavours and any effort to increase the chance of venture success amongst small and medium enterprises has huge implications on the economic growth of a country citizenry. This is attributed to the fact that entrepreneurial ventures are critical engines to economic growth worldwide (Maad, 2008). Entrepreneurs operate in a competitive and dynamic business environment and as the environment becomes more complex, owners/managers encounter many challenges which interfere with their chances of success. According to Prokic & Rankovic, (2010) success is the firm's ability to survive and is associated with continued business operation and goal achievement. It can be influenced by owner/manager know how, characteristics of the entrepreneurs, entrepreneurial competencies and attitudes and motivations of the entrepreneur (Reijonen & Komppula, 2007).

The performance, growth and success of small and medium enterprise depend on the orientation of the entrepreneur. The entrepreneur holds a critical position in operating the business (Michelmores & Rowley, 2014). Therefore understanding entrepreneurial orientation within SME's is important. Entrepreneurial orientation has become a central concept in the domain of entrepreneurship that has received a substantial amount of theoretical and empirical attention (Covin, Greene & Slevin, 2006). According to Wiklund & Shepherd (2003), Entrepreneurial orientation is the strategy making processes that provide organizations with a basis for entrepreneurial decision and actions. Morris et. al., (1997) defines entrepreneurial orientation as an organizational willingness to find and accepts new opportunities and taking responsibility to affect change. Rauch & frees (2009) posited that entrepreneurial orientation describes firm level

strategic processes that businesses use to gain competitive advantage. Thus entrepreneurial orientation is not related to individual level variables but to firm level processes.

Small and Medium Enterprises (SME's) contributes greatly to the economies of all countries, regardless of their level of development. Globally it is recognized that approximately 80% of economic growth come from the SME sector. In Kenya SME contributes about 19.5% to the gross domestic product. The term SME's covers a wide range of perceptions and measures, varying from country to country and between the sources reporting SME statistics. Many researchers define Small and Medium Enterprises in terms of the number of people employed. In Kenya an SME can be a microenterprise, a small enterprise or a medium enterprise. A microenterprise is a business organization having a maximum of 10 employed; a small enterprise has a minimum of 11 employees and a maximum of 50, while a medium enterprise has between 50 and 150 employees (Steven & Stone, 2005). SME's operate in all sectors of the economy, that is, manufacturing, trade and service subsectors.

Growth oriented firms are a significant contributor in a nation's economic gain, but the concept of growth is different for different entrepreneurs. Growth can be defined in terms of revenue generation, value addition, and expansion in terms of volume of the business. It can also be measured in the form of firm performance. According to Barney (2001), firm performance is based upon the idea that a firm is a voluntary association of productive assets, including human, physical and capital resources for the purpose of achieving a shared goal. Those providing assets will only be committed to the organization as long as they are satisfied with the value they receive in exchange, relative to alternative uses of assets.

Small and medium enterprises (SMEs) are considered to be the engine of economic growth

through employment generation, contribution to GDP, technological innovations. The growth of SMEs depends on ability of those firms to apply entrepreneurial orientation. In that context, entrepreneurial orientation is very important for small and medium enterprise in the time of global competition, technological change and increased dynamics in markets. There are two sets of thought prevailing among researchers; some suggest that the growth path followed by the small and medium enterprise is linear (life cycle model) or predictable, and others suggest that the growth is fairly opportunistic or unpredictable (Paull W, Louis A, Julia C, 2015). In life cycle models, an enterprise's growth is considered as organic, and these assumed that this growth happens over a period of time in a linear phase. However many firms do not take the linear path because it is not possible for each of those progress through each stage. They can grow, stagnate and decline in any order. Gilbert et al (2006) suggested that how and where questions are important in the context of growth of the enterprise that is 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. According to Chasten & Mangles (1997) if an enterprise adopts multi strategy transformation initiatives, the probability of achieving the growth objective increases.

### **Statement of the Problem**

As SME's are important to almost all economies in the world, the value of their survival and growth is especially dominant in developing countries in restoring major employment and income distribution. SME's sector is very volatile and experiences a high degree of business closure and shrinkage (Erikson & Kuhn' 2006). In his research, Parinduri (2014) explain that growth of micro and small family owned business in developing countries like Indonesia, is known to be highly affected as they can be severely constrained by

limited access to resources such as external finance, tax rate, competition, electricity and political stability. These problems raised the awareness in questioning the growth of SME's and the strength of their stability. Smith (2012) identifies factors affecting growth and development of SME's in Tanzania. These factors include limited financial cases, formalities in the legal and regulatory framework, poor infrastructure and ineffective business skills.

In Kenya, three out of five enterprises fail within the first few months of operations (Kenya national bureau of statistics, 2007). Though a lot of efforts have been made to support the growth of SME's by government, the failure rate still remains high; this has been attributed to lack of entrepreneurial orientation (Griffin, 2012). Specifically, lack of technical skills, confidence, strong individual involvement and unwillingness to take risks are some of the constraints identified as impediments to growth of SME's (Gem, 2008). The International Finance Corporation (IFC), (2011) identified numerous factors that affect the growth of SME's and diminish their ability to effectively contribute to their development. Factors such as lack of access to credit, poor infrastructure, poor governance, lack of innovative capacity, lack of managerial competency and training, lack of market information and inadequate education skills

While many SME's fail, other survive. The survival and growth of SME'S have been of interest to researchers for many years and has thus become the subject of analysis (Perks & Struwig' 2005). Previous researches converge on the idea that firms benefit from highlighting newness, responsiveness and degree of boldness (Lumpkin & Dess, 1996). In environment of rapid change and shortened product lifecycle (like the one SME's operates), the future profit streams from existing operations are uncertain and businesses need to constantly seek out new opportunities. Therefore firms may benefit from adopting entrepreneurial orientation. Thus,

examining the orientation of the entrepreneurs in order to understand the key growth factors in SME's is a promising approach. In an effort to link the entrepreneurial orientation and growth of SME's, this study sought to examine the relationship between entrepreneurial orientation and the growth of SME's in Nairobi County.

### **Research Objectives**

The broad objective of the study was to determine the relationship between entrepreneurial orientation and growth of SME's in Nairobi County. The specific objectives were:-

- Establish the relationship between Innovativeness and growth of SME's in Nairobi County
- Determine the effect of risk taking on growth of SME's in Nairobi County
- Establish the relationship Proactiveness and growth of SME's in Nairobi County
- Access the influence of competitive aggressiveness on growth of SME's in Nairobi County
- Examine the relationship between autonomy and growth of SME's in Nairobi County

## **LITERATURE REVIEW**

### **Theoretical Framework**

#### **Resource Based Theory**

The Resource-Based View (RBV) of the firm or the internal view of competitive advantage arose from a diversion since the early 1980s towards considering internal resources and capabilities as the primary source of competitiveness Barney (1991) and Wernerfelt (1984) developed the resource-based theory around the internal competencies of firms and turned the interest of strategic management towards the inside of the firm. According to RBV competitive advantage is rooted in a firm's assets that are valuable and inimitable. The new perspective expects firms to compete based on their unique or distinctive

internal capabilities, competencies and resource capabilities (Hoskisson et al, 1999).

A firm's capabilities or competencies and management ability to marshal the resources and their deployment patterns to produce superior performance determine competitive advantage (Grant, 1991). Barney (1991) also noted that by nurturing a firm's resources and internal competencies and applying them to an appropriate external environment, a firm can develop a viable and sustainable strategy. The resource based theory posits that if a firm acquires valuable, rare, inimitable and non-substitutable resources it can have superior performance (Grant & Jordan, 2012). Such resources can be tangible, intangible and capabilities. This theory informs the conceptual relationship between entrepreneurial orientation and growth of SME's. The essence of the RBV lies in the emphasis of resources and capabilities as the genesis of competitive advantage hence growth: resources are heterogeneously distributed across competing firms, and are imperfectly mobile which, in turn, makes this heterogeneity persist over time (Mahoney and Pandian, 1992).

According to Resource Based Theory resources are inputs into a firm's production process; can be classified into three categories as; physical capital, human capital and organizational capital (Crook, 2008). A capability is a capacity for a set of resources to perform a stretch task of an activity. Each organization is a collection of unique resources and capabilities that provides the basis for its strategy and the primary source of its returns. The usage of the same resources or capabilities under different circumstances can result in economies of scope and in economic quasi rents, which allows the company to generate sustainable competitive advantage and higher performance. In particular, unique path dependent resources, which are in short supply in the marketplace, can be leveraged across related product lines and provide higher rents. Value is created since these strategic assets

are very difficult to imitate or to substitute by other resources (Markides & Williamson, 2006).

### **Entrepreneurial Competency Theory**

According to Bird (1995) entrepreneurial competencies are primary characteristics such as basic and specific knowledge, motives, traits, self-image, roles and skills which required for business start-up, survival and/or growth. Theory of Entrepreneurial Competence combines resources and opportunities, propelled by entrepreneurial intention, resulting in an entrepreneurial competence as a key source of value creation generated from formulation. Within the Theory of Entrepreneurial Intentionality, entrepreneurial intention and adaptability, via the feasibility modulator, adjusts and adapts entrepreneurial resources. The entrepreneur advances forward to the effectuation multiplier, which deploys entrepreneurial resources to reconfigure the entrepreneurial opportunity into an entrepreneurial competence, which then leads monetization.

### **Social Learning Theory**

Social learning theory, associated with Bandura (1977) is concerned primarily with how behaviour is acquired and maintained in a variety of different environmental situations. Bandura underscores the importance of the process of imitation and modelling in significant learning. He believes that human beings acquire most patterns of behaviour by observational learning rather than by direct reinforcement and that behaviour is a complex interaction between the organism and its environmental situation. Bandura labelled this process "reciprocal determinism". In his view the environment influences thinking and that, in turn, cognitive processes influences what the person does in specific situations. In contrast to earlier theorists of behaviour, Bandura believes that actions are acquired primarily, by observational learning rather than operant or classical

conditioning. For example the subject, the potential entrepreneur, imitates the models in the environment that are significant in his/her life. The models in this case are the friends, parents or peers. This may occur in an indirect manner that is, through experiences of others, hence vicarious learning.

Bandura opines that people observe their social world, extract information from it, generate expectations and then make choices that maximize environmental rewards. Maintains an inner feeling of competence and at the same time avoid negative outcomes. Through observational and internalization of what others are experiencing people learn bad and good behaviour. If one observes another being entrepreneurial s/he will be motivated to imitate the behaviour or act especially if that behaviour is reinforced positively. In this case, if the model appears excited (elated) sociable or aggressive (in timid people) the potential entrepreneur is likely to imitate the behaviour. This theoretical formulation was significant in this study as it underscores the importance of observation learning in the acquisition and sustenance of entrepreneurial behaviour.

### **Psychological Theories of Entrepreneurship**

According to Landstrom, (1998), the level of analysis in psychological theories is the individual the theory emphasize personal characteristics that define entrepreneurship. Personality traits need for achievement and locus of control are reviewed and empirical evidence presented for three other new characteristics that have been found to be associated with entrepreneurial inclination. These are risk taking, innovativeness, and tolerance for ambiguity. Coon (2004) defines personality traits as "stable qualities that a person shows in most situations". To the trait theorists there are enduring inborn qualities or potentials of the individual that naturally make him an entrepreneur. The obvious or logical question on your mind may be "What are the

exact traits/inborn qualities?" The answer is not a straight forward one since we cannot point at particular traits.

Locus of control is an important aspect of personality. The concept was first introduced by Julian Rotter in the 1950s. Rotter (1966) refers to Locus of Control as an individual's perception about the underlying main causes of events in his/her life. In other words, a locus of control orientation is a belief about whether the outcomes of our actions are contingent on what we do (internal control orientation) or on events outside our personal control (external control orientation). In this context the entrepreneur's success comes from his/her own abilities and also support from outside. The former is referred to as internal locus of control and the latter is referred to as external locus of control. While individuals with an internal locus of control believe that they are able to control life events, individuals with an external locus of control believe that life's events are the result of external factors, such as chance, luck or fate. Empirical findings that internal locus of control is an entrepreneurial characteristic have been reported in the literature (Cromie, 1997). In a student sample, internal locus of control was found to be positively associated with the desire to become an entrepreneur (Bonnett & Furnham, 1991). While the trait model focuses on enduring inborn qualities and locus of control on the individual's perceptions about the rewards and punishments in his or her life, (Pervin, 1997),, need for achievement theory by McClelland (1961) explained that human beings have a need to succeed, accomplish, excel or achieve. Entrepreneurs are driven by this need to achieve and excel. While there is no research evidence to support personality traits, there is evidence for the relationship between achievement motivation and entrepreneurship (Johnson, 1999). Achievement motivation may be the only convincing personological factor related to new venture creation (Shaver & Scott, 1991). Risk taking

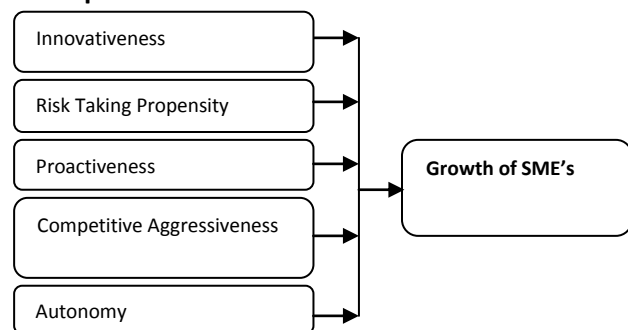
and innovativeness, need for achievement, and tolerance for ambiguity had positive and significant influence on entrepreneurial inclination Mohar, Singh & Kishore (2007).

### **Empirical Review**

Entrepreneurship research has shown that entrepreneurial orientations have a positive impact on SME performance. According to Covin & Miles, (1999), enterprises with managers who have high levels of entrepreneurial orientations tend to scan and manage the environment in which they operate in order to find new opportunities and consolidate their competitive positions. According to Bird (1995), competencies are seen as observable behaviours that are more tied to performance than other entrepreneurial characteristics such as personality traits, intentions or motivations. Ardichvili and Cardozo's (2000) study indicates that successful opportunity recognition is influenced by entrepreneurial awareness and alertness, information asymmetry and prior knowledge, opportunity discovery, networking, and creativity. According to Plourd (2009), the importance of risk management is now escalated above issues such as long-term and short-term financing constrains. Proclaiming the existence of a risk management strategy is insufficient, enterprises need to actively engage in risk management practices to address the convergence of major risks as experienced in the current economic climate where the credit crisis risk, fluctuating commodity prices, increased government debt, rising unemployment and declining consumer spending are impacting individually and combined, on enterprises. The use of enterprise risk management (ERM) can be viewed as a business competency enabling managers to optimize opportunities associated with risks (Hofmann, 2009). ERM should apply basic risk management activities, embedding the risk champion's knowledge of exposures, across the entire scope of an enterprise's risks such as

strategic risks, operational risks, financial risks and regulatory compliance risks (Engle, 2009), and should not be reduced to a process based solely on risk formula's (Bradford, 2009). Determining the components of total risk in SMEs is complex due to SMEs great heterogeneity as well as difficulty in separating property from management (St- Pierre & Bahri, 2006). Entrepreneurs have implied (St- Pierre and Bahri, 2006), inconsistent (LeCornu et al., 1996), and in certain instances, unique (Naffziger et al., 1994) objectives that exerts both direct and indirect influences on management practices, rendering comparisons between SMEs difficult. Information derived by way of financial data analysis cannot yield all the dimensions of enterprise performance, as emphasized by St-Pierre and Bahri (2006). Strategic information such as quality, client satisfaction, and innovation reflects the enterprise's competitiveness and performance, but are not forthcoming in the income earned. Cumby and Conrod (2001) emphasizes that long term sustainable financial performance is attributable to non-financial factors like client loyalty, employee satisfaction and internal processes.

### Conceptual Framework



Independent Variables                      Dependent Variable

**Figure 1: Conceptual Framework**

Source: Researcher 2017

### METHODOLOGY

This study adopted a descriptive research design. A descriptive research design is primarily concerned

with addressing the particular characteristics (who, what, when and how of a topic) of a specific population of subjects, either at a fixed point in time or at varying times for comparative purpose (Gill & Johnson, 2002). The population of interest in this study was all registered SME's in the Nairobi County having been in operation for a period of five years (2013-2017). According to Kenya Business list there were 380 SME's in Nairobi County having been in operation for the period 2013 through 2017. The linear regression model used in the study was as follows

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

Where :-

Y = Growth in SME's

X<sub>1</sub> = Innovativeness

X<sub>2</sub> = Risk Taking

X<sub>3</sub> = Proactiveness

X<sub>4</sub> = Competitive Aggressiveness

X<sub>5</sub> = Autonomy

$\beta_0 \beta_1 \beta_2 \beta_3 \beta_4 \beta_5$  = Coefficient of Regression

$\epsilon$  = Unexplained Variation (error term), it represents all the factors that affect the dependent variable but were not included in the model either because they were not known or difficult to measure.

### FINDINGS AND DISCUSSION

#### Entrepreneurial Orientation

This section covered respondents rating on innovativeness, risk taking propensity, Proactiveness, competitive aggressiveness and autonomy. Mean, standard deviation and coefficient of variation were used to analyze the data. The score of 'strongly disagree' and 'disagree' have been taken to represent a statement affirmed to as to 'a limited extent', equivalent to a mean of 0 to 2.5. The score of 'neutral' has been taken to represent a statement affirmed of to 'a moderate extent', equivalent to a mean of 2.6 to 3.4. The score of 'agree' and 'strongly agree' has been taken to represent a statement affirmed to as to 'a great extent', equivalent to a mean of 3.5 to 5.0.



**Table 1: Rating of Entrepreneurial Orientation**

<b>Statements</b>	<b>Mean</b>	<b>Std Dev</b>	<b>CV</b>
<b>INNOVATIVENESS</b>			
Our firm embraces Creativity and experimentation	4.02	1.09	0.27
Our firm believes in Novelty	4.12	0.79	0.19
Our firm practices technological leadership	3.7	0.97	0.26
Our firm expresses business ideas in a clear manner for customers to understand	3.8	0.82	0.22
Our firm seek advice from other firm who know a lot about business activities with an aim of improvement	3.57	0.81	0.23
Our firm places strong emphasis on new and innovative products	3.82	1.06	0.28
Our firm is willingly consider new ideas, procedures or processes to address emerging business situation	3.67	0.92	0.25
<b>Overall</b>	<b>3.81</b>	<b>0.92</b>	<b>0.24</b>
<b>RISK TAKING PROPENSITY</b>			
Our firm incurs heavy good debt	3.87	0.65	0.17
Our firm Makes large resource commitments	3.55	0.96	0.27
We seize opportunities in the marketplace	3.92	0.83	0.21
Our firm try several ways to overcome things that get in the way of reaching our business goals	3.38	1.31	0.39
Resources are allocated appropriate to accomplish business tasks	4.37	0.74	0.17
<b>Overall</b>	<b>3.82</b>	<b>0.89</b>	<b>0.23</b>
<b>PROACTIVENESS</b>			
We belief in Anticipated future demands & opportunities in the market	3.45	0.959	0.28
Our firm Participate in emerging markets	3.9	0.709	0.18
Our firm Shapes the business environment	3.98	0.698	0.18
Our firm always introduce new products/services and brands before our rivals	3.83	0.636	0.17
Our firm thinks and acts in the best interest of our customers with a mindset of improving service delivery	3.92	0.764	0.19
Our firm takes bold, wide-ranging acts which necessary in achieving our business objectives	4.08	0.764	0.19
<b>Overall</b>	<b>3.86</b>	<b>0.76</b>	<b>0.20</b>
<b>COMPETITIVE AGGRESSIVENESS</b>			
Our firm uses technological sophistication to remain competitive	3.78	0.8	0.21
Our product embraces Market heterogeneity	2.9	1.03	0.36
Our products and services appeals to customers (Market attractiveness)	3.45	1.09	0.32
We understand Product/industry life cycle	3.68	1.1	0.3
Our firm has diversified into different market segments.	3.45	1	0.29

Our firm always reviews its structure due to changes in the market	3.6	0.84	0.23
Our firm has been carrying out product development activities in the last five years	4.05	0.75	0.19
<b>overall</b>	<b>3.56</b>	<b>0.94</b>	<b>0.26</b>
<b>AUTONOMY</b>			
There is Freedom of entrepreneurs in the county	3.8	0.76	0.2
Members can take free actions	3.95	0.68	0.17
There is independent decision making process	3.85	0.62	0.16
Our firm achieves its business goals in relation to a set of standards	3.6	1.17	0.33
Our firm is open to new ideas and prefer to work independently	4.1	0.9	0.22
<b>Overall</b>	<b>3.86</b>	<b>0.83</b>	<b>0.22</b>
<b>Grand</b>	<b>3.78</b>	<b>0.87</b>	<b>0.23</b>

As table 1 showed, under innovativeness, majority of the respondents indicated that to Our firm believed in Novelty (mean = 4.12, std dev = .79), Our firm embraces Creativity and experimentation (mean = 4.2, std dev = 1.09), Our firm places strong emphasis on new and innovative products (mean = 3.82, std dev = 1.06) and Our firm expresses business ideas in a clear manner for customers to understand (mean = 3.80, std dev = .82). In overall innovativeness was rated to a great extent of mean = 3.81 and std dev = .92. The findings conform to those of Lumpkin and Dess, 1996, who posited that innovativeness is doing new things or doing existing things in new ways. Further the findings are in line with those of Krueger, (2000) who argued that perceived opportunities available are also influenced by an intention-driven process determined by various personal variables.

Under risk taking propensity, the analysis shows that to a great extent; resources are allocated appropriate to accomplish business tasks (mean = 4.37, std dev = .74), we seize opportunities in the marketplace (mean = 3.92, std dev = .83), our firm incurs heavy good debt (mean = 3.872, std dev = .65) and our firm Makes large resource commitments (mean = 3.55, std dev = .96). In overall risk taking propensity was high in all the SME's with a mean of 3.82 and std dev of .89.

According to Plourd (2009), the importance of risk management is now escalated above issues such as long-term and short-term financing constrains. Proclaiming the existence of a risk management strategy is insufficient, enterprises need to actively engage in risk management practices to address the convergence of major risks as experienced in the current economic climate where the credit crisis risk, fluctuating commodity prices, increased government debt, rising unemployment and declining consumer spending are impacting individually and combined, on enterprises. The results further confirms to those of Hofmann, (2009) who suggested that the use of enterprise risk management (ERM) can be viewed as a business competency enabling managers to optimize opportunities associated with risks.

Under Proactiveness the respondents were in agreement to a great extent that; Our firm takes bold, wide-ranging acts which necessary in achieving our business objectives (mean = 4.08, std dev = .76), our firm Shapes the business environment (mean = 3.98, std dev = .59), our firm thinks and acts in the best interest of our customers with a mindset of improving service delivery (mean = 3.92, std dev = .76) and our firm Participate in emerging markets (mean = 3.90, std dev = .71). In overall Proactiveness was rated with a mean of 3.86

and std dev of .76. These findings supports those of Covin & Miles, (1999), who found out those enterprises with managers who have high levels of entrepreneurial orientations tend to scan and manage the environment in which they operate in order to find new opportunities and consolidate their competitive positions.

Under competitive aggressiveness the respondents were in agreement to a great extent that; Our firm has been carrying out product development activities in the last five years (mean = 4.05, std dev = .75), Our firm uses technological sophistication to remain competitive (mean = 3.78, std dev = .80), We understand Product/industry life cycle (mean = 3.68, std dev = 1.10) and Our firm always reviews its structure due to changes in the market (mean = 3.60, std dev = .84). In overall competitive aggressiveness was rated with a mean of 3.56 and std dev of .94. The results are line with those Soh (2003) who posited that firms with a more efficient networking strategy tend to acquire more competitive information about other firms earlier, and this information advantage in turn leads to better new product performance.

Under autonomy the respondents indicated to a great extent; Our firm is open to new ideas and prefer to work independently (mean = 4.10, std dev = .90), Members can take free actions (mean =

3.95, std dev = .68), There was independent decision making process (mean = 3.85, std dev = .62) and There is Freedom of entrepreneurs in the county (mean = 3.80, std dev = .76). In overall autonomy was rated with a mean of 3.86 and std dev of .83. Finally autonomy and Proactiveness had the highest overall rating (mean of 3.86) as a measure of entrepreneurial orientation followed by risk taking propensity (mean of 3.82), innovativeness (mean of 3.81) and competitive aggressiveness (mean of 3.56) respectively. Grand mean of 3.78 implies that SME's are aware that entrepreneurial innovativeness influences their growth. The results support those of Conrod (2001) who emphasized that long term sustainable financial performance is attributable to non-financial factors like client loyalty, employee satisfaction and internal processes. This view is affirmed by Ittner and Larcker (2003) who states that the investment in intangible assets, that is, client satisfaction, is not accommodated in the accounting data. The same argument applies to the risk of an enterprise that is difficult to understand if attention is solely directed at the financial statements.

## Growth of SME's

**Table 2: Growth of SME's**

Statements	Mean	Std Dev	CV
The firm's sales revenues have increased	3.93	0.8	0.17
Firm's profits have increased	3.8	0.88	0.19
The firm's investment and growth has increased	4.1	0.81	0.18
The firm's sales revenue has improved due to repeat sales.	4.13	0.61	0.19
The firm has achieved good returns by improving its asset utilization.	3.7	0.99	0.19
The firm has created value for its customers through quality products and services	4.23	0.73	0.19
<b>Overall</b>	<b>3.98</b>	<b>0.81</b>	<b>0.21</b>

Results revealed that to a great extent; the firm had created value for its customers through quality and services (mean = 4.23, std dev = .90), The firm's sales revenue had improved due to repeat sales(mean = 4.13, std dev = .61), The firm's investment and growth had increased (mean = 4.10, std dev = .81) and The firm's sales revenues have increased (mean = 3.93, std dev = .80) and an overall rating of growth at mean of 3.98, standard deviation of 0.81. The results are in line with those of Muthaih & Vankatesh (2012) who posited that there are many factors which contribute in the

products.

SMEs growth and similarly there are many barriers to growth hence performance. In the context of SMEs, the performance measurement literature highlights the characteristics of SMEs that differentiates them from larger organisations. These characteristics include, lack of formalized strategy, operational focus, limited managerial and capital resources, and misconception of performance measurement (Fuller-Love, 2006; Garengo *et al.* 2005)).

### Correlation and Regression Analysis

**Table 3: Correlation Coefficients**

		growth of SME's	Innovativeness	Risk taking propensity	Proactiveness	Competitive aggressiveness	Autonomy
Growth of SME's	Correlation	1					
	Sig. (2-tailed)						
Innovativeness	Correlation	.510**	1				
	Sig. (2-tailed)	0					
Risk taking Propensity	Correlation	.323*	.449**	1			
	Sig. (2-tailed)	0.042	0.004				
Proactiveness	Correlation	0.259*	0.128	.416**	1		
	Sig. (2-tailed)	0.017	0.433	0.008			
Competitive Aggressiveness	Correlation	.403**	.402*	.531**	0.101	1	
	Sig. (2-tailed)	0.01	0.01	0	0.534		
Autonomy	Correlation	0.271*	.327*	-0.114	-0.171	0.191	1
	Sig. (2-tailed)	0.021	0.04	0.483	0.291	0.237	

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

\* Correlation is significant at the 0.05 level (2-tailed)

### Goodness of Fit of the Model

As shown in table 4 below, 79.9% of the variation in growth of SME's in Nairobi County could be explained by the changes in innovativeness, risk

taking, Proactiveness, competitive aggressiveness, autonomy leaving only 20.1% unexplained (error term). Since 79.9%>70% the model is fit for forecasting.

**Table 4: Model Summary**

R	R Square	Adjusted R Square	Std. Error of the Estimate	R Square Change	F Change	df1	df2	Sig. F Change
.894	.799	.762	.59836	.639	6.015	5	97	.001

a. Predictors: (Constant), innovativeness, risk taking, Proactiveness, competitive aggressiveness, autonomy

**Table 5: ANOVA<sup>b</sup>**

Model	Sum Of Squares	df	Mean Square	F	Sig
Regression	10.77	5	2.154	6.015	.001
Residual	32.936	92	.358		
Total	43.706	97			

a. Predictors: (Constant), innovativeness, risk taking propensity , Proactiveness, competitive aggressiveness, autonomy

b. Dependent Variable: growth of SME's

**Estimated Model Coefficients**

Using the Unstandardized coefficients which indicate how much the dependent variable varies

with an independent variable, when all other independent variables are held constant, the established regression model was of the form  $Y = .081 + .448X_1 + .317X_2 + .272X_3 + .245X_4 + .24X_5$

**Table 6: Coefficients**

Predictors:	B	Std. Error	Beta	t	sig
Constant	.081	.031	.069	2.662	.011
Innovativeness	.448	.176	.442	2.544	.014
Risk taking Propensity	.317	.125	.295	2.536	.023
Proactiveness	.272	.128	.241	2.125	.018
Competitive Aggressiveness	.245	.112	.221	2.188	.002
Autonomy	.204	.175	.185	2.317	.003

a. Dependent Variable: Growth of SME's

**CONCLUSION AND RECOMMENDATION**

The first objective of the study was to establish the relationship between Innovativeness and growth of SME's in Nairobi County. It was hypothesized that Innovativeness was positively related to growth of

SME's in Nairobi County. The findings showed that to a great extent; firms believed in Novelty, firm embraced Creativity and experimentation, firms placed strong emphasis on new and innovative products and firms expressed business ideas in a

clear manner for customers to understand. Further innovativeness individually significantly influenced growth of SME's in Nairobi County.

The second objective aimed at establishing the relationship between risk taking propensity and growth of SME's in Nairobi County. The study found out that to a great extent; resources were allocated appropriate to accomplish business tasks, SME's seize opportunities in the marketplace firms incurred heavy good debt and firms made large resource commitments. Risk taking propensity was linearly related to the growth of SME's in Nairobi County

The third objective was to establish the relationship Proactiveness and growth of SME's in Nairobi County. The study revealed that to a great extent; firms takes bold, wide-ranging acts which necessary in achieving business objectives, firms Shaped the business environment, firm thought and acted in the best interest of our customers with a mindset of improving service delivery and firms Participate in emerging markets. It was also noted that Proactiveness was individually significantly related to the growth of SME's in Nairobi County.

The fourth objective was to access the influence of competitive aggressiveness on growth of SME's in Nairobi County. It was found that to a great extent; firms had been carrying out product development activities in the last five years, firm used technological sophistication to remain competitive firms understood their Product/industry life cycle and firms always reviewed its structure due to changes in the market. Competitive aggressiveness was also linearly related with growth of SME's in Nairobi County.

The fifth objective was to examine the relationship between autonomy and growth of SME's in Nairobi County. The study found out that firms were open to new ideas and preferred to work independently, members could take free actions, there was independent decision making process

and there was Freedom of entrepreneurs in the county. The study also found out that autonomy individually significantly influenced the growth of SME's in Nairobi County.

Correlation analysis indicated that innovativeness, risk taking, Proactiveness, competitive aggressiveness, autonomy were individually positively and statistically significantly related to growth of SME's in Nairobi County. The established model was of a good fit for forecasting, that is, 79.9% of the variation in growth of SME's in Nairobi County could be explained by the changes in innovativeness, risk taking, Proactiveness, competitive aggressiveness, autonomy leaving only 20.1% unexplained (error term). Further the model was overally significant.

Regression analysis indicated that innovativeness had the highest influence on growth of SME's in Nairobi County followed by risk taking propensity, competitive aggressiveness, Proactiveness, and autonomy respectively. It was also noted that each independent variable was individually statistically significantly related to the competitive growth of SME's in Nairobi County hence a five predictor model could be used in forecasting the growth of SME's in Nairobi County.

## **Conclusion**

The general objective of the study was to determine the relationship between entrepreneurial orientation and growth of SME's in Nairobi County. The study findings revealed that SME's embraces entrepreneurial orientation in enhancing their growth trend in the Nairobi County. The study concluded that innovativeness had the highest influence on growth of SME's in Nairobi County followed by risk taking propensity, competitive aggressiveness, Proactiveness, and autonomy respectively. The study made a conclusion that each independent variable was individually statistically significantly related to the competitive growth of SME's in Nairobi County hence a five predictor

model could be used in forecasting the growth of SME's in Nairobi County. Finally the study concluded that the establish regression model was fit for foresting and could be used for forecasting growth of SME's in Nairobi County.

### Recommendations

To the policy makers; embrace entrepreneurial orientation in your business in order to enhance growth. SME's should review their practices and policies in line with the entrepreneurial orientations. It also recommended that future studies including other sectors in the economy and

SME's in other counties be carried out. These findings will provide an increase in knowledge and a rich data base for future research, which can then be compared with the results of this study.

Finally, the use of other data collection methods such as interviews should be incorporated such that the researchers get responses that are relatively free from bias. This is because interviews afford the researcher the opportunity to allay fears, anxieties and concerns that the respondents may have. The researcher may also offer clarification when needed and help respondents to think through difficult issues.

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