OPPORTUNITY RECOGNITION AND THE PERFOMANCE OF SMALL AND MEDIUM ENTERPRISES IN KASARANI SUB-COUNTY, KENYA

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A RESEARCH PROJECT SUBMITTED IN PARTIAL FULFILMENT OF THE REQUIREMENTS FOR AWARD OF THE DEGREE OF MASTER OF SCIENCE IN ENTREPRENEURSHIP AND INNOVATIONS MANAGEMENT, FACULTY OF BUSINESS AND MANAGEMENT SCIENCE, UNVERSITY OF NAIROBI

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DECLARATION

This research project proposal is my original work and has not been submitted to any other university for academic award.
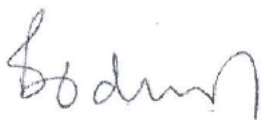

Signature _ _ Date__ November 22, 2021_____

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This project has been submitted with my approval as the appointed University supervisor.

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DEDICATION

This research project is a dedication to my family the Chemweis' for their unconditional support, encouragement, and inspiration all through my studies. May the good Lord guide your paths and grant you all the desires of your hearts.

ABSTRACT

Being the first stage of entrepreneurship, opportunity recognition is essential in determining the success or failure of businesses. Despite its importance, many SMEs have failed to conceptualize on future market opportunities available for exploitation and this has contributed to their dismal performance and failure. The objective of this study was to investigate the effect of opportunity recognition and the performance of SMEs in Kasarani Sub-county. The research study was underpinned by the Kirzenian and Schumpeterian theories and it will be of value to practitioners, policy makers, and academicians. The limitations to this study were: fear of victimization and confidentiality issues. This study embraced the cross-sectional survey design technique. The target population to the study was 839 respondents from which a sample of 86 SME owners and managers was drawn. Stratified random sampling technique was the sampling method employed. A structured open and close-ended questionnaire was utilized as the data collection instrument. A five point Likert scale was used to evaluate the research participants' level of satisfaction from the group of questions present in the tool. The data gathered was then analyzed quantitatively and the results presented via tables. From the research findings, many of the research participants agreed that customer satisfaction positively correlated with opportunity recognition (Mean= 4.36), growth in customer base positively correlated with opportunity recognition (Mean= 4.23), venture stability positively correlated with opportunity recognition (Mean=3.86), profitability positively correlated with opportunity recognition (Mean=3.66), and employee retention showed positive relations with opportunity recognition (Mean= 3.65). The findings of the study also showed that SMEs in Kasarani Sub-County are not alert to market gaps (Mean= 3.23), and they do not keep abreast of market changes (Mean= 3.15). The study concluded that the performance of SMEs in Kasarani Sub-County is dependent on their abilities to continuously identify opportunities. SMEs that are continuously keeping ahead of market changes and striving to develop unique ideas are likely to thrive in their market segments. The study suggested for further similar research on SMEs to be conducted in other counties to allow for comparisons and generalization to be made.

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ABBREVIATIONS AND ACCRONYMS

SMEs   Small and Medium Enterprises

MSME Micro, Small and Medium Enterprises

OR   Opportunity Recognition

OE   Opportunity Exploitation

GoK   Government of Kenya

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Opportunity Recognition (OR) and Small and Medium Enterprises (SMEs) performance are closely intertwined aspects in that the performance of SMEs is dependent on their abilities to continuously identify and exploit viable opportunities. According to Jones and Barnir (2019), the capacity to identify viable entrepreneurial opportunities is a recipe for exceptional SME performance and innovativeness. Firms with the capacity and ability to constantly come up with novel ideas can establish a competitive edge in their market segment by creating customer loyalty while at the same time attracting potential consumers. Opportunity recognition facilitates the coining of fresh ideas which are used to develop new products and also streamline business processes translating in improved SME performance. OR is the first step of the process of entrepreneurship meaning that without opportunity identification no entrepreneurial action can occur, and this will adversely affect SME performance (Harms et al., 2009). Therefore, SME owners need to have extensive knowledge of how valuable opportunities can be recognized and the aspects influencing the opportunity recognition process. With such knowledge, SME owners can increase their chances of arriving at income generating business opportunities, which will, in turn, guarantee the sustainability of their ventures.

Concerning the ontology of entrepreneurial opportunities and SME performance, two perspectives can be analyzed (Shane, 2003). First is the OR school of thought that originates from the works of Israel Kirzner, who argues that opportunities are objectively present in the market regardless of the entrepreneur (Berglund, 2007). In this regard, the entrepreneur's mandate is to discover these market gaps and tap them, translating in optimum SME performance. In sharp contrast, Schumpeter conceptualized the opportunity creation ideology where opportunities are viewed as subjective constructions developed by the entrepreneur. According to Schumpeter, opportunities are created and do not already exist in the market (Sengupta, 2013). Therefore, the more opportunities are created, the greater the chances of improved SME performance.

The theories underpinning opportunity recognition and SME performance are Schumpeterian and Kirzenian theories. The Kirzenian theory argues that being privy to suitable information is essential in discovering unique business concepts and ideas. This means that emerging business avenues can only be established by parties with access to information (Baron, 2004). In sharp

contrast, the Schumpeterian theory argues that opportunities do not inherently exist in the market and they have to be created (Sengupta, 2013). These theories are relevant to my study since they elaborate on how to go about the discovery of potential opportunities worth exploiting, which, in turn, influence the performance of SMEs. I opted to study SMEs within Nairobi County since the capital city is the economic hub of the country. Most SMEs in Kenya are located within Nairobi County and therefore, the findings of the study can be used to illuminate the status of SMEs countrywide.

1.1.1   Opportunity Recognition

The public continuously take part in the discovery of untapped opportunities. Although they come across vast opportunities daily, most of them lack the prowess and expertise to discover and transform these opportunities into successful ventures. Gagern (2018) defines opportunity recognition (OR) as the process in which businesses continuously brainstorm and search for new methods of improving business operations. Baron (2004) describes it as the cognitive process by which parties deduce that they have narrowed down to a viable opportunity worth pursuing. Similarly, Lumpkin and Lichtenstein (2005) termed it as a person's quality to establish a top-notch concept and transform it into a venture that brings optimum value to consumers while generating maximum profit. Scholars describe it as the most essential part of the entrepreneurship process.

Throughout this study the concept of opportunity recognition will be defined via the following indicators. First is the element of entrepreneurial alertness which refers to the tendency to be attentive to the market's interests and unmet needs. Baron (2004) describes it as being mentally open to establish and exploit viable business opportunities. The logic is that higher levels of alertness improves the chances of an opportunity to be established. Second is the aspect of social capital, which refers to the business networks and contacts that a business owner is familiar with. These includes business associates, close friends, and even family members. The argument is that an entrepreneur's social capital enables them to access knowledge and information that would have otherwise been unattainable. Third is the aspect of prior knowledge which refers to the unique knowledge that an entrepreneur harbors on certain aspects of the market such as seasonal patterns that enables them to discover opportunities. Prior knowledge influences a business owner's aptitude to understand, interpret, and utilize new information when a need arises.

While attempting to elaborate the concept of opportunity recognition, different scholars developed different models. Wallas (1926) argues that the opportunity recognition process is composed on five steps namely the preparation stage where the entrepreneur scans the environment in search of a gap left in the market, the incubation stage, which is the process of seeking better methods of competing in the market, the insight stage where resources are combined for the primary objective of pursuing a valid market opportunity identified, the evaluation phase that entails scrutinizing whether the product narrowed to can generate returns that justify the investment, and lastly, the elaboration stage, which assesses to what extent the idea implemented has attained its intended purpose.

On the other hand, Dyer (2008) composed a model that integrates three processes in reference to OR. The model consists of OR, which entails linking known products to existing demand, opportunity discovery, which is characterized by searching for an unidentified demand, and thirdly, opportunity creation where the demand or supply is unknown. Timmon developed his model which argued that successful opportunity recognition is propelled by the following three aspects; the nature of the opportunity itself, the organization, and the resources available for use (Hammad, 2015). Park (2005) proposed that opportunity recognition entails three elements that result in innovation. These include the business owner, technology, and experience.

Short et al. (2010) argues that a majority of entrepreneurial efforts should focus on opportunity identification since without opportunities entrepreneurship is void. Despite the study of opportunities being key to entrepreneurial research, many entrepreneurship studies have majorly focused on entrepreneurs and their behaviors rather than exploiting the concept of "opportunity" (Eckhardt and Shane, 2003).

1.1.2 Performance of Small and Medium Enterprises

Fielden et al. (2003) defines SME performance as the attainment of SME goals throughout a venture's evolution. It involves improvement in product and services quality, effectiveness of its human resources, and the expansion of customer and market base. Kennerley and Neely (2002) term it as a multidimensional concept that entails the integration of overall management, economics, marketing, and sociology. Initially, SME performance was defined and measured from a financial standpoint that is return on profits, investment, and turnover but the definition has evolved over the years to presently include non-financial perspectives such as competitiveness, market share, innovation, customer satisfaction levels, and employee retention rates (Anning-Dorson, 2018).

Santos and Brito (2012) argue that the performance of SMEs can broadly be classified into two dimensions. First is the financial performance perspective which encompasses aspects such as profitability, market value, and growth, and the strategic performance approach categorized by aspects such as customer satisfaction levels, innovation, employee satisfaction, and environmental performance. Financial performance often relates to the outcomes whereas strategic performance is linked to the determinants of the outcomes. Of the mentioned strategic performance metrics, the ones that stand out are that of customer satisfaction and innovation. Customers are the greatest asset to an organization and their diverse input will assist the company in addressing their needs, thus, enabling continued patronage. The core indicators under the customer perspective include their level of consumer satisfaction, complaints, retention, and profitability. This can be summarized by clearly defining goals for quality, service, time, and performance and transforming these goals in particular indicators. Regarding innovation, a company's ability to continuously innovate transforms its operational efficiency for the better resulting in organizational growth and increased shareholder value.

Despite the crucial role that SMEs play in economies, most of these would-be startups often fail to see their ideas evolve to fit the long-term business equation. Data obtained from the Bureau Labor of Statistics (BLS) denotes that 20% of startups collapse during the first two years after inception, 45% within the initial five years, and 65% in the first ten years (Deane, 2020). Similarly, the Sessional Paper No. 2 of 2005 posits that three out of five startups close shop within the first three years of setting up (Republic of Kenya, 2012). The performance of many SMEs is dwindling at an alarming rate because many of them are failing to conceptualize on the future market opportunities available for exploitation.

1.1.3   Small and Medium Enterprises in Kasarani Sub-County

Kasarani sub-county is arguably one of the most populated sub-counties within the larger Nairobi County. The sub-county hosts 839 SMEs, majority of which are sole proprietorship businesses. Other SME sectors thriving in the sub-county include the Jua Kali industry, bricks and cement manufacturing, and the clothing and fashion industry. The 2012 Micro and Small Enterprises Act No. 55 defines small enterprises as ventures whose annual returns range from five hundred to five million shillings, and have an employment capacity of between ten to fifty people. A 2016, MSME Survey reveals that medium enterprises have a capacity of between 51 and 99 workers. The survey further revealed that there are roughly 1.56 million MSMEs that have been registered by various county governing bodies while 5.85 Million MSME operate unlicensed.

Kasarani sub-county is riddled with a host of impediments and challenges that has inhibited the SMEs found in the area from thriving. First, there is a high rate of idea imitation among SMEs making it hard for a business to stand out in the marketplace. Many potential entrepreneurs hold the notion that the copying of ideas is the easiest and surest way of venturing into a business but the downside of this is that they fail to add a twist to set themselves apart from their competitors. The aftermath is the flooding of the market with similar commodities translating to lowered product prices and eventual business closure due to high levels of competition. Ideally, most SME sectors tend to be cannibalized.

Secondly, many SMEs within Kasarani Sub-county fail to understand their market and customers. These ventures rarely conduct extensive market research to establish emerging market gaps and scarcely collect user feedback regarding their commodities to keep up with the ever-changing consumer wants and needs. According to Franz (2019) having a deeper understanding of customer needs is essential to the success of a venture since entrepreneurs can use this knowledge to persuade potential consumers that purchasing from them is in their best interests. Therefore, this study will help SMEs within Kasarani sub-county to have a better grasp of their competitive market space and consumer buying habits such that SMEs can position themselves better to thrive in their industries.

1.2 Research Problem

Many SMEs die within few years of founding because they fail to identify viable business opportunities that are worth exploiting. These ventures have been unsuccessful in keeping abreast of the ever-changing market wants and needs; hence their ideas have been rendered obsolete over time. A baseline survey by the Central Bureau of Statistics depicts 58% of SMEs are stagnating, with only 38% undergoing growth (Central Bureau of Statistics, 2004). Despite huge amounts of opportunities opening up due to demographic, political, and social changes, many SMEs are failing to recognize untapped opportunities and end up replicating existing ideas. The aftermath of this is the flooding of the market with similar commodities, which, in turn, makes doing business very competitive, eventually leading to the closure of ventures.

The motivation for the study is to help SMEs in Kasarani sub-county improve their performance and extend their longevity by understanding the concept of opportunity recognition and using it to come up with fresh ideas that may enable them to continue thriving in their markets. Improved knowledge of opportunity recognition will help in establishing

essential elements necessary for cultivating successful entrepreneurial ventures, which will eventually contribute to the county's economic growth.

In the entrepreneurship process, OR being the first stage is a unique and vital aspect of entrepreneurship. Although numerous studies on opportunity recognition have been conducted, a dilemma regarding the concept of opportunity recognition still lingers as there are major disagreements among scholars on how to recognize a business opportunity and proceed to convert it into a viable startup, therefore, rendering the studies unsettled. Shane (2000) argues that a significant part of entrepreneurial research explores the entrepreneurial process after opportunity discovery. On the other hand, Alvarez and Barney (2017), state that OR has not been granted the desired attention it requires, rendering it among the least research concepts in the entrepreneurial field. Therefore, there is a need for researchers to understand how opportunities are identified, assessed before exploitation.

Hulbert, Gilmore, and Carson (2015) in their study on opportunity recognition and SME growth and performance established that opportunity recognition in owner-managed SMEs is both an entrepreneurial and managerial function. The study also revealed that opportunity recognition in SMEs needs innovative individuals and marketing skills in the strategic sense. The study was carried out in the UK. Guo, Tang, Su, and Katz (2016), in their study of the link between OR and SME performance, using business model innovation as the mediating factor observed that business model innovation acts as a link between the two variables. Anchored on a 155 SMEs dataset, the research denoted positive associations between the performance of SME and their abilities to pinpoint and take advantage of viable opportunities.

Although many studies on the effect of OR and SME performance have been conducted globally and regionally none has been carried out with the context of Kasarani sub-county. Therefore, this study seeks to establish how opportunity recognition affects the performance of SMEs in Kasarani sub-county.

1.3 Objective
The objective of this study was to investigate the effect of opportunity recognition (OR) and the performance of small and medium enterprises (SMEs) in Kasarani sub-county.

1.4 Value of the Study
First, the discoveries of this study harbor vital details for practitioners to enhance their entrepreneurial knowledge further. It will play a role in the entrepreneurial discourse by enlightening these specialists on how to identify and exploit business avenues creating

successful business experiences. Equipped with the right information these parties will have the capacity to set up ventures that are a force to reckon with in the market segments.

Secondly, the study will be of value to academicians by encouraging them to investigate more on the concept of OR and its usefulness in the process of entrepreneurship. The discoveries of this study will serve as a base from which other scholars can carry out more studies. On the other hand, learning institutions will be enlightened on the sectors to focus on when administering entrepreneurship courses meant to inspire young minds into starting their ventures.

Thirdly, this research study will influence entrepreneurship policies to inform future policy changes. The information will be of significant value to the government enabling it develop the right entrepreneurial policies for start-ups, policies which will be anchored on enhancing entrepreneurial capacities which will, in the long run, benefit the economy.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter examines the literature on opportunity recognition (OR) and SME performance. It will discuss Schumpeterian and Kirzenian theories, empirical study of previous international studies, and topics about the effect of opportunity recognition on the performance of SMEs in Kasarani Sub-county.

2.2 Theoretical Literature

The study elaborates on the Schumpeterian and Kirzenian theories. The Schumpeterian and Kirzenian theory are linked to each other in that they both explain how to go about the opportunity recognition process which, in turn, influences SME performance. According to the Schumpeterian theory, opportunities are not always present in the market hence the need to continuously create them (Sengupta, 2013). On the other hand, the Kirzenian theory argues that opportunities are inherently present in the market and thus the entrepreneur's task is to remain alert to them to identify and develop them. Firms with the capacity to constantly come up with fresh untapped ideas tend to transform them into income generating activities, therefore, improving SME performance whereas ventures that lack this quality end up being phased out of the market because their ideas become obsolete in the long-run.

2.2.1 Schumpeterian Theory

According to Sengupta (2013), the Schumpeterian theory also known as the creation theory was first introduced in 1911 by a distinguished scholar called Joseph Schumpeter. The theory holds that the concept of entrepreneurship entails more than just identifying already existing opportunities. It involves sensing an opportunity, exploiting it, assessing, and re-framing it. Schumpeter reiterated that opportunities are determined by events and the level of responsiveness of entrepreneurs as they search for new, innovative ways of meeting the ever-changing market needs.

Schumpeter's theory is characterized by the following features. First is the concept of circular flow which describes a condition where economic activity is recurrent. Schumpeter describes the circular flow as a stream that is being continually fed by the factors of production such as land and labor, which flows into a reservoir called income, which is, in turn, transformed into the satisfaction of wants and needs. In the second aspect he discusses the role of the entrepreneur. According to Schumpeter, the entrepreneur is the focal point of the development

process since he initiates development in society and propels it forward. Schumpeter argues that an entrepreneur is different from a manager since managerial activity entails directing production under existing conditions whereas entrepreneurship requires the injection of something new.

He also reiterates that an entrepreneur is distinct from a capitalist because a capitalist simply funds the project but an entrepreneur has to direct the use of the funds provided. The third feature is Schumpeter's theory is that of business cycle. He describes the business cycle as the process by which economic life conforms to the prevailing economic situation. The scholar states that the business cycle is caused by both economic and non-economic factors.

 The assumption of this theory that aligns with this study is that a purely competitive economy in a stationary state exists. In this economy there is stable money supply, stable price level, no uncertainty, and no economic growth. In addition, there is a cyclic flow of commodities in exchange for money and the chance to introduce new techniques. Ideally, the conditions are favorable for opportunity recognition and exploitation, but entrepreneurs are still unable identify them successfully. This theory will be used to elaborate the relationship between creative destruction and the discovery of opportunities. The theory argues that viable entrepreneurial opportunities are developed through the art of creative destruction rather than waiting for them to arise. Although this theory is used its weakness is that it is inadequate in the context of underdevelopment. In developing countries, the circle of innovators is small and the government is the biggest innovator. This will be justified with the next theory, which is the Kirzenian theory.

2.2.2 Kirzenian Theory

Kirzner's alertness theory was coined by Israel Kirzner, a renowned British-American economist. The primary ideology in Kirzner's theory is the element of alertness. Kirzner defines it as the identification of opportunities and gaps in the market and the efficient use of resources to derive value out of these opportunities. According to Kirzner, alertness causes entrepreneurs to stumble upon discoveries that aid in meeting the unlimited human wants. The theory depicts opportunities as being ever available and that they only need to be discovered by parties alert to them. The theory identifies the deviations that facilitate the discovery of opportunities to include political, technological, social, and demographic changes (Shane, 2003).

In the Kirzenian theory, the entrepreneur's choice to take advantage of opportunities is viewed to be risky ideally because opportunities are viewed to be objective in nature. In sharp contrast, Alvarez and Barney (2007) posit that the Kirzenian theory is primarily concentrated on hunting for viable opportunities within the entrepreneur's environment that they can tap into to produce goods and services. Therefore, the Kirzenian theory relies on active and passive search for the discovery and utilization of opportunities (Berglund, 2007).

Alvarez and Barney (2007) argue that an entrepreneur with the capacity to identify viable opportunities is unique from his counterparts. This is primarily because he has the quality and capacity to identify business opportunities with potential and go for them. These scholars also point out that the empirical research presently available is yet to qualify and prove whether entrepreneurs are distinct from non-entrepreneurs, and whether these disparities emerge from inception or they are influenced by the entrepreneur's experiences.

Ardichvili (2003) posits that entrepreneurial alertness is higher if several variables converge. These elements include experience, personality, and prior knowledge. Similarly, Shane (2002) argues that prior knowledge is a vital element in the OR process. He states that an individual's prior knowledge will enable them to properly utilize information when it arises. Busenitz et al. (2002) asserts that entrepreneurial cognition is structures in knowledge that aids the masses in the evaluation and assessment of market opportunities. However, the inability of the masses to process information from the external world prompts them to take shortcuts by using limited information. This explains why many SMEs exploit the same opportunities in the market.

2.3 Empirical Literature

Anwar, Clauss, and Issah (2021) conducted a quantitative research on entrepreneurial orientation (EO) and how startups perform in emerging markets with opportunity recognition as the mediating factor. The findings of the study were that EO indirectly influences SME performance with the relationship being partially arbitrated by OR. The study used the organizational theory and was carried out in Pakistan.

Hulbert, Gilmore, and Carson (2015) carried out a qualitative study on the sources of opportunities used by future oriented owner managers of SMEs in the UK. The research was conducted within twenty SMEs whose owners wanted to scale up their ventures. The study findings denoted that many sources of SMEs business opportunities are present in the market and are not necessarily caused by environmental changes. The study was underpinned by the innovation theory.

Eravia, Handayani, and Julina (2015) carried out a quantitative study on the opportunities and threats of SMEs situated in Pekanbaru, Indonesia. The study observed that the SMEs on the region have a lot of opportunities worth exploration due to a host of factors including highly level of consumption by the public and a favorable environment for investment. The study also highlighted some of the challenges facing SMEs in the area to include lack of raw material, capital, and information technology. The study was anchored on resource-based theories.

Tang, Kacmar, and Busenitz (2012) conducted a quantitative study on the concept of entrepreneurial alertness while pursuing fresh opportunities. The discovery of the study depicted that prior knowledge increases the chances of OR. The study was carried out in Southeast United States and it was underpinned by Kirzner's and cognitive theories of entrepreneurship.

Urban (2019) carried out a qualitative research study on social networking and OR focusing on internationalized companies situated in South Africa. The study depicted that interacting with international contacts resulted in higher levels of opportunity recognition in comparison to organizations with fewer interactions. Moreover, the study revealed that internationalized companies tend to spend significant time strengthening relationships linked with higher levels of opportunity recognition. The study was anchored on the social network theory.

A qualitative study carried out by Njanike (2020) sought to establish the factors influencing the growth and performance of SMEs in Africa. The study observed that education level, advertising, family run businesses, nature of business, and expertise were all essential factors impacting the profitability of SMEs. The study was conducted in Zimbabwe and was anchored on the social capital theory. Emezie (2017) conducted a quantitative study using interviews on prospects and issues 21st Century SMEs in Africa face. The study findings showed that the main challenges facing SME industries included infrastructural issues and insufficient funds. The study was conducted in Nigeria and was anchored on resource-based theories.

Mohutsiwa (2012) conducted a quantitative study on strategic entrepreneurship and SME performance in South Africa. The study showed that flexibility and adaptability in planning was essential for SME improved performance. The results of the study also reiterated on the need for SMEs in the state to be proactive and risk-taking to influence their performance. Strategic entrepreneurship theories underpinned the research study.

Mutandwa, Tarema, and Tubanambazi (2015) carried out a quantitative research on the determinants of business performance of SMEs in Rwanda. The discoveries of the study were

that that the performance of SMEs was determined by infrastructure availability, working environment, and entrepreneurship skills. The study was supported by resource-based theories.

Ally (2015) carried out a quantitative study concerning the factors that influence performance of SME in Tanzania. The study findings revealed that technological change, high taxation rates, and the lack of government support adversely affected SME performance in the country. The study employed inferential and descriptive statistics. Okumu and Buyinza (2020) performed a quantitative research on the role of innovation in SME performance in Uganda. The research study illuminated that a collaboration of the different types of innovation resulted in improved labor productivity among employees. The study was underpinned by the diffusion theory of innovation.

Abaho et al. (2016) undertook a quantitative study on the linkage between organization capabilities, entrepreneurial competency, and SME performance in Uganda. The study findings depicted that SME performance was enhanced by an upsurge in the firm's level of capabilities through competency management and market linkages. The study was conducted in Jinja. Saulo (2016) assessed the elements affecting successful process of OR and exploitation among manufacturers in Kariobangi area, Kenya. The findings established that prior knowledge, alertness to opportunities, and social capital positively impacted opportunity recognition. The study embraced a qualitative design approach and was anchored on the Schumpeterian and Kirzenian theories.

Njogu (2004) conducted a quantitative study to assess the factors affecting opportunity exploitation (OE) by entrepreneurial tree farmers in Lari District Central Kenya. A cross sectional survey design technique was used by the study. The study showed that factors such as prior knowledge, technological opportunities, and ready markets affected the planting of trees by farmers. The study was underpinned by the entrepreneurship theory.

Wanza (2018) examined the entrepreneurial factors affecting OR among dairy farmers situated in Makueni County. The study showed that the elements influencing OR in the dairy industry included social networks, entrepreneurial cognition, and prior knowledge. The research adopted a quantitative approach and also used descriptive and inferential statistics. Kirzenian and institution theory underpinned the study.

Kiprotich (2014) carried out a quantitative study on how social capital influences the growth and performance of SMEs within the Nairobi CBD. The study observed that social capital is a vital element that influences the development and performance of small ventures. A sample

size of 100 research participants was used and questionnaires were the primary data collection instrument. Waliaula (2012) conducted a study on the relationship between microcredit and SME performance. She observed that financing affects growth of small-scale ventures. The theories underpinning her research were the credit theory of money, liquidity theory, and credit risk theory. Her study employed both inferential and descriptive statistics and was conducted within Nairobi County. (Mwirigi, 2011) in his study of small firms noted that supply chain relationships influence the growth and performance of SMEs. His study was underpinned by the theory of economic development and was conducted with the Nairobi CBD.

Mburu (2017) conducted a quantitative research on the entrepreneurial aspects affecting SME performance in Rongai Town. According to the study, innovation, experience, commitment, and independence positively impacted SME performance. The study was grounded on the theory of visionary leadership and Schumpeter's entrepreneurship theory. The study was conducted in Kajiado County, Kenya.

2.4 Summary of Literature and Knowledge Gaps

This study has discussed in detail the theories and empirical studies on both the concepts of OR and the performance of SMEs. It has elaborated on the Kirzenian and Schumpeterian theories and their relevance to the study and embraced a funnel approach to discuss the empirical literature review section. Myriads of studies have been carried out on the linkages between OR and SME performance globally such as the use of innovation and the mediating factor between the variables, but none have concentrated on SMEs within Kasarani sub-county. This study intends to fill this gap. An understanding of the effects of opportunity recognition and SME performance will help in developing a tentative blueprint that will be used in addressing the high rate of collapse of SMEs within Kasarani sub-county. Furthermore, the study will enlighten entrepreneurs on how to go about the opportunity recognition process for sustainability purposes. In today's highly competitive business space the continuous discovery of new ideas will extend the longevity of ventures in their industries.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

The research methodology denotes the data collection process, measurement, and analysis with the objective of attaining the research project goals. This chapter highlights critical components including the research design technique, target population, sampling technique, tools of data collection, and the data analysis method.

3.2 Research Design

The study employed the cross sectional survey design and also used quantitative approaches. The survey technique is the preferred approach because it measures a specific aspect of a social phenomenon at a particular point in time. The approach comes in handy when gathering quantifiable information from a given sample population. In addition, it assists when investigating the position of multiple variables and its applicable when measuring the features of large populations. According to Dawson (2002) quantitative research generates statistics via the use of large-scale survey research, and diverse research instruments.

3.3 Population

According to Cooper and Schindler (2003), a researcher has to describe the population features, identify the right sample size, and select the appropriate approach to narrow down to the sample from the larger population. For this study, the target population was made up of all licensed SMEs within Kasarani sub-county operating ventures for both continuity and profit. The delimitation that will be employed is considering the trading licenses recognized by the Nairobi City County and only ventures with this certification will be integrated in the study. This study used SME managers and owners situated within Kasarani sub-county as the unit of analysis. Kasarani sub-county has 839 SMEs distributed across various towns including Kasarani, Njiru, Mwiki, Ruai, and Clay City (Nairobi County Council, 2018) as shown in Table 3.1.

Table 3.1 Target Population

Classification of SMES	Population Distribution
Clay City	59
Kasarani	247
Njiru	95
Ruai	231
Mwiki	207
Total	**839**

3.4 Sample Design

The study embraced the stratified sampling approach where the target population was categorized into five strata based on the ward the SMEs operate in. The simple random sampling probability sampling technique was then applied in each stratum to obtain a sample from the population. Stratified sampling was the preferred approach in this context since it allows the investigator to sample each sub group in the population hence generating a higher degree of statistical precision. The simple random sampling method was also employed as it gives a fair chance for each element of the population to be chosen (Thompson, 2012).

Mugenda & Mugenda (2003) argues that a 10% sample is sufficient for the representation of the entire population. The sample size that adequately represent 10% of the accessible population of 839 SMES was 86 players. Therefore, the sample size served as a true representation of SMEs within Kasarani sub-county as presented in Table 3.2.

Table 3. 2 Sample Size

Classification of SMES	Population Distribution	Sample Size
Clay City	59	6
Kasarani	247	25
Njiru	95	10
Ruai	231	24
Mwiki	207	21
Total	**839**	**86**

3.5 Data Collection

Primary data was collected from the research participants using questionnaires. Questionnaires was the data collection instrument since it enabled one to gather large data quantities within a limited time. The study adopted structured questionnaires with a Likert rating scales, with both open and close-ended questions. The questionnaire was divided into subsections based on the goal of the research. Consent was sought using a detailed letter explaining the goal of the research study. Confidentiality of the respondents was guaranteed via the same letter assuring the respondents that their anonymity would be preserved.

3.6 Data Analysis

The collected questionnaires were then sorted to determine their accuracy and completeness. Questionnaires not adequately filled were extracted from the study. Data was then coded with the responses classified into different categories. Descriptive statistics tools in SPSS were be used for data analysis. Employing descriptive statistics allowed for standard deviations, frequencies mean score, and percentages of both the dependent and independent variables to be generated. Tabular presentations were employed in data presentation to enable ease of understanding and analysis.

CHAPTER FOUR

DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

This chapter presents the results of the research study aimed at establishing the effect of opportunity recognition and the performance of small and medium enterprises in Kasarani sub-county. The analysis, intepretation, and presentation of the findings gathered was done with the goal of answering the research question posed at the beginning of the study.

4.2 Response Rate

The investigator administered 86 questionnaires to the research participants. Table 4.1 depicts the response rate for the study.

Table 4. 1 Response Rate

Category	Frequency	Percentage
Respondents	77	89.53
Non-Respondents	9	10.47
Total	**86**	**100**

From Table 4.1, out of the targeted sample size of 86 respondents, those who responded were 77 translating to a response rate of 89.53%. This is in line with Mugenda & Mugenda (2003) who states that a response rate of 50% and above is sufficient for statistical reporting. The data was then analyzed using the Statistical Package for Social Sciences (SPSS) data analysis tool. Frequencies were utilized for single response questions, while a 5 point Likert scale was used for multiple response questions. The data was then presented in tables with relevant descriptions being given in prose.

4.3 Demographics of the Respondents

On the initial section, the research study sought to obtain the respondents' background information on aspects such as their title, gender, age, years in business, number of employees, firm's industry segment, revenue generated for the past five years, and their level of satisfaction with the outcome of their business. Section two sought to identify how SMEs in Kasarani Sub-County identified viable business opportunities, and section three strived to establish SME performance.

4.3.1 Title of the Participant

The research participants were instructed to give their titles. This was vital since it enabled the researcher understand whether SME owners within Kasarani Sub-County trusted other parties to run their ventures or preferred to manage their businesses themselves. The information obtained was captured using frequencies and percentages and displayed in Table 4.2.

Table 4. 2 Title of the Participant

Category	Frequency	Percentage
Manager	23	29.9
Owner	54	70.1
Total	**77**	**100**

Table 4.2 shows the title of the participants involved in the study. From the findings majority (70.1%) of the respondents were SME owners with (29.9%) being managers. This implies that majority of the SMEs in Kasarani Sub-County are run/managed by their owners.

4.3.2 Gender

The Gender of the research participants was important in the study. It was taken to establish the ratio of men versus women owning SMEs within Kasarani Sub-County. Table 4.3 shows results for gender.

Table 4. 3 Gender Distribution

Category	Frequency	Percentage
Female	32	41.6
Male	45	58.4
Total	**77**	**100**

According to table 4.3, a large percentage respondents involved in the research study were male (58.4%) with 41.6% of them being female. This denotes that fewer women have ventured into the entrepreneurship field within Kasarani Sub-County compared to their male counterparts.

4.3.3 Age Category

Data regarding the age of the research participants was collected to establish the age bracket of people involved in small-scale businesses within Kasarani Sub-County. The age bracket with the highest percentage showed a higher affinity to opportunity recognition. The information captured was presented in tabular form as shown in Table 4.4.

Table 4. 4 Ages of Respondents

Category	Frequency	Percentage
20-39	48	62.3
40-59	25	32.5
60-79	4	5.2
Total	**77**	**100**

According to Table 4.4, a large section (62.3%) of the respondents were aged 20-39 years, 32.5% were aged 40-59 years, while 5.2% were aged 60-79 years. The findings show that youth entrepreneurship is on the rise in Kasarani Sub-County.

4.3.4 Number of Employees

The research intended to identify the number of workers recruited by the small-scale ventures. This was essential since it enabled the researcher to establish the size of the business. Frequencies and percentages was generated and presented as depicted in Table 4.5.

Table 4. 5 Number of Employees

Category	Frequency	Percentage
1-9	44	57.1
10-20	19	24.7
21-30	10	13
31-40	2	2.6
41-50	2	2.6
Total	**77**	**100**

Table 4.5 denotes that majority (57.1%) of the SMEs had 1-9 employees, 24.7% had 10-20, 13% had 21-30, 2.6% had 31-40, while 2.6% had 41-50. This shows that most of these ventures the respondents operate were young startups that hired additional workers on contractual basis based on existing demand.

4.3.5 Industry Segment

Data was captured from the respondents regarding the industry segment. This helped the research to understand which sector forms the Sub-County's economic backbone. The data collected was presented as shown in Table 4.6.

Table 4. 6 Industry Segment

Category	Frequency	Percentage
Finance	6	7.8
ICT	13	16.9
Retail	25	32.5
Service	24	31.2
Other	9	11.7
Total	**77**	**100**

Table 4.6 showcases the diverse industry segments the business owners involved in the study operate in. From the data it is observed that 32.5% of the SME owners have ventured into the retail sector, 31.2% into the service, 16.9% into ICT, and 7.8% into the finance sector.

4.3.6 Duration of Business Operation

The research study sought to establish the time frame the ventures have been functional. The longer the number of years an SME had been in operation, the more the level of experience it was concluded to have. The results were presented in Table 4.7.

Table 4. 7 Duration in Business

Category	Frequency	Percentage
1 year or less	18	23.4
2-3 years	26	33.8
3-4 years	9	11.7
Above 5	24	31.2
Total	**77**	**100**

Table 4.7 illustrates that majority (33.8%) of the research participants showed that they had been operating for 2-3 years, 31.2% for above 5 years, 23.4% for one year or less, and 11.7% for 3-4 years.

4.3.7 Turnover Rate for the Past Five Years

Data was gathered from the research participants on the total revenue their firms generated over the past five years. Businesses with high revenue were considered to have top-line growth while those with low revenue termed to be failing. Table 4.8 denotes the results on the turnover rate for the past five years.

Table 4. 8 Turnover Rate for the Past Five Years

Category	Frequency	Percentage
10 million and below	44	57.1
11-20 million	10	13
21-40 million	9	11.7
41-60 million	7	9.1
61-80 million	5	6.5
Above 80 million	2	2.6
Total	**77**	**100**

According to table 4.8, a large percentage (57.1%) of the research participants indicated that they had 10 million shillings and below turnover over the past five years, 13% had 11-20 million, 11.7% had 21-40 million, 9.1% had 41-60 million, 6.5% had 61-80 million, while 2.6% of the respondents had returns of above 80 million. This denotes that most of the ventures within Kasarani Sub-County are failing tremendously.

4.3.8 Work Experience

The research intended to identify the length of time the respondents had previously been in employment. This was essential as it enabled the researcher to understand how soon SME owners in Kasarani Sub-County transition from the corporate world into the business world. The results of the data captured was presented as shown in Table 4.9.

Table 4. 9 Work Experience

Category	Frequency	Percentage
0-5 years	31	40.3
5-10 years	27	35.1
10-15 years	6	7.8
15-20 years	6	7.8
20 years or more	7	9.1
Total	**77**	**100**

Table 4.9 highlights that majority (40.3%) of the respondents have been employed for five years and below, 35.1% had 5-10 years working experience, 7.8% had 10-15, 7.8% has 15-20 years, while 9.1% had 20 years and above years in employment. This implies that majority of

SME owners within Kasarani sub-County are risk takers who opted to venture into the business field regardless of their level of experience.

4.3.9 Previous Employment Relationship

The study requested the research participants to highlight whether their ventures were associated with their previous lines of employment. The results are as shown in Table 4.10.

Table 4. 10 Previous Employment Relationship

Category	Frequency	Percentage
No	35	45.5
Yes	42	54.5
Total	**77**	**100**

According to table 4.10, majority (54.5%) of the respondents ventured into fields related to their previous employments with 45.5% indicating otherwise. This shows that previous work knowledge and expertise aids in the smooth transition into the entrepreneurship realm.

4.3.10 Satisfaction with Business Outcome

The study sought to identify the level of satisfaction of SME owners with their business outcomes. By understanding the trader's contentment levels, the researcher would be able to identify the opportunities for growth. Data obtained was computed and presented as shown in Table 4.11.

Table 4. 11 Satisfaction with Business Outcome

Category	Frequency	Percentage
No	47	61
Yes	30	39
Total	**77**	**100**

According to Table 5.1, 61% of SME owners are not satisfied with the achievement levels of their enterprises with 39% being contented with their outcomes thus far. This denotes that enlightening SME owners with concepts such as opportunity recognition can help them to scale up their ventures to higher levels.

4.3.11 Business Entry

The study sought to find out how the SME owners got into their current business ventures. The findings were broadly categorized into the following sub-categories; experimentation, COVID-19 pandemic, and financial independence.

On the aspect of experimentation, majority of the respondents claimed that they were triggered to enter into their businesses simply by trying something new. Through trial and error, some business owners managed to stumble upon viable business ventures.

According to some SME owners, the Corona virus pandemic that has ravaged the world was a catalyst for them to venture into the business realm. This is because the epidemic caused their loss of jobs/termination of employments prompting them to venture into the entrepreneurship field to stay afloat.

The findings of the research study also showed that some SME owners opted to enter into the business world to supplement their income and attain financial independence. Others were motivated by the desire to be their own boss.

4.3.12 Attraction to Business Venture

The study sought to identify the factors that coerced the SME owners to enter into a particular business field. These aspects were broadly categorized into the following groups; level of income, market potential, and passion.

According to some SME owners, the potential revenue that could be generated from a business venture, the high profit margins linked to a given business, and the low cost of setup were some of the factors that encouraged them to enter into certain market segments. The research findings show that the entrepreneurs were in search of business ventures that offered optimum revenue while requiring low startup costs.

Some business owners cited low competition levels, lucrativeness of business opportunities, and the potential for market growth as some of the aspects that attracted them to their present ventures. This implies that most of the SME owners of Kasarani Sub-County were focusing on the viability of a business idea. The more sustainable an idea was the increased likelihood an entrepreneur was going to exploit it.

The findings of the study also showed that some SME owners entered into their business lines because of their love passion, and interest. According to them, going to work is never a chore for them since they have transformed their passion into an income generating venture. These

business owners state that there is no greater joy that obtaining revenue from doing what they love most.

4.3.13 Source of Business Idea

Data was obtained from the research participants on their sources of business ideas. The findings were classified based on the following broad sub categories; connections/networks, brainstorming, and the internet.

The findings of the research study denoted that some of the SME owners in Kasarani Sub-County sourced their business ideas from their existing connections and networks. According to the business owners, referrals from friends, peer group discussions, and the inheritance of family ventures are some of the factors that facilitated them to engage in their current lines of business. This implies that social capital plays an essential role in the success of ventures.

Some enterprise owners stated that they obtained their business ideas after engaging in brainstorming sessions. During these sittings, the SME owners were able to generate viable business ideas and share knowledge on how to solve problems and streamline their business operations.

The study findings also revealed social media platforms to be a leading source of business ideas. According to the traders, Facebook groups are a gold mine for business ideas. This is ideally because these groups include both potential consumers and competitors. By joining groups relevant to the industry one intends to join, one can stumble upon a wealth of information that can enable one to start and run a business comfortably.

4.4 Opportunity Recognition by SMEs in Kasarani Sub-County.

The respondents were instructed to indicate how they identify viable business opportunities worth exploiting. This information was placed on a five point Likert scale. Descriptive statistics for each statement was then done with the mean and standard deviation generated. A mean score of 3 and above measured satisfaction on each statement. The standard deviation showed the variation from the mean. The research findings are presented in Table 4.12.

Table 4. 12 Opportunity Recognition by SMEs in Kasarani Sub-County.

	Mean	Standard Deviation
Interactions with customers help the organization formulate new business ideas.	4.19	0.904
The owner/manager's professional networks assist them in developing new venture ideas.	4.06	0.908
The owner/manager's family and friend assist them in coming up with fresh, untapped business ideas.	3.41	1.271
The business owner/manager rely on their instincts to recognize viable opportunities.	3.36	1.123
The firm identifies opportunities from market gaps.	3.23	1.111
The firm always keeps ahead of market changes.	3.15	1.367
Average	**3.56**	**1.114**

Based on the findings of Table 4.12, the respondents agreed that they formulate new business ideas from continuous interactions with customers (Mean=4.19). They also concurred that they relied on their professional networks to develop fresh, untapped ideas (Mean=4.06). However, most of the respondents disputed depending on their family and friends as reliable sources of ideas (Mean= 3.41), they disagreed about relying on their instincts to narrow down to viable business opportunities (Mean=3.36), they disagreed that their ventures identified viable business opportunities based on the prevailing market gaps (Mean= 3.23) and they also disagreed that their businesses keep abreast of market changes (Mean= 3.15). The average standard deviation stood at 1.114 showing that the variation within the responses was minimal.

4.5 Performance of Small and Medium Enterprises

The research participants were instructed to indicate their level of agreement with statements on the performance of SMEs in Kasarani Sub-County. This information was captured using a five point Likert scale and results tabulated as shown.

Table 4. 13 Performance of Small and Medium Enterprises

	Mean	Standard Deviation
To what extent does customer satisfaction rely on the formulation of new ideas?	4.36	0.705
To what level is growth in customer base dependent on exploiting market gaps?	4.23	0.916
To what extent is venture stability (employee job security) reliant on the continuous development of new ideas?	3.86	0.996
To what extent does a firm's profit rely new ideas?	3.66	0.982
To what level is employee retention based on fresh ideas?	3.65	1.121
Average	**3.952**	**0.944**

According to the findings in Table 4.13, the respondents agreed that the level of customer satisfaction is dependent on the formulation of fresh ideas (Mean= 4.36), growth in customer base relies on the exploitation of market opportunities (Mean= 4.23), and venture stability is reliant of the constant development of new ideas (Mean=3.86). The SME owners also agreed that a firm's profitability depends on new ideas (Mean=3.66) and also concurred that employee retention relied on fresh ideas (Mean= 3.65). The average standard deviation was 0.944 denoting that the variation within the responses was small.

4.6 Discussion of Findings

The goal of this study was to establish the effect of opportunity recognition and the performance of SMEs in Kasarani Sub-county. Using the research findings of previous studies that have been conducted in the subjects of opportunity recognition and SME performance, the following interpretations were made.

Regarding the aspect of opportunity recognition, majority of the respondents agreed that their close interactions with current customers and professional networks assisted them in discovering new business opportunities. This was in line with the observations of Berglund (2007) who argued that social capital is one of the factors that influences opportunity

recognition. The findings also concurred with Urban (2019) who stated that social networks positively affect opportunity recognition.

The study also established that majority of the respondents did not identify opportunities from market gaps. This explains the high rate of failure of SMEs in Kasarani Sub-County. According to the Kirzenian theory, the alertness trait in entrepreneurs helps them to easily narrow down to surrounding opportunities. They theory argues that while there exist a lot of information in the surrounding environment, only those parties that remain alert to these opportunities will discover them (Baron, 2004).

The research study revealed that most of the research participants did not think that they could source business concepts and ideas from their close family and friends. This concured with the sentiments of Granoveter (1973) who states that weak ties are often excellent sources of novel business ideas unlike strong ties such as family which scarcely contribute to unique venture ideas. Similarly, Ardichvili et al. (2003) argues that casual interactions tend to yield unique ideas and perspectives compared to close friends.

Another finding obtained from the study was that SME owners within Kasarani Sub-County do not keep ahead of market changes. This is another aspect that explains why these ventures are not performing at their optimal level. According to the Schumpeterian theory, successful ventures are those businesses that are quick to embrace new markets, new systems of productions and new products and services (Sengupta, 2013). According to the theory, entrepreneurial opportunities have to be created hence the need for SMEs in Kasarani Sub-County to disrupt existing systems via the process of creative destruction.

The results of the study also showed that SME owners in Kasarani Sub-County tend to venture into fields linked to their previous areas of specialization. This agrees with Berglund (2007) who argued that prior knowledge affects OR process. Similarly, Hippel (1994) observed that people often gravitate towards business ventures that are directly linked to the information and material at their disposal.

On the aspect of SME performance, the results indicated that new concepts, new products, and fresh ideas create customer loyalty. This agrees with Hennig-Thurau (2000) who posits that unique ideas create new opportunities to win customer loyalty. Gartner (2018) argues that customer satisfaction is the new battlefront for firms to attain a competitive edge in their industry segments.

Another finding of the study was that the more a business exploits a market gap, the more it increases its customer base. This is in tandem with the analogy of Gregory (2019) who states

that every successful business enterprise has tended to a gap not previously met. Therefore, a gap in the market is an opportunity for an SMEs to broaden its customer base.

The study also revealed that new ideas and concepts may be translated into products and services which may, in turn, generate additional income for the business. This concurs with statements of Linton (2019) who argues that the successful exploitation of new ideas enables ventures to streamline their business processes, increase their efficiency, and improve their profitability.

The findings of the study also depicted that the constant development of ideas facilitates employee job security since it guarantees business continuity. This is in line with Schumpeter's creative destruction analogy which holds that firms have to continuously reinvent themselves in their market segments to stay relevant and safeguard their competitive advantage (Sengupta, 2013).

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter presents the summary of study findings, conclusions, and recommendations on opportunity recognition and the performance of SMEs in Kasarani Sub County.

5.2 Summary

The demographic findings indicate that majority of the people owning and managing SMES in Kasarani Sub-County were males within the youth age category. The study also revealed that SME owners in the Sub-County ventured into industry segments related with their previous jobs giving emphasis on the importance of prior knowledge in the process of opportunity recognition. In addition, the results showed that most SME owners were not satisfied with the output of their businesses meaning that knowledge on opportunity recognition would help them improve the performance of their ventures.

Based on the study findings, a large percentage of the respondents agreed that social and business networks are vital source of ideas and information that could be translated into income generating opportunities. The SME owners acknowledged that weak ties such as acquaintances to be more reliable sources of information compared to strong ties such as close family. The SME owners also identified social media platforms such as Facebook to harbor a wealth of information and connections that can enable them to run ventures successfully.

In accordance with the findings from the study, customers were also identified to have a key role in the formulation of business ideas. As the direct consumers of commodities, they have the ability to enlighten the SME owners on what needs to be improved on the existing commodities and services. Therefore, it is vital for SMEs to study and understand the forces behind customer buying behavior to enable them craft new products that will increase their profitability.

With the view of the research study findings, it was revealed that SME owners in Kasarani Sub-County were not alert to market gaps. These ventures were not quick to notice gaps of unmet wants and needs and the aftermath of this was failure. Being alert to new opportunities is an ongoing way to help SMEs survive, thrive, and maintain a competitive edge in their market segments.

According to the research study findings, a large section of the respondents stated that they did not keep ahead of market changes. This was also another recipe for SME failure since knowing and staying on top of market trends enables SMEs become market leaders. The study findings also showed that SME owners in Kasarani Sub-County disagreed that they had special sensitivity or instincts that made them drawn towards new venture opportunities.

On the performance of SMEs, majority of the respondents agreed that the level of customer satisfaction is dependent on the formulation of fresh ideas, growth in customer base is reliant on the exploitation of market opportunities, venture stability is dependent on the constant development of new ideas, SME profitability depends on novel concepts, and employee retention is based on the continuously formulation of unique ideas and perspectives.

5.3 Conclusion

In consideration of the findings of the research study, it can be concluded that opportunity recognition has an effect on the performance of SMEs in Kasarani, Sub-County. This conclusion is supported by the study findings which indicate a strong positive relationship between the performance of SMEs and their ability to discover opportunities. The study suggests that SMEs that are continuously keeping abreast of market changes and consistently developing unique concepts are bound to excel in their market segments. These ventures are likely to exhibit high customer satisfaction rates, high employee retention rates, huge profit margins, and large market sizes. The study also makes a conclusion that opportunity recognition in Kasarani Sub-County is influenced by a host of aspects which can be classified into social capital, prior knowledge, and entrepreneurial alertness. This is because of these elements positively correlate with opportunity recognition.

5. 4 Recommendations

Based on research findings, the study proposes for seminars on opportunity recognition to be organized frequently for the traders. Through these sessions SME owners in Kasarani Sub-County can be enlightened on how to discover and remain alert to viable entrepreneurial opportunities via the systematic search for unmet consumer needs and wants in the market. Such knowledge will enable the traders keep ahead of market changes which will, in turn, translate in improved SME performance. The study also recommends the creation of public forums where SME owners within the Sub-County can meet and interact. Through these forums, the traders can brainstorm on ideas and also increase their social capital.

5.5 Limitations of the Study

The investigator experienced a host of impediments in his quest to conduct the study. First, there was the fear of victimization issue, especially among SME managers which made them hesitant in participating in the data collection process. These parties worried that SME owners would persecute them for disclosing information about the business. Secondly, there was the data privacy and confidentiality challenge which prompted some respondents to become reluctant in providing information needed by the researcher. This was managed by persuading the respondents that their confidentiality would be safeguarded at all costs and that the information collected would only serve academic purposes only. A well-crafted letter of introduction from the university also assisted in proving the credibility of the data collection process.

5.6 Suggestions for Further Research

From the findings of this study, a host of areas requiring further research have emerged. First, the influence of mediating factors such as innovation and creativity on opportunity recognition and SME performance should be studied. The findings of such studies will be of value to academicians, practitioners, and even the government since it will shed light on how entrepreneurial capacity can be enhanced. Secondly, the study has shown that there exist several factors that influence opportunity recognition and the performance of SMEs. Future research should examine how these elements can be integrated into entrepreneurship courses. Thirdly, the current study focused primarily on SMEs in Kasarani Sub-County meaning the scope of the study findings was limited to the Sub-County. In this view, the study could be replicated in other counties to allow for comparisons and generalization to be made.

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APPENDIX I: QUESTIONNAIRE

Dear Respondent,

RE: REQUEST FOR YOUR PARTICIPATION

You are humbly asked to take part in a research study on the effect of opportunity recognition and SME performance. The data to be collected will help in understanding opportunity recognition and how it affects the performance of SMES within Kasarani Sub-County.

Any information disclosed will be treated with utmost confidentiality and will only be used for research purposes. To participate in this study, please answer the listed questions as accurately as possible.

SECTION 1: Background Information

1. Title of participant   Manager ( )   Owner ( )
2. Gender   Male ( )   Female ( )
3. Age Category   20-39 years ( )   40-59 years   ( )   60-79 years   ( )
4. Highlight the option that indicates the total employees in your business enterprise

    1-9 ( )   10-20   ( )   21-30 ( )   31-40 ( )   41-50 ( )
5. What industry segment does your firm deal in?

    Service ( )   Retail   ( )   ICT ( )   Finance ( )   Other _____
6. For what duration has your venture been in operation?

    1 year or less ( )   2-3 years ( )   3- 4 years ( )   Above 5 years ( )
7. How much income has the business generated in the past 5 years in Ksh (millions)?

    10 million and below ( ) 11-20 ( ) 21- 40 ( ) 41- 60 ( ) 61- 80 ( ) Above 80 ( )
8. If you were previously employed how many years of work experience do you have?

    0 to 5 years ( )   5- 10 ( ) 15-20   ( )   20 years or more ( )
9. Is your business associated with what you were doing in your previous occupation?

       Yes ( )   No ( )
10. Are you satisfied with the outcome of your business?

       Yes ( )   No ( )
11. How did you get into the business you have now?

    ……………………………………………………………………………………….

12. What attracted you to invest in this business?

………………………………………………………………………………………..

13. Where did the idea come from?

………………………………………………………………………….................

SECTION 2: How SMEs in Kasarani Sub-County Recognize Business Opportunities

Kindly circle the check box that best describes your level of agreement or disagreement

	Opportunity Recognition	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
14.	The firm identifies opportunities from market gaps.	1	2	3	4	5
15.	The firm always keeps ahead of market changes.	1	2	3	4	5
16.	The business owner/manager rely on their instincts to recognize viable opportunities.	1	2	3	4	5
17.	Interactions with customers help the organization formulate new business ideas.	1	2	3	4	5
18.	The owner/manager's professional networks assist them in developing new venture ideas.	1	2	3	4	5
19.	The owner/manager's family and friend assist them in coming up with fresh, untapped business ideas.	1	2	3	4	5

SECTION 3: The Performance of Small and Medium Enterprises

	Performance Indicator	No Extent	Little Extent	Moderate	Great Extent	Very Great Extent
20.	To what extent does a firm's profit rely new ideas?	1	2	3	4	5
21.	To what level is employee retention based on fresh ideas?	1	2	3	4	5
22.	To what extent is venture stability (employee job security) reliant on the continuous development of new ideas?	1	2	3	4	5
23.	To what level is growth in customer base dependent on exploiting market gaps?	1	2	3	4	5
24.	To what extent does customer satisfaction rely on the formulation of new ideas?	1	2	3	4	5