

**FACTORS INFLUENCING SUCCESSFUL OPPORTUNITY
RECOGNITION AND EXPLOITATION AMONG SMALL SCALE
MANUFACTURERS IN KARIOBANGI LIGHT INDUSTRIES**

BY

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**A Research Project presented in partial fulfillment of the requirement for the
award of the degree of Master of Science in Entrepreneurship and Innovation**

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DECLARATION

Candidate's Declaration

The Project is my original work and has not been presented for a degree in any other university or any other award.

Signature _____ Date _____

Christine Atieno Saulo (D66/64641/2013)

Declaration by Supervisor

This work has been submitted with my approval as Supervisor

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DEDICATION

To my late mother, Rosa Awour Saulo

TABLE OF CONTENTS

DECLARATION.....	ii
ACKNOWLEDGEMENT.....	iii
DEDICATION.....	iv
LIST OF TABLES	viii
LIST OF FIGURES	ix
LIST OF ABBREVIATION AND ACRONYMS	x
CHAPTER ONE	Error! Bookmark not defined.
INTRODUCTION.....	Error! Bookmark not defined.
1.1. Background of the Study	Error! Bookmark not defined.
1.1.1 Opportunity Recognition	Error! Bookmark not defined.
1.1.2. Opportunity Exploitation	Error! Bookmark not defined.
1.1.3. Success in SMEs.....	Error! Bookmark not defined.
1.1.4. Factors Influencing opportunity Recognition and Exploitation.....	Error! Bookmark not defined.
1.1.5. Small and Medium Enterprises in Nairobi.....	Error! Bookmark not defined.
1.2. Research Problem	Error! Bookmark not defined.
1.3. Research Objective	Error! Bookmark not defined.
1.3.1 Specific Objectives	Error! Bookmark not defined.
1.4. Value of the study	Error! Bookmark not defined.
CHAPTER TWO	Error! Bookmark not defined.
LITERATURE REVIEW	Error! Bookmark not defined.
2.1. Introduction.....	Error! Bookmark not defined.
2.2. Small and Medium Enterprises.....	Error! Bookmark not defined.
2.3. Success In SMEs.....	Error! Bookmark not defined.
2.4. Opportunity Recognition	Error! Bookmark not defined.
2.4.1. Models of Opportunity Recognition	Error! Bookmark not defined.
2.5. Capabilities for Opportunity Exploitation	Error! Bookmark not defined.
2.6. Theoretical Approaches of Opportunity Recognition.....	Error! Bookmark not defined.
2.6.1. Schumpeterian Theory	Error! Bookmark not defined.
2.6.2. Kirzenian Theory	Error! Bookmark not defined.
2.6.3. Entrepreneurship Theory	Error! Bookmark not defined.

2.7. Factors influencing Opportunity Recognition and Exploitation ..	Error! Bookmark not defined.
2.7.1. Prior Knowledge	Error! Bookmark not defined.
2.7.2. Entrepreneurial Cognition.....	Error! Bookmark not defined.
2.7.3. Social Networks	Error! Bookmark not defined.
2.7.4. Entrepreneurial Alertness.....	Error! Bookmark not defined.
2.7.5. Personality traits.....	Error! Bookmark not defined.
2.8. Empirical Review.....	Error! Bookmark not defined.
2.9. Summary of Literature Review and Knowledge Gap	Error! Bookmark not defined.
CHAPTER THREE	Error! Bookmark not defined.
RESEARCH METHODOLOGY	Error! Bookmark not defined.
3.0. Introduction.....	Error! Bookmark not defined.
3.1. Research Design.....	Error! Bookmark not defined.
3.2. Population	Error! Bookmark not defined.
3.3. Sampling	Error! Bookmark not defined.
3.4. Data collection	Error! Bookmark not defined.
3.5 Data analysis	Error! Bookmark not defined.
3.5.1 Analytical Model	Error! Bookmark not defined.
CHAPTER FOUR.....	Error! Bookmark not defined.
DATA ANALYSIS, PRESENTATION AND INTERPRETATION ..	Error! Bookmark not defined.
4.1. Introduction.....	Error! Bookmark not defined.
4.2. Demographic Information.....	Error! Bookmark not defined.
4.2.1 Respondents' Gender	Error! Bookmark not defined.
4.2.2 Number of Employees	Error! Bookmark not defined.
4.2.3 Business Activity	Error! Bookmark not defined.
4.2.4 Years in business.....	Error! Bookmark not defined.
4.2.5 Business Idea Generation.....	Error! Bookmark not defined.
4.2.6 Turnover Rate per Annum in Kenya shillings ..	Error! Bookmark not defined.
4.2.7 Work Experience	Error! Bookmark not defined.
4.2.8 Previous Employment Relationship.....	Error! Bookmark not defined.
4.3. Opportunity Recognition By Small Scale Manufacturers. ...	Error! Bookmark not defined.
4.4. SMEs Capabilities to Exploit Opportunities.....	Error! Bookmark not defined.

4.5. Factors Influencing Successful Opportunity Recognition and Exploitation among Small scale Manufacturers	Error! Bookmark not defined.
4.6. The SMEs Performance	Error! Bookmark not defined.
4.7. Inferential Statistics	Error! Bookmark not defined.
4.8. Discussions.....	Error! Bookmark not defined.
CHAPTER FIVE	Error! Bookmark not defined.
SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS ..	Error! Bookmark not defined.
Bookmark not defined.	
5.1. Introduction.....	Error! Bookmark not defined.
5.2. Summary	Error! Bookmark not defined.
5.3. Conclusions.....	Error! Bookmark not defined.
5.4. Recommendations.....	Error! Bookmark not defined.
5.5. Limitations of the study	Error! Bookmark not defined.
5.6. Areas for further research	Error! Bookmark not defined.
REFERENCES.....	Error! Bookmark not defined.
Appendices 1: Questionnaire	Error! Bookmark not defined.

LIST OF TABLES

Table 4. 1: Number of Employees	Error! Bookmark not defined.
Table 4. 2: Business Activity	Error! Bookmark not defined.
Table 4. 3: Business Idea Generation	Error! Bookmark not defined.
Table 4. 4: Turnover Rate per Annum in Kenya shillings.	Error! Bookmark not defined.
Table 4. 5: Work Experience	Error! Bookmark not defined.
Table 4. 6: Previous Employment Relationship	Error! Bookmark not defined.
Table 4. 7: Small scale Manufacturers Recognizing Opportunities	Error! Bookmark not defined.
defined.	
Table 4. 8: Small Scale Manufacturers Capabilities to Exploit Opportunities	Error!
Bookmark not defined.	
Table 4. 9: Factors Influencing Successful Opportunity Recognition and Exploitation	
.....	Error! Bookmark not defined.

LIST OF FIGURES

Figure 4. 1: Respondents' Gender	Error! Bookmark not defined.
Figure 4. 2: Years in Business	Error! Bookmark not defined.

LIST OF ABBREVIATION AND ACRONYMS

SME: Small and medium enterprise.

SPSS: Statistical Package for the Social Sciences

UNIDO: The United Nations Industrial Development Organization

ROK: Republic Of Kenya

GOK: Government of Kenya

GDP: Gross Domestic Product

GDP: Gross Domestic Product

ABSTRACT

Most developing countries are characterized by the rise and growth of SMEs. SMEs play a central role in terms of economic development and employment. However, despite their huge contribution in the society, debate still lingers in terms of how entrepreneurs recognize and exploit opportunities. This study investigated the role of prior knowledge, entrepreneurial cognition, social networks, entrepreneurial alertness and personality traits in the successful recognition and exploitation of opportunities. The study was guided by three objectives: to identify how small scale manufacturers in Nairobi recognize opportunities, to find out their capabilities to exploit opportunities and to establish the factors influencing successful opportunity recognition and exploitation among small scale manufacturers in Kariobangi Light Industries. The study was conducted among small scale manufacturers in Kariobangi Light Industries in Nairobi County. A quantitative research approach was used and a descriptive survey design. A questionnaire was administered to a sample of 39 respondents using a simple random sampling technique. The data collected was analyzed quantitatively using descriptive and inferential statistics. The study was guided by three theories: the Schumpeterian theory, Entrepreneurship theory and Kirzian theory. In terms of findings, coefficient of determination revealed that personality traits, prior knowledge, social networks, entrepreneurial alertness and entrepreneurial cognition had a significant positive effect on successful opportunity recognition and exploitation. The study found and concluded that these factors influenced opportunity recognition and exploitation among small scale manufacturers in Kariobangi Light Industries and had an immense impact on the initiation and operation of these small scale manufacturers. The study recommends that a study of these factors influencing opportunity recognition and exploitation should be done in other parts of Kenya and should include all types of businesses.

CHAPTER ONE

INTRODUCTION

1.1. Background of the Study

There has been a tremendous growth of Small Medium Enterprises in the developing world. These SMEs have contributed greatly to economic growth, innovation and employment. Because of their growth and role in economic growth, it is becoming more and more important to comprehend how the individuals behind them recognize opportunities and exploit those opportunities. Shane (2000) has defined entrepreneurship as “a process through which opportunities for developing goods and services are discovered, evaluated and exploited.” A great deal of early discourse tried to elucidate the development of new firm creation and growth exclusively focussing on the entrepreneur’s traits and personalities and largely overlooking the role of opportunities.

Unfortunately, solely focusing on the individuals has been largely failed to explain entrepreneurship (Gartner, 1990) as cited in (Ucbasaran, Westhead & Wright, 2001). Towards the late 1980’s and early 1990s, the focus of entrepreneurship research changed, the proposal by authors was therefore to look at entrepreneurship study as a whole , that is look at the entrepreneur as well as the process of recognising opportunities. (Gartner, 1985; Bygrave and Hofer, 1991). Due to this shift in focus scholars need to focus on a explaining the role played by opportunities in an entrepreneurial process and this therefore introduces opportunity recognition as a topic in its own right (Bygrave and Hofer, 1991).

This study will be guided by the entrepreneurship theory postulated by Shane and Venkataraman (2000). The theory consists of opportunity recognition and exploitation as the nexus of entrepreneurship. The study will also be guided by the Kirzenian theory which postulates that finding new business ideas is dependent on access to relevant information. They further postulate that this therefore means that only a few individuals are able to identify opportunities in the market. And finally the study will also be guided by the Schumpeterian theory.

The SME sector plays an important role in private sector development. Moreover, 90 percent of enterprises worldwide are SMEs (UNIDO, 1999 and GOK, 2005) and their role in the economic development of Kenya is widely acknowledged. The types of business they conduct create employment and are found in all sectors of the economy, generating widespread economic benefits (Akwalu, 2014). According to Ochanda (2014) in 2011 the data obtained from the Ministry of Trade and Industrialization showed that there were 2500 SMEs in Nairobi (RoK, 2012). Out of this number, 1500 were involved in manufacturing, 440 are in trading and 560 are in the service industry. In 2012 the SMEs contributed over 80% of the country's employment and about 70% to the country's GDP (RoK, 2012). Despite the importance of SMEs in the Kenyan economy their failure rate is still alarming. The Sessional Paper No. 2 of 2005 indicates that out of five businesses started, three of them fail within the first three years of operation (RoK, 2005).

This study will look at key concepts like opportunity, opportunity recognition and opportunity exploitation narrowing down on SMEs in manufacturing at the Kariobangi

Light industries. After which the study will also examine how prior knowledge, entrepreneurial cognition, social networks, personality traits, and alertness influence opportunity recognition process and exploitation. The research is also concerned with questions such as why are some individuals capable of recognizing opportunities and not others. What distinguishes successful entrepreneurs from non-successful ones? The main question in this study being what factors influence successful opportunity recognition and exploitation among small scale manufacturing in Kariobangi Light Industries.

1.1.1 Opportunity Recognition

Opportunity recognition refers to a “the cognitive process (or process) through which individuals conclude that they have identified an opportunity” (Baron, 2004). Opportunity recognition is considered as the most critical part of the process of entrepreneurship. Scholars term it as the starting point of a new business followed by the other steps in the process. This is further supported by Short, Ketchen, Shook, and Ireland (2010) who posit that the focus of entrepreneurial efforts should be on identifying and exploiting opportunities because without opportunities entrepreneurship does not exist. Besides identification and selection of the right opportunities by successful entrepreneurs is considered to be important to the success of the entrepreneurial venture. (Ardichvili, Cardozo, & Sourav, (2003); Shepherd & DeTienne, 2005). In this study opportunity recognition will be characterized by prior knowledge, entrepreneurial cognition, social networks, entrepreneurial alertness and personality traits.

1.1.2. Opportunity Exploitation

According to Atuahene-Gima (2005), opportunity exploitation is the use of resources to obtain completely fresh information, expertise and procedures. Opportunity exploitation also refers to what is done in order to realize an opportunity. This includes activities like selecting or choosing the right opportunities, refining the opportunity, implementing the idea or executing it by going into production (March, 1991). In this study, exploitation has been characterized by planning, networking, selling, and locating resources (Shook, Priem, & McGee, 2003). According to Shane and Venkataraman (2000) when evaluating an opportunity its nature and individual differences will determine the entrepreneur's exploitation decision. Opportunities are therefore either exploited by coming up with a totally new firm , coming up with a new idea to be implemented within the same existing firm or selling the business idea to a new firm.

1.1.3. Success in SMEs.

Success has many dimensions and relates to the individual's ability to successfully action the set up objectives and plans in any area of their lives. According to Sefiani (2013) success of small firms has been a subject of debate and consensus is yet to be reached on what constitutes the best measure of success. The variables of success have also not yet been agreed on with others arguing that success in firms can be as a result of both internal and external factors (Markman & Baron, 2003). Internal factors being the features of the entrepreneur, the type of SMEs and the concrete goals and objectives the firm has in place while external factors are those the entrepreneur cannot control.

1.1.4. Factors Influencing opportunity Recognition and Exploitation

Opportunity recognition and exploitation is influenced by many factors. Different scholars have come up with different models to explain these factors. The factors that have been identified as influencing the process of recognition and exploitation of entrepreneurial opportunities are: prior knowledge (Ardichvili, Cardozo et al., 2003; Urwyler, 2006), entrepreneurial cognition, (Shane and Venkataraman, 2000), personality traits (Ardichvili et al. 2003), entrepreneurial alertness (Gaglio and Katz, 2001) and social networks (Dimov, 2007). These are some of the factors that this study explored.

1.1.5. Small and Medium Enterprises in Nairobi

There are varied definitions of SMEs and entrepreneurship scholars don't seem to agree on a particular definition. However, they are mostly defined using the number of employee's .The World Bank defines an SME as a formerly registered business with an yearly earnings of between 1-100 million Kenya shillings and with an asset base of at least 4 million Kenya shillings and with 5-150 employees. For the purpose of this research, SMEs will be defined as an enterprises running with 1- 50 employees. Nairobi, the capital city of Kenya has the bulk of Small Medium Enterprises (SME's).

1.2. Research Problem

In the entrepreneurial process opportunity recognition being the first stage is therefore an essential and distinctive element of entrepreneurship. Though there are many studies on entrepreneurial opportunity recognition and exploitation the phenomena in relation to opportunity recognition and successful exploitation are still inconclusive and there are

still major disagreements among scholars about how entrepreneurs recognize opportunities leading to new entrepreneurial ventures. According to (Venkataraman, 1997, Shane and Venkataraman, 2000) opportunity recognition has not been given the emphasis it deserves and is therefore the most neglected when it comes to entrepreneurship, therefore researchers should endeavour to understand how entrepreneurial opportunities are first discovered, then evaluated and finally exploited.

The Kenya government regards SMEs as the drivers of industrialization in its vision 2030 as they have tremendously contributed to the economic growth of the country. In this regard, the government has continued to encourage the growth of small scale manufacturing SMEs. However, despite government efforts, their growth has been slow thereby putting in doubt the attainment of this goal. Most SMEs face many challenges like financing, poor management, lack of marketing skills and distribution channels to sell their products, opportunity recognition and exploitation competence among others. Sessional Paper No. 2 of 2005 shows that out of five new business three ventures collapse inside the first three years of business (RoK, 2005). According to (Ngugi, 2013), most SMEs in Nairobi find it difficult to transition into medium and large scale enterprises. A lot of opportunities open up with political, demographic, social changes, among others, but many small manufacturers are unable to recognize these opportunities and may just copy what already exists, thereby flooding the market with the same kind of products, this makes doing business very competitive and eventually leads to failure.

According to (Dyer Gregersen and Christensen, 2008) in a study to examine the distinctions among inventive entrepreneurs and executives, They found that the three most popular explanations by most scholars on the differences in their abilities to recognize were: the differences in personality, cognitive differences, and the differences in their type of social network. On the other hand Berglund (2007) cited in Hashemzahi, Bahrinejad, Lashgari and Hashemzeh (2013) in his study of factors influencing opportunity recognition and entrepreneurial thought development found four types of personal and environmental factors: entrepreneur's personality characteristics, their social networks, their prior knowledge and alertness.

Fatima, Iqbal, and Rehman & Ali (2011), in a case study of Pakistan found the antecedants of opportunity recognition to be entrepreneur's social networks, entrepreneurial alertness to business, past work experience, prior knowledge, efficient search and second-hand learning. On the contrary Grecu (2014) in his study of factors stimulating the process of entrepreneurial opportunity recognition focused on the external factors like socio-political factors, the industry and market characteristics, the networks formed within them and finally the entrepreneur. Njogu (2004) in a study of factors influencing the opportunity exploitation by entrepreneurial tree farmers in Kenya found that four significant factors affected the planting of eucalyptus trees by farmers. I.e. their prior knowledge in Agro forestry, their skills that to make it work, their passion for the environment, and finally the availability of market and technological opportunities.

Although many studies on SMEs have been located in Nairobi, these have mainly focused on other factors like financing of the SMEs (Waliula, 2012), information and innovation (Nthuni, 2014), financial performance (Masese & Munene, 2013), SME performance (Odhiambo, 2013) growth of SMEs (Mwirigi, 2011), social capital (Nthuni, 2014). None of these prior studies have focused on these set of factors influencing successful opportunity recognition and exploitation among small scale manufacturers in the local context. The need for this study is therefore self-evident. This proposal poses the question ‘what factors influence successful opportunity recognition and exploitation among small scale manufacturers in Kariobangi Light Industries’?

1.3. Research Objective

The main objective of this study is to examine the factors influencing successful opportunity recognition and exploitation among small scale manufacturers in Kariobangi Light Industries Nairobi County.

1.3.1 Specific Objectives

1. To identify how small scale manufacturers in Kariobangi Light Industries recognize opportunities.
2. To find out the small scale manufacturer’s capabilities to exploit opportunities.
3. To establish the factors influencing successful opportunity recognition and exploitation among small scale manufacturers in Kariobangi Light Industries, Nairobi.

1.4. Value of the study

There is still very little that is known about the factors that influence the successful recognition and exploitation of opportunities here in Kenya and specifically among start ups in Nairobi County. This study will greatly help us to identify the extent to which each of these factors has influenced the success of the small scale industries in Kariobangi Light Industries. The empirical study will be of great interest to the institutions of higher learning, policy makers, SMEs, bankers and scholars alike.

First, the study will inform entrepreneurship policies in the country with the view of informing future policy changes. The government will benefit as this information will enable them formulate the right entrepreneurial policies for small scale manufacturers as well as other SME start- ups, an appropriate policy which will focus on developing entrepreneurial capacities that will benefit the economy.

Second the institutions of higher learning will be better informed on which areas to focus on when implementing business courses, especially entrepreneurship courses which are meant to inspire the learners into starting their own businesses. Third, the study will be of importance to the banking sector as the study will inform them what factors to use in assessing potentially successful SMEs before funding them. This will greatly assist the banks to curb the increase of bad debts.

Finally the present study's results may also contain important information for entrepreneurs to develop their entrepreneurial knowledge. This study will contribute to

the entrepreneurial discourse by enlightening us on how small scale manufacturers successfully recognise and exploit opportunities thereby building successful business experiences. The study will further encourage other researchers to explore more on opportunity recognition and exploitation. Moreover, the results from the current study may make other researchers to investigate the phenomenon of opportunity recognition and exploitation among SMEs in Kenya.

CHAPTER TWO

LITERATURE REVIEW

2.1. Introduction

This chapter examines the work that has been done by other scholars in the area of opportunity recognition and exploitation; and the conceptual and theoretical framework. The focus of the literature is on the factors influencing successful opportunity recognition and exploitation among entrepreneurs.

2.2. Small and Medium Enterprises.

There are varied definitions of SMEs and entrepreneurship scholars don't seem to agree on a particular definition. The lack of a conclusive definition can be attributed to cross country differences. Some scholars define SMEs from a statistical point of views in terms of the number of employees, value of sales and value of assets. However, the most common definition is based on the number of employees in the organization. The World Bank usually provides definitions of SMEs that are country specific. In the Kenyan context, the World Bank defines an SME as a formerly registered business with an yearly earnings of between 1-100 million Kenya shillings and with an asset foundation of at least 4 million Kenya shillings and with 5-150 workforce. In this study SMEs will be defined as an enterprise running with 1- 50 employees.

In Kenya, SMEs play an important role. They are a major source of employment and economic growth. Nairobi the capital city of Kenya has the bulk of Small Medium Enterprises (SME's) It is estimated that there were 30,252 registered SME's in the capital

city (Company Registrar, 2013). Out of these 11,753 are found in the Central Business District (CDB) (Omanga, 2013). SMEs operations in Nairobi are found in all sectors of the economy and support the majority of families. The SMEs fall under the informal sector 'Jua Kali.' ('Jua Kali' means hot sun, and implies people operating outside in the hot sun) as they mostly start in open. The SME business categories consist of common trade such as retail stores, wholesales, transport and service industry (Bowen et al., 2009).

These SMEs are regarded as the vehicles through which the economic objectives of the developing countries can be realized. SMEs create employment and income in many developing countries. However, many SMEs do not grow into big firms. It is estimated that over 60% of small businesses fail each year (Kenya Bureau of Statistics, 2007). A Sessional paper No.2 of 2005 (RoK, 2005) shows that out of five SMEs initiated in Kenya, three of them fail within the first three years of business. It further states that only a few SMEs grow to the level where they can employ six to 10 workers, and that their mortality rate is high, which makes it difficult for them to graduate into medium and large scale enterprises. Given this high failure rate of SMEs in the country, it is important to investigate the reasons behind this and develop a framework to reduce this failure rate among start ups.

2.3. Success In SMEs

Success has a multidimensional nature and in general relates to the realization of objectives that one has set for themselves in life. According to Sefiani, (2013) success of small businesses has been a subject of debate and there is still no conclusive agreement in

the entrepreneurship literature on what constitutes the best measure of success. Also the variables of success have not yet been agreed on with others arguing that success in enterprises can be influenced by both internal and external factors (Markman & Baron, 2003). Internal factors being the features of the entrepreneur, features of the SMEs, and tactics of the firm, while external factors are those beyond the control of the entrepreneur.

Some scholars have focused on non financial factors while some have focused on financial factors to measure success. Non financial signs include personal growth, business survival, personal satisfaction, expertise upgrading, flexible routine, client satisfaction, client retention, and professional advancement (Cooper, 1993; Walker & Brown, 2004) as cited Ahmad & Seet (2009). Financial indicators on the other hand, are generation of income, raise in profit, and demonstration of some level of development. This study defines success in terms of growth and profit and the focus will be on small and medium sized enterprises.

2.4. Opportunity Recognition

Many entrepreneurship scholars have argued that opportunity recognition is important for any business venture (Shane, 2003; Short et al., 2010). They argue that entrepreneurial opportunities are not always visible for all to see. Most scholars have termed opportunity as a first stage from where the other stages of new business enterprise develops. Short et al. (2010) for example argues that entrepreneurial actions and activities should be geared towards recognizing and exploiting opportunities. They further argue that without opportunities there is no entrepreneurship, since the most significant aptitude of a

successful entrepreneur is their aptitude to recognize and choose the right opportunities for new businesses (Ardichvili ,Cardozo & Sourav, 2003; Shepherd & DeTienne, 2005).

According to Baron (2007) despite opportunity recognition being seen as central to entrepreneurship, minimal efforts have been taken to examine it as a process thus ignoring the question of how opportunity recognition occurs. This also fails to address the question of the differences in the entrepreneur's ability to recognize specific opportunities. Baron (2007) further states that the answer to these questions lies in having improved access to information and the individual's aptitude to exploit the accessible information. Those individuals who have better networks are able to acquire information of upcoming tenders and any other business opportunities.

According to Krueger (2012) people differ in how they assess the information because some people see opportunities in information while others see hurdles. Similarly, Shane (2000) notes that most individuals only recognize and exploit those opportunities which are related to their stock of knowledge. He posits that this helps them to reduce debt and poor choice of new business ventures. Baron (2004) defines opportunity recognition as “the cognitive process (or process) through which individuals conclude that they have identified an opportunity.” Likewise, Lumpkin and Lichtenstein (2005) see opportunity recognition as the entrepreneur's aptitude to recognize an excellent idea and convert it into a business that brings value to the customer and increases their profit. On the other hand, Sternberg (2004) as cited in Baron, (2007) argues that entrepreneurs need tacit knowledge and practical abilities to notice new business ideas. This is mostly evident

where the small scale manufacturers have the skills that enable them to exploit their ventures.

Some studies on entrepreneurial opportunities assert that opportunity recognition can either be perceived subjectively or objectively. Nevertheless, Maija Renko, Kroeck & Bullough, (2012) in their study found that entrepreneurial opportunities have elements of both perspectives. In this study opportunity recognition will be characterized by prior knowledge, entrepreneurial cognition, social networks, and entrepreneurial alertness and personality traits.

2.4.1. Models of Opportunity Recognition

Different scholars have come up with different models of opportunity recognition. Dyer et al., (2008) proposes a model with three processes that refer to opportunity recognition. The model comprises of opportunity recognition, opportunity discovery and opportunity creation. The opportunity recognition here is about connecting known products to the existing demand in order to exploit an existing opportunity. Opportunity discovery is about taking advantage of a known supply and looking for unidentified demand while opportunity creation is where there is no known supply or demand. On the other hand, Gartner's (1985) model as cited in S. Park, (2005) is based on four main factors, namely the individual, the organization, the environment and the actual processes. Furthermore, Park (2005) in his study of the model of opportunity recognition viewed the process of entrepreneurship as actively involving three components that lead to innovation. These components were the entrepreneur, technology and knowledge and the experience of the

organization. Timmons's (1999) model on the other hand, has three drivers that determine successful opportunity recognition, exploitation and new business establishment. These drivers are the organisation, the resources (money, skills, efforts, knowledge, physical) and the opportunity itself. What is so common in all these models is the fact that the entrepreneur is the driving force.

According to Wallas (1926) and Kao (1989) cited in Fatima, et al., (2011) opportunity recognition is a process which has five steps: "Preparation stage, incubation stage, insight stage, evaluation or verification stage, and finally the elaboration stage". Bhave (1994) states that opportunity recognition is made up of three processes, namely opportunity filtration, opportunity selection and opportunity refinement. Though opportunity recognition can be iterated and does not necessarily follow all the steps systematically. In this study opportunity recognition will be characterized by prior knowledge, entrepreneurial cognition, social networks, entrepreneurial alertness and personality traits.

2.5. Capabilities for Opportunity Exploitation

Entrepreneurship is usually seen as having several separate stages and has been defined as "an activity that involves the discovery, evaluation and exploitation of opportunities to introduce new goods and services, ways of organizing markets, processes, and raw materials through organizing efforts that previously had not existed" (Venkataraman, 1997; Shane, 2000) observed that the knowledge held by entrepreneurs influences the way they exploit opportunities available to them. Moreover, a potential entrepreneur is unlikely to

feel an opportunity is worth exploiting if the knowledge required is very different from their stock of knowledge, therefore when the knowledge held by the entrepreneur is highly similar to the knowledge required for the new business opportunity there is a greater probability for the potential entrepreneur to feel more confident about exploiting the opportunity. This is clearly demonstrated where most SME owners have started businesses related to their previous employers business.

Similarly, according to Wood & Pearson, (2009) people with a richer source of information have a higher ability to exploit the opportunity. Likewise, Palich and Bagby (1995) as cited in Shane and Venkataraman (2000) stated that people who exploit opportunities tend to take advantage of information that is available to them and that they view it positively. They also consider the costs of obtaining these necessary resources to exploit the opportunity, though the decision to exploit is usually subject to individual differences in perception, optimism, self efficacy, internal locus of control, tolerance for ambiguity and need for achievement, all these will determine the individual's perception and thereby their decision to exploit the opportunity.

According to Baron (2007), once an opportunity is identified the activities which an entrepreneur gets involved in at the early stages of the venture are; coming up with ideas for the new products or services, identifying business opportunities linked to these ideas, and acquiring the resources needed for growing the idea. Berglund (2007) observes that once an opportunity has been identified and judged valuable, then the entrepreneur begins to take appropriate activities to exploit it. These activities may consist of raising financial and other resources, guarding the information about the opportunity from other

competitors, and coming up with suitable organizations and business models (Shane, 2003). However, not all entrepreneurs are successful in getting the resources needed and these differences in their ability in undertaking these tasks are the reason why some ventures fail (Baron, 2007). Baron (2007) further posits that the entrepreneur's social skills and their social networks often help them obtain the essential resources they need.

Katiila and Mang (2003) posit that literature has shown that those who recognize opportunities usually lack vital resources to help them exploit them since the exploitation of opportunities rely on access to finances for investing, risk attitude, optimism, self-efficacy, tolerance, desire for achievement and information from previous employment and its transferability. In this study exploitation will be characterized by planning, networking, selling, and locating resources (Shook et al, 2003).

2.6. Theoretical Approaches of Opportunity Recognition

This study aims to look at entrepreneurship theory, the Kirzenian theory and the Schumpeterian theory. According to Berglund (2007) two general perspectives are emerging, that is the opportunities as being available before they are discovered and exploited and the other perspective is that of opportunities as created in social processes. However, Alvarez and Barney (2007) as cited in Klein (2008) argue that, contrary to these two perspectives, opportunities are neither discovered nor created. Klein (2008) argues that opportunities are imagined and exist only in the minds of decision makers.

2.6.1. Schumpeterian Theory

The creation theory involves more than just recognizing opportunities that already exist; it requires sensing the opportunity, then developing it and finally evaluating, and re-framing the opportunity (O'Connor and Rice, 2001). In the Schumpeterian theory which is also known as the creation theory, the entrepreneurial opportunities are created rather than discovered; opportunities disrupt the existing system by innovative reconfiguration of resources Shane (2003). Entrepreneurial action is seen as making history since they are new, innovative and have a capacity to shift the economy instead of merely responding to it Berglund (2007). In this theory opportunities are shaped by the events, responses and performance of entrepreneurs; they usually look for ways to come up with new products or services by responding to consumers and market needs (Alvarez & Barney, 2007).

The creation perspective is also promoted by Sarasvathy (2001) who sees everyday activities by individuals or groups as a source of entrepreneurial opportunities. The creation theory is doubtful about the importance of the distinctions among entrepreneurs and non entrepreneurs before recognition of an opportunity. However, it acknowledges that the iterative process of opportunity recognition can worsen what was initially a small difference and make it large due to certain cognitive attributes. In this theory opportunities only exist until they are created, therefore decision making situation is indecisive (Alvarez & Barney, 2007).

2.6.2. Kirzenian Theory

In contrast to the Schumpeterian theory, Kirzner's (1997) in theory of entrepreneurial alertness (also known as discovery theory) is about understanding how particular individuals make profits based on knowledge and information gaps that come about due to the differences in knowledge base among people in the market. Opportunities are assumed to come from external shocks that disrupt competitive equilibrium conditions. In this theory opportunities are seen as ever present and only need to be discovered by those entrepreneurs who are alert to them because they arise from market disequilibrium caused by faulty decision making frameworks (Alvarez & Barney, 2007).

According to the discovery theory, opportunities are seen as an objective phenomenon, independent of the actions of entrepreneur's perception and just waiting to be revealed and exploited. Shane (2003) mentions the changes that trigger discovery as "technological changes, political and regulatory changes, social and demographic changes" (p. 23). He argues that these types of events can discourage a competitive stability in the market thus forming opportunities. Although a few SMEs create completely new products, many of them can be grouped as discovery entrepreneurs since majority of them trade in products that already exist in the market. According to Alvarez & Barney (2007), the entrepreneur who recognizes opportunities is assumed to be much dissimilar from others because of their aptitude to see opportunities and exploit them. They further note that the empirical research that has so far been done, is yet to confirm whether entrepreneurs and non entrepreneurs differ and whether the cognitive differences

exists before the entrepreneur begins engaging in entrepreneurial actions or if these differences come about as a result of the entrepreneurs experiences.

In the discovery theory, the entrepreneur's decision to exploit an opportunity is considered to be dangerous; this is because the opportunities are seen as objective in nature. On the contrary, Alvarez and Barney (2007) argue that the discovery theory is mainly focused on scouting for opportunities to produce new products or services within the entrepreneur's environment. The discovery theory therefore involves both active and passive search in order to discover opportunities (Berglund, 2007).

2.6.3. Entrepreneurship Theory

The theory highlights the four critical factors influencing entrepreneurship. These factors are the type of the opportunity, prior experience, cognition and individual differences. This theory by Shane (2000) looks at how entrepreneur's prior knowledge in three specific areas: markets, how to supply those markets, and customer needs help them identify opportunities.

2.7. Factors influencing Opportunity Recognition and Exploitation

Several theories have been suggested to explicate what influences opportunity recognition and exploitation. However, Ardichvili, Cardozo et al., (2003) observe that there is no agreement among entrepreneurship scholars on the factors that influence opportunity recognition and exploitation. Despite the lack of consensus on this issue, many scholars have identified the following factors which they say impact the process of

recognition and exploitation of entrepreneurial opportunities: prior knowledge (Shane and Venkataraman 2000; Ardichvili, Cardozo et al., 2003), cognitive properties (Shane and Venkataraman 2000; Baron, 2004), personality traits (Krueger and Brazeal, 1994), social networks (Dimov, 2007) and entrepreneurial alertness, (Gaglio and Katz 2001; Ardichvili, Cardozo et al., 2003).

According to Baron (2007), the factors that play a critical role in opportunity recognition are prior knowledge, active search for opportunities, alertness, and the entrepreneur's social network. Similarly, Ardichvili, Cardozo & Ray (2003) identified entrepreneurial alertness, information asymmetry and prior knowledge, social networks, personality traits and the type of opportunity as influencing opportunity recognition and even the ability to embark on a new business. A case study by Rehman et al., (2011) on factors affecting opportunity recognition process found the following factors to have a significant influence namely, individual's earlier work experience, their exchanges with customers, suppliers and other stakeholders.

Among SMEs in Kenya, factors that may influence their ability to recognize opportunity are mostly prior knowledge and their social networks. Most SME owners end up starting businesses related to what they were doing in their previous employment or get business ideas from their social networks. Although there have been many theories in entrepreneurship literature, this study will target five major factors: prior knowledge, entrepreneurial cognition, social networks, entrepreneurial alertness and finally

personality traits and their influence on successful opportunity recognition and exploitation.

2.7.1. Prior Knowledge

According to Shane (2002), “Prior knowledge refers to the knowledge by the individual that is instrumental to the process of opportunity identification”. This can be knowledge of seasonal patterns, subtle differences, and quality of goods e.tc. The prior knowledge held by an entrepreneur influences their aptitude to interpret, understand and use the new information when the need arises. According to Ronstadt (1988), prior knowledge is an important aspect of opportunity recognition because it creates a “knowledge corridor” and this corridor allows for specific ways of understanding, analyzing and utilizing new information. Ronstadt (1988) came up with the term “corridor principle”, to explain how an individual’s prior knowledge and experience become corridors that prompt recognition of new opportunities (Wang, Ellinger, Wu 2013). Moreover, Von Hippel, (1994) has also observed that individuals tend to venture in business ventures that are related to the information they already know.

According to (Venkataraman, 1997; Shane and Venkataraman, 2000) an entrepreneur’s prior knowledge helps them succeed in recognizing opportunities compared to non entrepreneurs. This is further emphasized by Hills and Shrader’s (1998) survey of successful entrepreneurs, in their view business ideas originate from having previous knowledge of customers and the market, therefore the business idea is triggered by the need to respond to a specific concern in the market. In a study of technological

innovations at Massachusetts Institute of Technology, The study found that the differences in prior knowledge influenced who recognized new ventures and how different entrepreneurs see different opportunities (Shane, 2000).

He further posits that sufficient knowledge of customers and suppliers in a given market gives the entrepreneur a chance to judge the acceptance level of the new technology in the market and the benefits that it will come with. Also, prior knowledge of how to handle the markets enables entrepreneurs to assess competence needed to enter the market, and finally prior knowledge about customer problems is more likely to help the entrepreneur come up with business ideas to solve these problems. Likewise, Ardichvili et al. (2003), talk of three main elements of prior knowledge that is significant to the process of entrepreneurial discovery. This dimension includes prior knowledge of markets, the ways to serve the markets and customer needs. According to Dimov (2007) a considerable number of empirical studies positively acknowledge the relationship between prior knowledge and opportunity recognition. He further posits that knowledge may be necessary but is not a sufficient condition for opportunity recognition as it is rather dependent on the way it is applied.

2.7.2. Entrepreneurial Cognition.

Mitchell, Busenitz, Lant, McDougall, Morse, Smith, (2002) have defined entrepreneurial cognitions as “the knowledge structures that people use to make assessments, judgments, or decisions involving opportunity evaluation, venture creation, and growth.” In their daily lives entrepreneurs typically find themselves having a lot of information, the high

amount of information held leads to its vagueness, strong emotions due to issues occurring within their environments, time pressure and exhaustion which continuously affect their cognition ability resulting in them making new decisions all the time. Due to people's limited capacity for processing information from the external world, to obtain efficiency they often use shortcuts by dealing with limited amounts of information or relying on recent success stories.

Effectuation is where the entrepreneur believes that the unpredictable nature of the future is under their control and this is also seen to affect cognition. De Carolis & Saporito (2006) also note that entrepreneurs view situations differently than others. They argue that many cognitive biases affect our thinking, and therefore our view of risk. Busenitz & Barney (1997) further posit that the trait approach that began in the 1980s and 1990s and only focused on entrepreneur's character to explain entrepreneurship has not been satisfactory, the cognitive approach therefore provides a better way of explaining the whole phenomena of entrepreneurship and can successfully address some of the important issues that have not been successfully explored.

According to Mitchell et al., (2002) there are two significant reasons that differentiate those who recognize opportunities from those who don't i.e., a) They have the necessary knowledge to recognize the opportunity and b) using cognitive abilities. To answer this question of the differences in opportunity recognition, i.e. how the business idea(s) are generated in the minds of particular individual? Baron (2004) looks at pattern recognition as one of the theories directly linked to opportunity recognition. Baron & Ensley (2006)

in their study of novice versus experienced entrepreneur's pattern recognition also found that cognitive frameworks of experienced entrepreneurs were much richer and clearer as opposed to those of novice entrepreneurs which further confirm the importance of pattern recognition in opportunity recognition. Some scholars have looked at different aspect of cognition. Baron (1998) for example, argues certain cognitive mechanisms are useful when it comes to explaining the actions of entrepreneurs. He says these cognitive mechanisms include counter factual thinking, attribution style, the planning fallacy and self-justification. Many SMEs are affected by the above mentioned cognitive mechanism. Some SME owners admit that they always believe that they have planned well only to realize later that they have underestimated some of the issues.

Baron and Ward (2004), in their study on cognition looked at several issues, the first being whether entrepreneurs prefer heuristic to systematic thinking and their view is that entrepreneurs think heuristically and follow quick rules for making decisions; the second issue was whether entrepreneurs possess knowledge structures that differ from others and they posit that the knowledge structure of an entrepreneur helps in the entrepreneurial process; the third issue is whether entrepreneur's have superior capacity than others to utilize important information and they posit that this ability enables the individual to pay attention to essential issues related to the job at hand. The greater their ability to focus on what is important, the better they are able to execute many difficult cognitive tasks. The fourth issue was differences in reasoning and decision making of persons, especially based on the fact that they must often make quick decisions and they concluded that people are able to depend on heuristic in making decisions. Heuristics refers to making

simpler the tactic that individuals use to make decisions. The fifth issue they looked at was whether entrepreneurs are better than others in identifying multifaceted patterns that is linking the dots between apparently dissimilar factors. Many SMEs go into business without a lot of information and this may be one of the reasons why some of them fail within the first three years. This could be due to the fact they are unable to use heuristics and connecting the dots between seemingly unrelated issues.

2.7.3. Social Networks

According to (Ambler and Styles, 2000) as cited in Ucbasaran, Westhead & Wright (2001) Entrepreneurship involves both interacting with people as well as selling to them and therefore social contacts often play a big role in the entrepreneurial activities. The Social and business networks enable the person or a firm to get information that would have been otherwise out of reach (Wilkinson and Young, 2005). The characteristic of the social network encourages opportunity recognition, the diversity of actors will help avoid redundant information, and the strong ties will encourage the entrepreneur to believe in the accuracy of the information received. Social networks refers to the networks of individual contacts entrepreneurs develop with others and which help them to get the assets they require (Johannisson, 1990). Social networks include all of the people an entrepreneur is familiar with such as family members, friends, and business associates.

According to Dimov (2007), entrepreneurs do not just interact with people they are known to but also with prospective stakeholders such as customers, suppliers, partners, informal and formal investors, consultants, accountants and employees among others.

Depending on the social network the entrepreneur interprets and integrates, the information received from their audience is new and varied. De Clercq (2007) as cited in Wood & Pearson (2009) also empirically demonstrated that the likelihood of an individual recognizing an opportunity depends on their position in that network. They further posit that weak ties which are normally associated with business partners, acquaintances among others are likely to provide the entrepreneur with information on upcoming business opportunities as opposed to strong ties associated with family members. Though those individuals in a strong tie relationship may be exposed to richer information, the information could be less diverse. (De Carolis & Saporito, 2006).

According to Baron (2007), the networks are an indication of the entrepreneurs social skills i.e. their ability to successfully interact with people who positively influence their lives , he posits that findings show that people with good social skills usually have a higher quality of social networks, he further posits that social networks are also influenced by their social resources (The benefit the entrepreneur gets as a result of their relationship with people within their network).De Carolis & Saporito (2006) look at social capital in three different dimensions, structural dimension referring to the structure's overall pattern of connections between actors. According to (Burt, 1992) as cited in (De Carolis & Saporito, 2006), the individual's position within the network is important because it determines the type of information they will have access to or the amount of social interactions. The second dimension is the relational dimension which refers to the type of relationship (closeness of the relationship or amount of communication between networks). This is also referred to as "strong" versus "weak ties.

According to Granovetter (1973) as cited in (Ardichvili et al., 2003) informal relationships are more likely to give vital information than those from associates or family. Most SMEs do not see their close family relations as a source of business opportunities. Likewise, Hills et al., (1997) as cited in (Ardichvili et al., 2003) asserted that entrepreneurs with extensive network are able to identify more opportunities than solo entrepreneurs. The third element is cognitive dimension which refers to common views, shared understanding of situations and meaning among individuals within the network, interpretations enable the individuals to make sense of information and determines it's important. This dimension reveals the level of trust among members of the network. This dimension also looks at the network's members support and understanding among the members. In this study social network will be characterized, network size, network density (diversity of the actors) Aldrich (1999), average tie strength (strong or weak) and network constraint.

2.7.4. Entrepreneurial Alertness

According to Kirzner (1997) “entrepreneurial alertness refers to discovering business opportunities and utilizing resources to make use of these opportunities to create value”. On the other hand Ray and Cardozo (1996) define entrepreneurial alertness as —a tendency to discover and be alert to information about things around you and especially to be alert of people's interests, problems and unmet needs. According to Ardichvili et al., (2003) the level entrepreneurial of alertness tends to be high when several factors such as personality, prior knowledge and experience and social networks come together. Their conclusion is that higher alertness increases the likelihood of an opportunity being

recognized. Baumol (1993) on his part has broadened the definition of entrepreneurial alertness to include innovativeness, personal instincts, hunches and inspiration. The definition of entrepreneurial alertness in this study will be adapted from Baron (2004) who postulates that “entrepreneurial alertness is being cognitively (mentally) open and ready for opportunities”. Other than being alert entrepreneurs can sometimes carry out systematic search on markets where they are knowledgeable and informed, this also enables them to better understand the needs and demands of the customers and thereby facilitating recognition of opportunities. According to Baron (2007) different people are more vigilant in recognizing business opportunities even when they are not actively searching. He posits that this is because their mental framework enables them to notice upcoming opportunities and this is what he refers to as pattern recognition and he sees it as playing an important role in entrepreneurial alertness.

2.7.5. Personality traits

According to Dimov (2007) the desire to understand what sets apart entrepreneurs from the other members of the society in terms of their personality traits has been a major issue in entrepreneurship discourse. He argues that despite lack of consensus on the importance of personality trait in determining entrepreneurial behaviour, it still plays a major role when the other intervening factors have been taken into account. According to Baum et al., (2007), personality traits are important in the entrepreneurship process because it is the individual who is the originator and implementer of the business ideas and has to take responsibility of its success or failure. However, Shaver and Scott (1991) as cited in (Ardichvili et al., 2003) in their study to investigate whether personality traits had a role

to play in the entrepreneurial behaviour found that there were no differences between entrepreneurs and managers or the general public.

Coon (2004) as cited in Simpeh (2011) defines personality traits as some intrinsic qualities in a person that are manifested every time. Some of these personality traits may include friendliness, eagerness to achieve and anxiety levels. There are however other personality traits that change with age or as an individual goes through different phases in life. According to entrepreneurship scholars, two of the personality traits that influence opportunity recognition positively are optimism and creativity (Dimov, 2007; Krueger & Brazael, 1994) Optimism tends to improve self confidence and strengthens the belief in one's ability to achieve difficult goals. It also assists entrepreneurs to see problems as opportunities (Krueger & Brazael, 1994). Empirical studies have shown that there is a conclusive relationship between opportunity recognition and optimism. People who are optimistic have a positive outlook to problems, emotional stability, assertive, tolerant, risk takers and achievers (Raab, Stedham, and Neuner 2005) as cited in (Santos, Caetano & Curral, 2014).

According to Littunen (2000) certain characteristics are necessary during the start-up stage of a business and these include innovativeness and the will to act. From the foregoing, it can be concluded that personality traits have direct influence on opportunity recognition and exploitation since they determine how an individual acts.

2.7.5.1. Locus of Control and Opportunity Recognition and Exploitation

According to Rotter (1966) as cited in Litunnen (2000) “locus of control is a person’s belief that they can control what happens in their lives but is also dependant on other external factors”. He argues that people who believe they can control what happens in their lives are able to recognize and exploit opportunities. He adds that these types of people do not see external factors as determining their destiny. Rotter (1966) further states that the individual’s locus of control can be conceptualized as either internal or external where internal control refers to control over one’s own life and while external control refers to factors such as fate, luck and other people. Those with an internal locus of control are mostly associated with entrepreneurial characteristics. These types of people are said to be more competent and innovative. They also believe that they can control their business environment. On the other hand, those people with an external locus of control believe that their actions and life is influenced by external forces and tend to be conformists.

2.7.5.2. Self efficacy and Opportunity Recognition and Exploitation

Kalkan & Kaygusuz (2012) have defined “self efficacy as the belief in one’s ability to perform or behave in a particular way and achieve success despite challenges”. Krueger (2000) as cited in Wood & Pearson (2009) on the other hand self-efficacy as a persons’ belief in their competence. Since entrepreneurship is about achieving certain set goals, the entrepreneur’s belief in their competence is likely to influence their decision to pursue new ventures. Self efficacy affects the individual’s behavior in terms of their choice of activity, their quality of performance and their perseverance in achieving difficult tasks and finally it also increases the strength to overcome failure.

According to Bandura (1986) as cited in (De Carolis & Saporito, 2007) entrepreneurs need to cultivate self confidence in their entrepreneurial abilities. This is because self efficacy is a major determinant when it comes to the choice of profession. Moreover, it increases the individual's desire to start a new venture. Krueger and Dickson, (1994) as cited in (Ardichvili et al., 2003) see entrepreneurial optimism as associated with self efficacy beliefs. Individuals with a strong belief in their competence are always ready to undertake difficult assignments and therefore have a greater chance of being entrepreneurs.

2.7.5.3. Creativity

Creativity has also been identified as a major factor when it comes to opportunity recognition (Ardichvili et al., 2003). According to Dimov, (2007) creativity depends on four main factors, namely the person, process, product and the environment (situation). Numerous studies have found that starting a business is positively related to one's creative personality as it enables the individual to identify opportunities. Shane and Nicolaou (2015) in a study titled creative personality, opportunity recognition and the tendency to start businesses: A study of their genetic predispositions, in the United Kingdom found that creative personalities had a higher chance of becoming entrepreneurs.

2.7.5.4. Risk Taking

Risk taking is related to innovation and creativity and is necessary for realization of objectives Kalkan & Kaygusuz (2012). According to Low and MacMillan (1988) as cited

in Kalkan & Kaygusuz (2012) risk taking is not a characteristic of an entrepreneur. However entrepreneurs have a propensity towards risks just like other people. They argue that entrepreneurs are very good risk managers who calculate their every move. Similarly, Palich and Bagby (1995) as cited in De Carolis & Saporito (2006) observe that entrepreneurs perceive less risk when compared with other people. They further argue that it is their risk perception and not their risk propensity that explains their exploitation of business opportunities.

2.8. Empirical Review

Empirical studies on the factors that influence opportunity recognition and exploitation have majorly focused on the individuals who recognize the opportunities. The studies have centered on either the entrepreneur's knowledge base or their behaviour. Grecu (2014) in his study of factors that stimulate the process of entrepreneurial opportunity recognition identified three main sets of factors influencing the opportunity recognition process. The first set of factors included socio-political factors, historical heritage, and cultural differences. The second factors included the industry and market characteristics. And the third included the networks formed within them and finally the entrepreneur themselves.

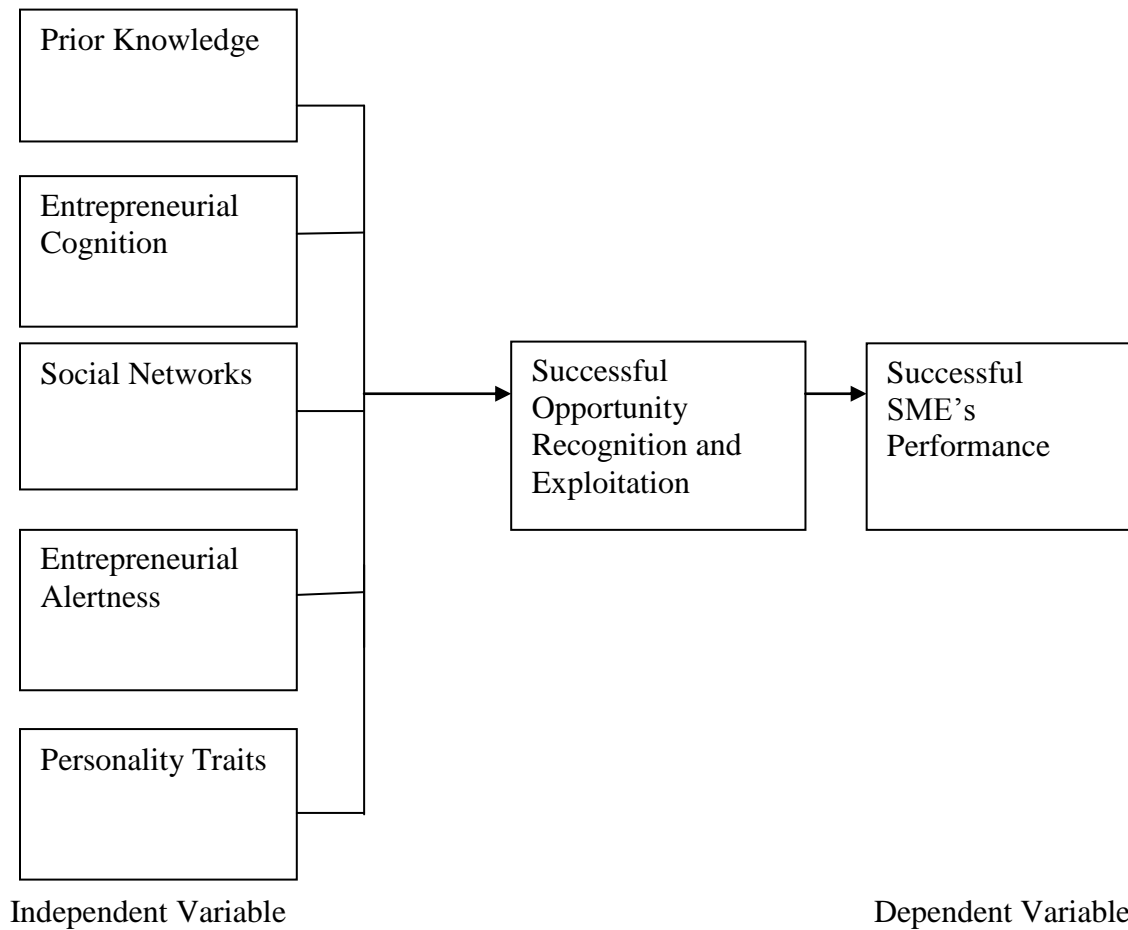
On the other hand, Berglund (2007) in his study cited in (Hashemzahi et al., 2013) came up with four sets of personal and environmental factors affecting the opportunity recognition and idea development process which included entrepreneur's personality characteristics such as creativity and self-confidence, social network of the entrepreneur,

and the entrepreneur's prior knowledge and alertness. Similarly, (Ardichvili et al., 2003) developed four propositions that showed a relationship between prior knowledge and opportunity recognition. They argued that individuals who possess prior knowledge about something have a better chance of recognizing opportunities than those who lack such knowledge. Ardichvili et al., (2003) pointed out the following basic knowledge as essential for entrepreneurs when it comes to recognizing opportunities: “special interest knowledge and general industry knowledge; prior knowledge of markets; prior knowledge of customer problems; and prior knowledge of ways to serve markets.”

2.9. Summary of Literature Review and Knowledge Gap

We have looked at the theories and empirical studies on opportunity recognition and exploitation and further gone into the details of the factors that influence successful opportunity recognition and exploitation. Many studies have been done on factors influencing opportunity recognition and exploitation, but none have focused on SMEs within Nairobi County and specifically Kariobangi Light Industries. This study intends to fill this gap. It is also not clear what is the effect of SMEs being alert to opportunities, their cognitive capabilities, their type of social network, their personality traits and the type of knowledge they have. If we understand these factors associated with entrepreneurial thinking and action, we then have at least a tentative blueprint for influencing their capabilities as this will go a long way in helping address their failure rate.

2.10. Conceptual Framework



From the conceptual framework, the reader is able to rapidly grasp the relationship and therefore its usage in this study. The independent variables in this study are: prior knowledge, entrepreneurial cognition, social networks, entrepreneurial alertness and personality traits, whereas the dependent variable is the successful performance of SMEs which is prone to change as independent variable changes.

CHAPTER THREE

RESEARCH METHODOLOGY

3.0. Introduction

This chapter describes how the study was conducted by outlining the procedures and rationale for collecting and analyzing data relevant to address the research questions. It commences by describing the quantitative research approach and exploratory design that was adopted. Thereafter, it explains the sampling procedure and the data generation and analysis techniques that were employed.

3.1. Research Design

This study used a descriptive research design which according to Emory (1985) has the objective of describing the characteristics of an event, situation, community or population. The study used a cross sectional survey design and the approach was a quantitative one. Quantitative research as defined by Dawson (2002) “generates statistics through the use of large-scale survey research, using methods such as questionnaires or structured interviews (P. 15). The survey method is often applied in studies that seek to measure some aspect of a social phenomena or trend (Denscombe, 2010) and is useful in collecting quantifiable information from a sample. Furthermore it helps in explaining or investigating the status of two or more variables and is appropriate in measuring characteristics of large populations.

3.2. Population

The study population included of all the small scale manufacturers at the Kariobangi Light Industries in Nairobi County in Kenya duly licensed by the City Council of Nairobi to carry out their business in the study's location. According Masoud, Mwirigi & Ochieng (2013) there are 350 Small scale manufacturers located in Kariobangi Light industries.

3.3. Sampling

The sampling frame for the study included all the registered manufacturing SMEs in Kariobangi Light Industries. The sample size under consideration was 70 respondents, which is in line with 20% of the accessible population of 350 SMEs (Mugenda & Mugenda, 2003) and the unit of sampling for the study was an SME. The SME respondents were the business owners or senior managers of the enterprises. This population sufficiently provided a diverse collection of various small manufacturers' in a moderately growing center within Nairobi city. Simple random sampling was used to select the small scale manufacturers that participated in the study. Random sampling procedure ensures that all subjects have equal chances of being selected (Joan, 2009).

3.4. Data collection

Data in this study was collected using questionnaires. Questionnaires are used in order to gather large size of information in a short period of time. This study adopted the structured questionnaires which were interviewer administered. The owner or manager was interviewed depending on who was available. The questionnaires for this study had four

subsections. Subsection one had questions on the general background, subsection two covered questions on how Small scale manufacturers in Kariobangi Light Industries in Nairobi County recognize opportunities, Subsection three covered questions on the small scale manufacturers' capabilities in exploiting opportunities and the last section covered questions on factors influencing successful opportunity recognition and exploitation among small scale manufacturers in Kariobangi Light industries.

3.5 Data analysis

The analysis was done using primary data collected by administering a structured questionnaire with the aid of Statistical Package for Social Sciences software. Objectives were analyzed using descriptive statistics to get a broad appreciation of the data collected and regression analysis to verify the validity and reliability of the constructs of the questionnaire.

3.5.1 Analytical Model

The researcher used the following multiple regression models: The model below determines the factors influencing successful opportunity recognition and exploitation among small scale manufacturers in Kariobangi Light Industries in Nairobi County.

$$Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \beta_5X_5 + \varepsilon$$

Where;

Y = opportunity recognition and exploitation

β_0 = constant

$\beta_1, \beta_2, \beta_3, \beta_4, \beta_5$ = Régression coefficients

- X₁** – Prior Knowledge,
- X₂** – Entrepreneurial Cognition,
- X₃** – Social Networks,
- X₄** – Entrepreneurial Alertness
- X₅** – Personality Traits
- ε** - Error term.

CHAPTER FOUR

DATA ANALYSIS, PRESENTATION AND INTERPRETATION

4.1. Introduction

This chapter presents the data that was found on factors influencing successful opportunity recognition and exploitation among small scale manufacturers in Kariobangi Light Industries in Nairobi County. The research was conducted on a sample size of 70 respondents out of which the researcher with the help of assistants was able to administer the questionnaire to 39 respondents making a response rate of 55.7% Mugenda and Mugenda (1999) stated that a response rate of 50% and above is good for statistical reporting. The study made use of frequencies on single response questions. On multiple response questions, the study used Likert scale in collecting and analyzing the data whereby a scale of 5 points was used in computing the means and standard deviations. These were then presented in tables, graphs and charts as appropriate with explanations being given in prose.

4.2. Demographic Information

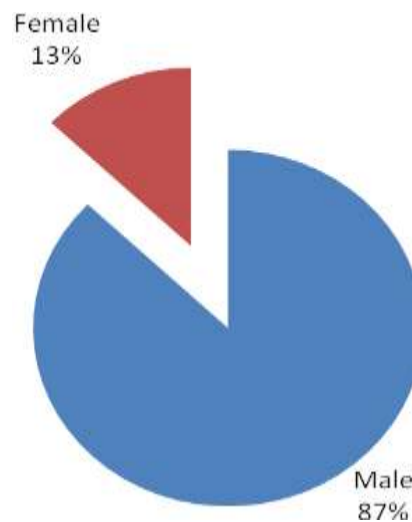
The study initially sought to inquire information on various aspects of the respondents' background that is, the respondent's gender, Years in business, business activity, origin of the business idea, turnover rate, number of employees, as well as whether the business they are doing is related to what they were doing in their earlier employment. The second section sought to establish how the SMEs recognize opportunities, the third section sought to establish their capability in exploiting opportunities, the fourth section sought

to establish the factors that influence their opportunity recognition and exploitation and the final section sought to establish their performance.

4.2.1 Respondents' Gender

The respondents were requested to indicate their gender. The findings are as presented in the figure 4.1 below.

Figure 4. 1: Respondents' Gender



From the findings, majority (87%) of the respondents was male and (13%) of them were female. This implies that most of the responses emanated from the male. This also shows that few women have ventured into the field of manufacturing within Kariobangi Light Industries.

4.2.2 Number of Employees

The study sought to establish the number of employees in each firm involved in the study. The findings are shown in table 4.1 below;

Table 4. 1: Number of Employees

	Frequency	Percent	
Valid	1 – 5	26	66.7
	6- 10	11	28.2
	Above 10	2	5.1
	Total	39	100.0

According to the findings in table 4.1 above, majority (66.7%) of the respondents had 1-5 employees, 28.2% had 6-10 employees while only 5.1% of the respondents had above 10 employees. This depicts that most of the respondents were young businesses and many hire additional contractual employees based on demand.

4.2.3 Business Activity

The study further requested the respondents to indicate their business activity. The findings are shown in Table 4.2 below.

Table 4. 2: Business Activity

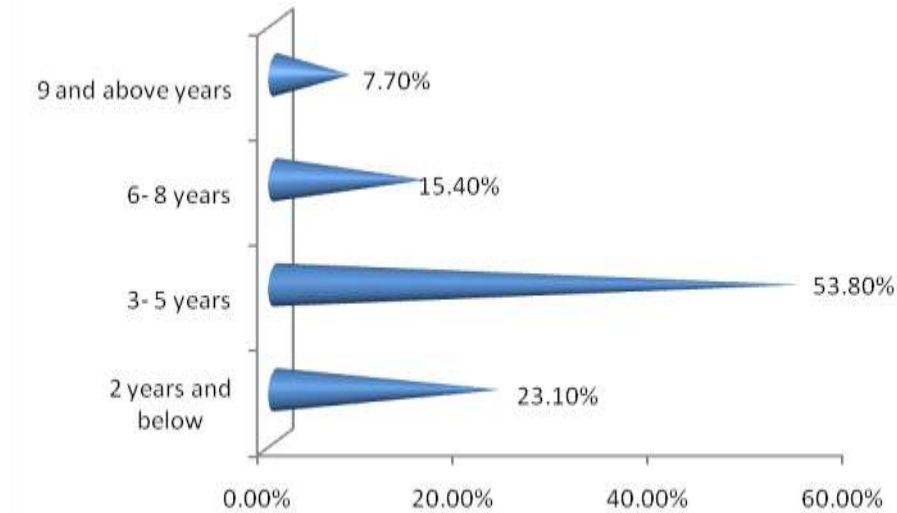
	Frequency	Percent
Engineering/Fabrication	26	66.7
Paint making	7	17.9
Plating	3	7.7
Assembly	2	5.1
Bakery	1	2.6
Total	39	100.0

The findings presented in table 4.2 above illustrate that, majority (66.7%) of the respondents indicated Engineering/Fabrication as their business activity. 17.9% were in Paint making business, 2.6% indicated Bakery, those who were in plating were 7.7% of the respondents While 5.1% were in Assembly business.

4.2.4 Years in business

The study requested the respondents to indicate the period they had been in business. The findings are shown in Figure 4 Below;

Figure 4. 2: Years in Business



The study established that majority (53.8%) of the respondents indicated that they had been in business for 3-5 years, 23.1% for 2 and below years, 15.4% for 6-8 years while 7.7% of the respondents were in business for 9 and above years.

4.2.5 Business Idea Generation

The study further required the respondents to indicate how they generated their business ideas. The results are shown in table 4.3 below;

Table 4. 3: Business Idea Generation

	Frequency	Percent
Training	12	30.7
Experience	10	25.6
Talking to others	11	28.2
Talent	2	5.1
Market gap	2	5.1
Trade show/exhibition	2	5.1
Media	0	0
Books	0	0
Total	39	100.0

According to findings in table 4.3 above Most (30.7%) of the respondents indicated Training as their source of the business idea, 25.6% from experience, 28.2% indicated talking to others, while those who indicated talent, trade shows, market gap represented 5.1% each.

4.2.6 Turnover Rate per Annum in Kenya shillings

The study further required the respondents to indicate their annual turnover rate . The results are shown in table 4.4 below;

Table 4. 4: Turnover Rate per Annum in Kenya shillings

	Frequency	Percent
5,000,000 and below	23	59.0
6,000,000-1,000,000	11	28.2
Above 10,000,000	5	12.8
Total	39	100.0

The findings in table 4.4 above shows that majority (59%) of the respondents indicated that they had 5,000,000 and below shillings turnover, 28.2% had 6,000,000-1,000,000

shillings, while 12.8% of the respondents had a turnover of Above 10,000,000. The result shows that most businesses are still small scale with a potential for growth.

4.2.7 Work Experience

The study further required the respondents to indicate whether their businesses were related to their previous employment. The results are shown in table 4.5 below;

Table 4. 5: Work Experience

	Frequency (N)	Percent (%)	Valid Percent (%)
5 and below years	9	23.1	29.0
6 – 10 Years	17	43.6	54.8
11 -15 Years	3	7.7	9.7
16 and above Years	2	5.1	6.5
Total	31	79.5	100.0
Those not employed previously	8	20.5	
Total	39	100.0	

The findings in table 4.4 above shows that majority (79.5%) of the respondents indicated that they had been employed before and 20.5% were not employed before. Majority (54.8%) of the respondents who had been employed before indicated 6 – 10 years as period of time in their previous jobs, 29% had 5 and below years working experience, 9.7% had 11 -15 years while 6.5% of the respondents had 16 years and above. The results are shown in table 4.5 below;

4.2.8 Previous Employment Relationship

The study further required the respondents to indicate whether their businesses were related to their previous employment. The results are shown in table 4.6 below;

Table 4. 6: Previous Employment Relationship

	Frequency (N)	Percent (%)	Valid Percent (%)
Yes	21	53.8	67.7
No	10	25.6	32.3
Total	31	79.5	100.0
Those not employed previously	8	20.5	
Total	39	100.0	

The findings in table 4.6 above shows that majority (67.7%) of the respondents who had previous jobs indicated that their businesses were related to their previous employments and 32.3% indicated otherwise.

4.3. Opportunity Recognition By Small Scale Manufacturers.

The respondents were asked to indicate how they recognize opportunities. The responses were placed on a five Likert scale ranging from 1 (strongly, disagree) to 5 (strongly agree). A mean of above 3 is regarded to measure satisfaction on the test variables. Standard deviation was used to indicate the variation or "dispersion" from the "average" (mean). A low standard deviation indicates that the data points tend to be very close to the mean, whereas high standard deviation indicates that the data is spread out over a large range of values. The study findings are tabulated table 4.7 below.

Table 4. 7: Small Scale Manufacturers Recognizing Opportunities

	Mean	Std. Deviation
While going about my daily activities, I see potential new venture ideas all around me.	3.8718	.95089
I have special ‘alertness’ or sensitivity toward new venture opportunities.	3.8462	.70854
‘Seeing’ potential new venture opportunities does not come very naturally to me.	3.2308	1.11122
I started this business because I saw my friends doing it	3.1538	1.36764
Mean	3.5256	

From the findings in table 4.7 above majority of the respondents agreed that while going about their daily activities, they could see potential new venture ideas all around them (Mean=3.8718) and that they had special ‘alertness’ or sensitivity towards new venture opportunities; Most of them disagreed that ‘Seeing’ potential new venture opportunities did not come very naturally to them and they also disagreed about starting their businesses because they saw their friends doing it.

4.4. SMEs Capabilities to Exploit Opportunities

The respondents were required to indicate the extent to which they agreed with statements on the factors influence decision to exploit business opportunities. The responses were placed on a five likert scale ranging from 1 (to no extent) to 5 (to a very great extent). Results are tabulated in table 4.8 below.

Table 4. 8: Small Scale Manufacturers Capabilities to Exploit Opportunities

	Mean	Std. Deviation
I know where to locate the necessary raw materials once I recognise an opportunity.	4.0513	.88700
I have technical skills that assist me in exploiting opportunities	3.9487	.91619
My management skills assist me in exploiting opportunities.	3.8205	.75644
I have access to information to exploit business opportunities.	3.5897	.93803
I have special planning skills which assist me in my business.	3.5641	.94018
I know the right people to approach when exploiting opportunities.	3.4103	1.27151
Overall Mean	3.7307	

According to findings in table 4.8 above, respondents agreed that they knew where to locate the necessary raw materials once they recognized an opportunity (Mean=4.0513), they had technical skills that assisted them in exploiting opportunities (Mean=3.9487), their management skills assisted them in exploiting opportunities (Mean=3.8205), they had access to information to exploit business opportunities (Mean=3.5897), They had special planning skills which assisted them in their businesses (Mean=3.5641) but most of them do not know the right people to approach when exploiting an opportunity. (Mean=3.4103).

4.5. Factors Influencing Successful Opportunity Recognition and Exploitation among Small scale Manufacturers

The respondents were required to indicate the extent to which they agreed with statements on the factors influencing successful opportunity recognition and exploitation among small scale manufacturers. The responses were placed on a five likert scale ranging from 1 (to no extent) to 5 (to a very great extent). Results are tabulated in table 4.9 below;

Table 4. 9: Factors Influencing Successful Opportunity Recognition and Exploitation

Prior Knowledge	Mean	Std. Deviation
I acquire information from mistakes that happen during work.	3.5128	1.14413
I can bring information relating to my field to mind very quickly and easily.	3.6410	.95936
My knowledge of my field is broad.	3.7436	.93803
Mean	3.6324	
Entrepreneurial Cognition		
I can act without a lot of information.	3.5641	1.18754
I always believe I can accomplish much within tight deadlines.	3.8462	.77929
I tend to see things in a new fresh way.	3.7436	1.11728
In Kenya you can only be rich if you have stolen.	1.8462	.96077
Overall Mean	3.2500	

Social Networks		
My contacts or discussions with potential or existing customers help me recognise opportunities	3.5641	1.27310
My social and professional contacts help me to recognise opportunities.	3.4872	1.21117
My family and friends contacts help me to recognise opportunities.	3.2308	1.11122
Mean	3.4273	
Entrepreneurial Alertness		
I always notice changes in customer needs.	3.5128	.75644
I easily see unmet needs in the market.	3.5897	1.04423
I sometimes depend on my instincts in coming up with a business idea.	3.7692	.90209
Overall Mean	3.6239	
Personality Traits		
I often feel the desire to adopt my own approach to work.	4.0270	.60030
I often feel that I can do everything.	3.6757	1.02886
I often have a desire to work at my own pace.	3.3784	1.00971
Overall Mean	3.6937	

According to findings in table 4.9 above, respondents agreed that they acquired information from mistakes that happen during the course of their work (Mean=3.5128). They also said they could bring information relating to their field to mind very fast and

without difficulty (Mean=3.6410) and that their knowledge of their fields was broad. Further the findings shows that Entrepreneurial Cognition influenced successful opportunity recognition and exploitation in SMEs in Nairobi such that they could act without a lot of information (Mean=3.5641), always believed they could accomplish much within tight deadlines (Mean=3.8462), they tended to see things in a new fresh way (Mean=3.7436) but the respondents disagreed that In Kenya one could only be rich by stealing (Mean=1.8462). Further, the findings of the study shows that social networking played a role in that contacts or discussions with prospective customers helped them identify opportunities (Mean=3.5641), though most did not see family and friends as sources of business ideas. (Mean=3.2308). Alertness being a factor in recognition and exploitation of opportunities played a role such that they always noticed changes in customer needs (Mean=3.5128), they easily saw unmet needs in the market (Mean=3.5897), They depended on their instincts in coming up with a business idea (Mean=3.7692) The findings also show that personality traits played a role in recognition and exploitation of opportunities such that they often felt the desire to adopt their own approach to work (Mean=4.0270), often felt that they could do everything (Mean=3.6757) and that they often had a desire to work at their own pace (Mean=3.3784).

4.6. The SMEs Performance

The respondents were asked to score the different indicators of business performance. The responses were placed on a five Likert scale ranging from 1 (poor) to 5 (excellent). Standard deviation was used to indicate the variation or "dispersion" from the "average"

(mean). A low standard deviation indicates that the data points tend to be very close to the mean, whereas high standard deviation indicates that the data is spread out over a large range of values. The results are as in the Table 4.10 below;

Table 4.10: The Small Scale Manufacturers Performance

Indicators	Mean	Std. Deviation
Growth in employees	3.3333	.89834
Profitability	3.3590	.81069
Liquidity	3.4103	.90954
Business Stability	2.3590	1.18070
Customer Base	2.7692	1.20222
Overall Mean	3.0461	

The findings in table 4.10 shows that the respondents indicated Growth in employees (Mean=3.3333), Profitability (Mean=3.3590) and Liquidity (Mean=3.4103) as good and Business Stability (Mean=2.3590) and Customer Base (Mean=2.7692) as poor.

4.7. Inferential Statistics

The study further applied general linear model to determine the predictive power of the independent variables in successful opportunity recognition and exploitation among small scale manufacturers in Kariobangi Light industries in Nairobi County. This included regression analysis, the Model and coefficient of determination. The researcher used the statistical package for social sciences (SPSS V 22.0) to code, enter and calculate the

measurements of the multiple regressions for the study. Coefficient of determination (R^2) describes the degree to which changes in the dependent variable can be explained by the change in the independent variables or the percentage of variation in the dependent variable that is explained by all the five independent variables.

Table 4.11: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.766 ^a	.587	.520	.44306

a. Predictors: (Constant), personality traits, Prior knowledge, Entrepreneurial alertness, Social networks, Cognitive ability.

The R-squared shows the variance in the dependent variable that can be explained by the independent variables. The R-squared in this study was 0.587. The five independent variables in the study explain 58.7 percent of the dependent variable, successful opportunity recognition and exploitation among small scale manufacturers in Kariobangi Light industries. This therefore means that other factors not studied in this research explain 41.3 percent of opportunity recognition and exploitation among small scale manufacturers in Kariobangi Light industries.

Table 4.12: Analysis of Variance

	Sum of Squares	df	Mean Square	F	Sig.
Regression	1.686	5	.337	10.251	.000 ^b
Residual	1.085	33	.033		
Total	2.771	38			

a. Dependent Variable: Opportunity recognition and exploitation

b. Predictors: (Constant), Personality traits, Prior knowledge, Entrepreneurial alertness, Social networks, Entrepreneurial Cognitive ability.

The analysis of variance is used to predict whether the model is good fit for the data. The f-calculated (10.251) is greater than F-critical (2.5336), which shows that the model is a good fit for the data. In addition, the p-value (0.000) is less than the significance level (0.05), which indicates that the model is significant in predicting the influence of personality traits, prior knowledge, entrepreneurial alertness, social networks, cognitive ability on successful opportunity recognition and exploitation among small scale manufacturers in Kariobangi Light industries.

Table 4. 13: Regression Coefficients

	Unstandardized		Standardized	t	Sig.
	Coefficients		Coefficients		
	B	Std. Error	Beta		
(Constant)	4.220	.726		5.812	.000
Prior knowledge	.542	.142	.452	3.805	.000
Cognitive ability	.422	.174	.389	2.428	.021
Social networks	.256	.110	.243	2.327	.032
Entrepreneurial alertness	.077	.089	.158	0.862	.395
Personality Traits	.235	.990	.221	0.238	.044

a. Dependent Variable: Successful Opportunity recognition and exploitation

The regression model is;

$$Y = 4.220 + .542X_1 + .422X_2 + .256X_3 + .235X_4 + \varepsilon$$

According to the study findings, there is a significant relationship between prior knowledge and opportunity recognition and exploitation among small scale manufacturers in Kariobangi Light industries as shown by the regression coefficient of 0.542 and a p-value of 0.000. This implies that a unit increase in prior knowledge would lead to a 0.542 improvement in opportunity recognition and exploitation among small scale manufacturers in Kariobangi Light industries. The relationship is significant as the p-value (0.000) is less than the significance level (0.05).

The results also indicated that there is a significant relationship the cognitive ability and opportunity recognition and exploitation among small scale manufacturers in Kariobangi Light industries as shown by the regression coefficient of 0.422 and a p-value of 0.021. This implies that a unit improvement in cognitive ability would lead to a 0.422 improvement in opportunity recognition and exploitation among small scale manufacturers in Kariobangi Light industries. The relationship is significant as the p-value (0.021) is less than the significance level (0.05).

The findings indicated that social networks significantly influence opportunity recognition and exploitation among small scale manufacturers in Kariobangi Light industries as shown by the regression coefficient of 0.256 and a p-value of 0.032. This implies that a unit improvement in social networks would lead to a 0.256 improvement in opportunity recognition and exploitation among small scale manufacturers in Kariobangi Light industries. The relationship is significant as the p-value (0.032) is less than the significance level (0.05).

In addition, the findings show that there is a positive relationship between entrepreneurial alertness and opportunity recognition and exploitation among small scale manufacturers in Kariobangi Light industries as shown by the regression coefficient of 0.077. However, the relationship was not significant because the p-value (0.395) was greater than the significance level (0.05).

The results indicate that personality traits have a positive and significant influence on opportunity recognition and exploitation among small scale manufacturers in Kariobangi Light industries as shown by the regression coefficient of 0.235. This implies that a unit

improvement in personality traits would lead to a 0.235 improvement in opportunity recognition and exploitation among small scale manufacturers in Kariobangi Light industries. The relationship is significant because the p-value (0.44) is less than the significance level (0.05).

4.8. Discussions

This study sought to establish the factors influencing opportunity recognition and exploitation among small scale manufactures within Kariobangi Light industries. The study narrowed down to five factors, namely prior knowledge, entrepreneurial cognition, social networks, and entrepreneurial alertness and personality traits.

The first objective of this study was to find out how small scale manufacturers in Kariobangi recognise opportunities. The finding on this show that small scale manufacturers in Kariobangi recognise opportunities while going through their day to day activities and their main venture ideas come in terms of the new products they come up with that are suitable for the local market. This finding concurs with Schumpeter (1934), who views new venture as coming in terms of new merchandise, new systems of production, new markets, new supply of raw material, and new organisation methods. Most of them also disagreed that they started their businesses because they saw their friends doing it. This seems to be contrary to the earlier perception that most of the small scale manufacturers just copy what already exists. 37.7 percent of the respondents got their business ideas from training. This shows that training is quite significant and is in agreement with Steinberg (2004) as cited in Baron (2007), who argues that entrepreneurs need tacit knowledge and practical abilities in order to recognize opportunities. This is

mostly evident where the small scale manufacturers have the skills that enable them to exploit opportunities. 79 percent scored having been employed before and most of them were involved in the same type of business that they were doing in their previous employment. This goes to give emphasis to the significance of prior experience in the recognition and exploitation of opportunities among the small scale manufacturers in Kariobangi Light Industries.

The second objective sought to establish the small scale manufacturer's capability in exploiting business opportunities. The findings on the small scale manufacturer's capability to exploit opportunities showed that they have the planning, management and technical skills required to exploit opportunities that come up. This agrees with Shook et al., (2003) who characterize exploitation as consisting of the following activities: planning, networking, selling, and locating resources. According to Shane (2000), since people access information differently in terms of time and place, this creates business opportunities for those with the information. The fact that the small scale manufacturers scored on having access to the information needed shows that their stock of knowledge influences their ability to successfully recognize and exploit opportunities.

The third objective was to establish the factors influencing successful opportunity recognition and exploitation among small scale manufactures in Kariobangi Light Industries. The results of the study have been successfully tested and show that prior knowledge, entrepreneurial cognition, social networks and personality traits actually have a positive influence on opportunity recognition and exploitation. However, the

relationship between opportunity recognition and exploitation with entrepreneurial alertness was not significant because the p-value (0.395) was greater than the significance level (0.05).

The findings strongly support the importance of prior knowledge in recognising opportunities. 25.6 percent of the respondents mentioned experience as their source of ideas, indicating that their prior knowledge played a significant role in their venture creation. This agrees with Shane (2000), who posits that prior knowledge increases successful opportunity recognition. 30.7 percent mentioned training as their source of business idea generation. This further supports prior knowledge as the most significant factor in successful opportunity recognition and exploitation. This is an area that can be explored further by the government; they can give more emphasis on training in technical skills as this will ensure that more people are able to open new ventures.

Entrepreneurial cognitive ability is recognized as the second most significant factor in opportunity recognition and exploitation. However, most of the respondents disagreed on the question of whether it is possible to act without a lot of information. This contradicts the studies done which argues that entrepreneurs tend to use heuristics in decision making, since entrepreneurs have a load of information and have to make decisions quickly within tight deadlines (Baron and Ward, 2004). Bearing all this in mind, they are therefore likely to rely on heuristics which helps them make sense of complex and uncertain information. The other finding that stood out was the fact that they did not agree with the statement that “In Kenya you can only get rich if you have stolen.” This shows that they believe that they can succeed in business and become rich without having

to steal. This is a positive outlook and shows that the small scale manufacturers believe in hard work and doing business in an honest way. Entrepreneurial alertness showed the least significant relationship with opportunity recognition and exploitation. This finding challenges Ardichvili et al., (2003) view that a higher level of alertness increases the chance of an opportunity being recognized.

The study also found that only 5.1 percent of the respondents got ideas from the market gap. This finding shows that most respondents are not alert to business opportunities that emanate from market gaps. However, the study found that the entrepreneurs are able to notice changes in customer needs and can easily see the unmet needs in the market, which is contrary to what we emerged in the background information, where only 5.1 percent got their business ideas from a market gap. The study also found that social networks have a significant relationship with opportunity recognition and exploitation among small scale manufacturers. Their contacts with existing customers, social contacts and professional contacts help them identify opportunities. This clearly agrees with Granoveter (1985) who posits that weak ties are a good source of business ideas as opposed to strong ties (family), which rarely yield business ideas. Granovetter (1973) as cited in Ardichvili et al., (2003) also posits that casual acquaintances are more likely to provide unique information than close friends. The findings also show that most respondents did not think they can get business ideas from family. This also agrees with Granovetter (1985) who argues that strong ties like family do not yield much in terms of business ideas.

The studies on personality traits show that it is also significant, though it ranks fourth out of the five variables. The literature on personality traits, looks at self efficacy (Bandura, 1986), locus of control (Litunnen, 2000), creativity (Shane and Nicolaou, 2015), as characteristics that are associated with venture creation. From the findings, most of the respondents scored on having the desire to use their own approach to work. This is clearly noted with individuals who have a strong locus of control, self efficacy and are creative. It can therefore be concluded that prior knowledge, entrepreneurial cognition, social networks and personality traits influence successful opportunity recognition among small scale manufacturers in Kariobangi Light industries. However, entrepreneurial alertness showed the least significance. This is an area that can be further explored to see how this can be improved among the small scale manufacturers, bearing in mind that higher alertness increases the chance of an opportunity being recognized Baumol (1993).

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS

5.1. Introduction

This chapter presents the summary, conclusion and the recommendations on factors influencing successful opportunity recognition and exploitation among small scale manufacturers in Kariobangi Light industries in Nairobi County.

5.2. Summary

The first objective of this study was to identify how small scale manufacturers in Kariobangi Light Industries recognize opportunities. The finding showed that training was a major source of opportunity recognition among the small scale manufactures. 79 percent of the respondents have been employed before, giving emphasis to the fact the prior knowledge is an important factor in opportunity recognition.

The second objective was to find out the small scale manufacturer's capabilities to exploit opportunities. Most respondents did not know the right people to approach when exploiting an opportunity. However, they knew where to locate the raw materials when exploiting an opportunity. The third objective was to establish the factors influencing successful opportunity recognition and exploitation among small scale manufactures in

Kariobangi Light Industries .The one factor that stood out to have a significant influence was prior knowledge, this is clearly seen where we have 30.7 percent getting their ideas from training. However, entrepreneurial alertness did not have a big significance in opportunity recognition and exploitation even though scholars have given it a lot of emphasis as one of the antecedents of opportunity recognition and exploitation (Kirzner, 1997; Ardichvili et al., 2003; Baron 2004; Baumol, 1993). On the question of whether they believed one can only get rich in Kenya by stealing, majority did not agree with this statement. This is a clear indication that most small scale manufacturers do not believe in corrupt deals, but believe in doing business honestly and working hard to achieve their goals.

5.3. Conclusions

This study aimed to look at the factors influencing successful opportunity recognition and exploitation among small scale manufacturers in Kariobangi Light Industries. The study revealed that training was a major source of new venture ideas, followed by experience; this goes to show the importance of these two factors in opportunity recognition. Training should therefore be given more emphasis as it is what enables the entrepreneurs to exploit opportunities that they have knowledge on.

The small scales manufacturer's ability to exploit opportunities is adequate and the only challenges that come out was knowing the right people to approach when exploiting opportunities, this is an area that needs improvement. The study also revealed that prior knowledge is a key factor in opportunity recognition therefore needs more emphasis. This

could also mean that training for potential entrepreneurs should also target the employed people since prior knowledge is a key source of business ideas. From the findings on the question of one only being rich if they steal, shows that the small scale manufacturers do not believe in corrupt deals. They believe in working hard and doing business honestly.

This conclusion is supported by the study findings, which showed that there was a very strong positive relationship between the variables, 58 percent of opportunity recognition and exploitation among small scale manufacturers could be explained by the variables under study. From this study it is evident that at 95 percent confidence level, the variables produce statistically significant values and can be relied on to explain opportunity recognition and exploitation among small scale manufacturers. However, entrepreneurial alertness is not very significant.

5.4. Recommendations

The study recommends that seminars on how to identify opportunities be organized for small scale manufacturers, the emphasis should be on how to identify the opportunities especially through systematic search for market gaps. The study also recommends forums for the small scale manufacturers where they can meet with their counterparts and share ideas, thereby increasing their social networks. In these forums, emphasis can also be placed on the need to use books, media as a source of opportunity recognition.

The one thing that came clear when administering the interviews was the participants request that the government gets more involved with SMEs and create a conducive environment for doing business, assist them in acquiring cheap loans, create a market for

their products, especially in the neighbouring countries .Therefore the study recommends that the government trains the small scale manufacturers on quality control of their products and later come up with programmes of promoting their product abroad. 30.7% said their ideas came from training, the government should therefore put more emphasis on training and come up with programmes for training potential entrepreneurs.

5.5. Limitations of the study

While conducting the study, the researcher met a number of challenges the first one was securing appointments with the respondents some of whom were unwilling to participate due to the feeling that they have been over researched with no tangible benefits. The second challenge was the unavailability of owners despite going back several times. The third challenge was accessibility to the firm, a good example is the bakeries which were enclosed with no access to them.

The fourth challenge was that some of the owners were also actively involved in production and therefore did not have time to be interviewed. Some respondents were also prejudiced while giving information due to privacy reasons.

5.6. Areas for further research

From the findings of this study, four key areas for future research have emerged. First, the influence of the moderating factors like age, educational background and environmental factors on entrepreneurial opportunity recognition and exploitation should be investigated.

Second, future research should not just examine opportunity recognition and exploitation among scale manufacturers in Kariobangi Light Industries, but should diversify to other parts of Kenya and even look at the other factors other than the five that this study examined.

Third, this study has revealed that many factors influence the recognition and exploitation of business opportunities and future research should look at how these factors can be incorporated and given more emphasis in entrepreneurship and business courses.

Finally, the study has revealed the contribution of SMEs to the economic growth of the country, and therefore a study on how business opportunities can be pooled together by bringing knowledge from different domains and pooling them together for easy access will go a long way in increasing entrepreneurial opportunities.

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Appendices 1: Questionnaire

Factors influencing successful opportunity recognition and exploitation among small scale manufacturers in Kariobangi Light Industries.

Introduction

The questionnaire seeks to identify the factors influencing opportunity recognition and exploitation within Nairobi County. The questionnaire has been distributed by an MSC Entrepreneurship student from University of Nairobi and the questionnaire answers shall be treated with confidentiality and shall not be used for any other purpose apart from the research that it is intended for. Please provide the answers to all the questions below. Tick (✓) your appropriate answer inside the brackets provided). The extent is rated as (1- No extent, 2- Little extent, 3- Moderate, 4- Great extend, 5- Very great extent) or (1=strongly, disagree, 2=disagree, 3=undecided, 4=agree, 5=strongly agree)

DATE/...../..... Name of
Firm.....

SECTION I: BACK GROUND INFORMATION.

Title of respondent: Owner () Manager () Owner/Manager ()

Gender: Female Male

Please indicate the number of employees in your firm.

1 – 5 [] 6 – 10 [] 11 – 20 [] 21 – 30 [] 31 – 40 [] 41 – 50 []

Which of the following best describe your business activity?

Assembling [] Bakery [] Engineering/Fabrication [] Paint making [] Others []

How many years have you been in business?.....Years.

Where did you get your business idea?

Experience [] Talent [] Media [] Trade show/exhibition [] Talking to others []

Training [] Market gap [] Publications [] others.....

Kindly indicate your turnover rate per annum in Kenya shillings?

0 – 5 [] 6 – 10 [] 11- 20 [] 21- 40 [] 41 – 100 []

If you have been employed before how many years work experience did you have?

≥ 5 Years [] 5 – 10 [] 15 -20 [] ≤ 20 []

Is your business related to what you were doing in your previous employment?

Yes [] No []

SECTION II: How small scale manufacturers recognize opportunities (come up with new business ideas)

Have the following factors influenced your business opportunity recognition?

	strongly disagree	disagree	undecided	agree	strongly agree
While going about routine day-to-day activities, I am able to see potential new venture ideas all around me.					
'Seeing' potential new venture opportunities does not come very naturally to me.					
I started this business because I saw my friends doing it					
Other.....					

SECTION III: Small scale manufacturers’ capabilities to exploit opportunities (come up with new business ideas.

To what extent did the following factors influence your decision to exploit this business opportunity?

	No Extent	Little Extent	Moderate	Great Extent	Very Great Extent
I have special planning skills which assist me in my business.					
I know the right people to approach when exploiting opportunities.					
I know where to locate the necessary raw materials once I recognise an opportunity.					
I have technical skills that assist me in exploiting opportunities					
My management skills assist me in exploiting opportunities.					
I have access to information to exploit business opportunities.					

SECTION IV: Factors influencing successful opportunity recognition and exploitation among small scale manufacturers in Kariobangi Light Industries.

To what extent did the following assist you in recognizing your business opportunity?

A.	Strongly disagree	Disagree	Undecided	Agree	Strongly agree
I can bring information relating to my field to mind very quickly and easily.					
I have a broad knowledge in of my business area					
B.					
I can act without a lot of information.					
I always believe I can accomplish much within tight deadlines.					
I tend to see things in a new fresh way					
In Kenya you can only be rich if you have stolen.					

C					
My discussions with potential or existing customers help me recognise opportunities (come up with new business ideas).					
My social and professional contacts help me to recognise opportunities (come up with new business ideas).					
My family and friends contacts help me to recognise opportunities (come up with new business ideas)					
D.					
I always notice changes in customer needs.					
I easily see unmet needs in the market.					
I sometimes depend on my instincts in coming up with a business idea.					
E.					
I always keep an eye out for					

new business ideas when looking for information.					
I read various publications and listen to news regularly to acquire new information.					
F.	Strongly, disagree	Disagree	Undecided	Agree	Strongly agree
I often feel the desire to adopt my own approach to work.					
When I make plans, I am almost certain to make them work.					
I can pretty much determine the direction of my business.					
I often feel that I can do anything in related to my business.					
I often have a desire to work at my own pace.					
I often believe I can achieve difficult goals.					

SECTION III: THE SME PERFORMANCE

How do you rate your business performance since you began?

Indicators	Poor (1)	Moderate (2)	Good (3)	Very Good (4)	Excellent (5)
Growth in employees(How many employees did you start with and how many are there currently)					
Profitability (Profit in the last three Years)					
Liquidity (How fast can you turn your assets to cash)					
Business stability (Do your employees have job security?)					
Customer base (Roughly how many customers do you have compared to the overall number of customers.)					

