

THE EFFECT OF ENTREPRENEURIAL ORIENTATION ON PERFORMANCE OF SMALL ENTERPRISES IN THIKA TOWN, KIAMBU COUNTY

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**THE EFFECT OF ENTREPRENEURIAL ORIENTATION ON PERFORMANCE OF
SMALL ENTERPRISES IN THIKA TOWN, KIAMBU COUNTY**

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**A RESEARCH PROJECT SUBMITTED IN PARTIAL FULFILLMENT OF THE
REQUIREMENTS FOR THE AWARD OF DEGREE OF MASTER OF SCIENCE IN
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ABSTRACT

The **research** aimed ⁵ to establish the effect of entrepreneurial orientation on performance of small enterprises in Thika town, Kiambu County. The motivation for this was that despite the large influence of small creativities to the economic growth of the country, many do not survive the second year of their existence.

The study applied descriptive statistics to collect data within established enterprises in Thika town. In general, entrepreneurs who had operated businesses in Thika town for more than three years were interviewed utilizing a survey and by face to face interviews. The data was then examined using ⁷ descriptive statistics and presented in tables and charts. The study findings inferred that information on business is critical for entrepreneurial orientation.

2 **CHAPTER ONE**

INTRODUCTION

1.1 Background to the Study

The linkage among entrepreneurial alignment and the release of small enterprise can be given a multidimensional methodology both theoretically and empirically (Green & Slevin, 2014). Chattopadhyay et al. (2017), argues that entrepreneurial orientation looks into the behaviors of an entrepreneur at all levels, from a well-organized "firm-level" to an individual perspective. According to Krueger 2015, to adopt into the current periods of economic complexity, it is necessary for any business however small it is to be creative and develop vigorous research on entrepreneurial processes. In this case, entrepreneurial orientation is used to represent the procedure of chasing and grasping prospect along clear dimensions associated with small enterprises. Entrepreneurial orientation confirms to opportunities recognizable in new markets which are vital to business performance (Lumpkin and Dess 2013)

Studies on entrepreneurial orientation as well as firm performance are mainly guided by theories such as Neoclassical Theory, Life Cycle Theory and the Resource-Based Firm Theory. This study is inclined to Barney's Resource-Based Firm Theory. The theory by Barney Jay (1990) provides an "inside out" method to strategy design, developing to explain firms' performance that could not essentially be drawn to industry-level factors.

This study would like to investigate strategies and individual creativity towards entrepreneurial mindset on the expansion and elevation of small enterprises. The planned study area i.e. Thika town in Kiambu County is one of Kenya's most productive trade towns,

which has very minute credentials on entrepreneurial orientation. Therefore, this makes the basis of the proposed investigation.

1.1.1 Entrepreneurial Orientation

Miller (1983) defined it as a strategic alignment that specifically captures entrepreneurial features such as ventures on making business decisions, management methods and management practices. This was later followed by Cosh & Hughes (1996) who added on Miller's definition by looking at EO as a measure of the degree to which topmost managers in any institution are trying innovative ways of studying business risks and aggressively set up strategies that give them a competitive advantage over other businesses across similar business lines.

According to Deakins & Freel (2016), entrepreneurial orientation guarantees a manipulative product-market innovation process of a firm creating a lead advantage over competitors. A firm without proper orientation on the entrepreneurial process is prone to little innovation, may be operating at higher risks and risks being closed down within the few years of that business operation. This tentatively views entrepreneurial orientation as a composite weight on proper performance (Mahmood & Hanafi, 2013). According to Deakins & Freel (2016), lack of aggressiveness in a business is also an opportunity for slumber. Each business needs to develop aggressive business strategies that can make it penetrate even in a competitive environment.

1.1.2 Small Enterprises' Performance

The steadiness of small initiatives in terms of development may be assessed precisely regarding budgetary or workers' numbers (Vila, 2015). Increment of offers, return on value and aggregation of declares (Gitonga, 2013). Organizations with high pioneering direction

can go for advertise sections which can bear more significant expenses by skimming the market regardless of whether the challenge would charge lower. High-net revenues yield assets for further development (Zahra, 2017). Healthy or well-performing small enterprises according to Davidsson, Delmar, & Wiklund, (2016), are run by developed functional structures. This includes having professional managers, conducting market research studies and setting competitive strategies.

An enterprise's EO may have effects on how it follows growth. Delmar, Davidsson, & Gartner (2013), states that performing enterprises can exhibit stable growth parameters including Generation of profits, having a sustainable human resource processes, being able to predict future market dynamics and setting up strategies to counter expected challenges. Messey, et al, (2014) further argues that for a small enterprise to remain functional, it should consistently appeal to its market niche. This should include setting up locally identifiable marketing strategies.

1.1.3 Small Enterprises in Thika

Thika is a formation of trade and industrial activities. It is one of the largest towns of Kiambu County. The 2009 Census by the National Bureau revealed it has a population of 139,853 which is growing rapidly just like Nairobi (Njeru, 2013).

Economically, Kiveu (2012), contends Thika town enjoys a superhighway and modern tarmac roads to Garissa and central province towns like Nyeri, Muranga, Embu, Nyanyuki, Meru. It also boasts of a railway line from Nairobi. It has more than 100 little scale ventures and more than 20 significant production lines in its neighborhood (County Government of Kiambu, 2018).

Thika town has several tertiary institutions like Thika Institute of Engineering and Technology, Amboseli Institute of Hospitality and Technology among others. Thika town is

honored with numerous high schools and grade schools and many financial associations (County Government of Kiambu, 2018).

These institutions and infrastructures have provided chances for development of small enterprises in Thika town. According to Njeru (2013), minor businesses in the town enjoy the available market for their ventures due to the high population and great infrastructure development within the town.

1.2 Research Problem

In most literature, it is renowned that small initiatives play a critical role in economic growth, it is estimated that their failure rate is between 70% and 80% (Brink, Cant, and Lighthelm, 2013). A recent economic survey in Kenya indicates that small enterprises have not experienced much growth as medium or large enterprises in the recent past (Ehigiamusoe, 2015). For example, it is argued by many scholars that only 17.5% of the small enterprises established survive for more than two years (Parker, Joan, & Tanya, 2016), the rest close before two years is overdue to lack of developing a competitive advantage over others.

According to ROK (2017), the informal sector makes over 80% of all employment in Kenya, but contributes only 18.4% of the GDP. Further, small scale businesses are regarded as the world's economic driving forces for development all over the world (Spilling, 2015). However, millions of small-scale businesses get bankrupt annually. This has led to low growth of the small-scale enterprises which is critical for industrialization process and national economic development. Although SMEs create employment and income, many of them do not grow vertically. This creates a gap between small businesses and the large enterprises leading to a missing middle (Spilling, 2015).

Studies conducted previously indicate that the slow growth of small-scale trades have been due to limited access to running capital and lack of proper entrepreneurial orientation

(Pretorius, 2016; Nichter, and Goldmark, 2017 and Rohrbeck, Hölzle, & Gemünden, 2017). In Kenya, several studies on the advancement and functioning of small enterprises has been conducted. Namusonge, (2011) researched on the “Determinants of growth-oriented SMEs in Nairobi”. Her focus was on evaluating the managerial aspects of small enterprises. She also brought about the education and training of small enterprises as a way of creating their growth. However, just like other studies on productivity of entrepreneurial orientation and minor businesses, the discussion on select measures of growth was not elaborated well. The study only concentrates on importance of quality (Njeru 2014). This study adds that limited information on entrepreneurial orientation might be the key cause of slow growth. Proper orientation may equip small scale entrepreneurs with mitigation strategies to counter the challenges faced. Thika town has been considered ideal for this study considering very few scholars who have conducted studies on small enterprises in the town, yet it enjoys proper infrastructure that could elevate SME businesses (RoK, 2017).

The research explored the stated research problem by answering the following research questions: First, could an individual's creativity and innovation influence the performance of the enterprises? Secondly, does acquisition of business information have any impact on the performance of the enterprises?

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1.3 Objectives of the Study

1.3.1 General Objective

The study examined how entrepreneurial orientation affects the performance of small enterprises in Thika town.

1.3.2 Specific Objectives

1. To evaluate an individual's creativity and innovation ¹² affects the performance of small enterprises in Thika
2. To establish how ⁵ business information influences the performance of small enterprises in Thika.

1.4 Value of the Study

The study was influenced by the fact that SMEs have a high collapse regardless of their essence in the economy. For instance, 3 in 5 SMEs in Kenya tend to collapse within a 3 to 5-year period due to loss of jobs. The study outcomes are essential since they will benefit varying groups including research institutions, county governments, entrepreneurs, and academicians who are linked directly or indirectly. This is based on the effect of the study in minimizing failure rates.

Kiambu County government can utilize the study outcomes to establish an agenda that will back up and produce a good setting for small enterprises. The government will position itself to inspire the growth of the null hypothesis tested in the study: innovations, improving financial access and emphasizing on building capacity. The activity will likewise assume a urgent job in supporting the advancement and aggressiveness of little ventures that are a pivotal supporter of the economic development. The study will also benefit the Ministry of Science and Technology by enhancing their understanding on how to support innovations and reduce the hurdles to advances among SMEs.

The study outcomes will also benefit research institutions by enabling them to disseminate data to SMEs and the general public. Researchers, academicians, and scholars can also utilize the study outcomes as a point of reference and recommendation for their work. The findings

will also enhance studies on entrepreneurial orientation. Business people can also gain an indulgent of the entrepreneurial aspects to embrace the development of their enterprises.

The three theories discussed in the theoretical framework: Neoclassical theory, The Life Cycle theory and Resource-Based Firm Theory will create a foundation towards future theories and practice related to SME studies.

2 **CHAPTER TWO**

LITERATURE REVIEW

2.1 Introduction

A review of literature materials in any study provides a framework for the study. In this part, the review of theoretical framework by reflecting on philosophies and past studies is conducted. However, before discussing theories, the study will provide an empirical review of entrepreneurial orientation and company performance. The chapter finally, provides a conceptual framework for data collection.

2.2 Theoretical Foundation

In general, three theories will be reviewed: Neoclassical Theory, McMahon's Life Cycle Theory and Barney's Resource-Based View Theory.

2.2.1 Neoclassical Theory

It was first coined into economic models by Stanley William Jevons, Manger Carl and Walras Léon in 1900. It originated from Fredrick Taylor's classical management theory. Initial Neoclassical theorists led by William (1920) felt that there is a need to create some functional structures on a job output. They wanted to deviate from a classical model that

highlighted the workforce skills to complete production tasks. The principle of specialization and work structuration originated from early neoclassical theorist (Cooper, & Emory, 2005).

Since its inception in 1900, the theory has attracted a series of modifications. The modern neoclassical theory was developed by Melinda Cooper in 1990. It is more about profitability and structures initiated for profitability (Cooper, & Emory, 2005). Supporters of modern-day neoclassical theory believe that since the value of an item is driven by shopper observation, there is no upper bound to salary or benefits that can be made by brilliant industrialists. This contrast between the real expenses of the item and the value it is sold for is known as the "economic excess" (Cooper, and Emory, 2005). Be that as it may, this suspecting drove to some degree to the 2008 financial emergency. During this time, present day business analysts accepted that manufactured financial instruments had no roof and that they protected the market against hazard and vulnerability.

However, critics of neoclassical theory led by Donald Harris (2010) had a different opinion. According to Donald (2010), neoclassical theorists make many unsupported and impractical conventions that do not signify real circumstances. For example, the disparities in global liability and trade relations should not arise if there are insured markets against risk and uncertainty (Arbaugh, & Camp, 2000).

16 **2.2.2 The Life Cycle Theory**

The life cycle theory by Modigliani and abarumberg deals with establishing how people spend and save through out their life time. In accordance to the theory, people spend and save depending on their expected income. As needs be, they assume obligation when they are youthful, accepting future salary will empower them to pay the obligation off. They at that point spare during middle age to keep up their degree of utilization when they resign. This

outcomes in a "bump molded" design in which riches aggregation is lower through youth and and higher through their central age (Massey et al., 2006).

This theory was later coined into entrepreneurial studies by McMahon in 2001. According to McMahon (2001), there are life cycle stages that represent the development of small enterprises into medium or large enterprises. Supporters of this theory including Davidsson (2010), Delmar (2013), Wilund (2014) and Lewis (2014), states that any small enterprise has to undergo a steady cycle of growth to become a medium or large enterprise. The cycle comprises five stages as follows: Stage 1, the existence stage. At this phase, business holders hypothesize the big idea, test the marketplace and decide what products and services they need to organize to become a reliable organization. At Stage 2 commonly known as staying alive, the business demonstrates that there is a need for their product or service. At stage 3 known as the success phase, there is a stable and profitable business. At stage 4 also known as take-off, need to take the business to the next level based on stable profit arise. At stage 5 which is the sustainability phase, the enterprise has grown, management becomes decentralized, and systems are well-established (Lewis 2014).

The theory has however been criticized by scholars such as Penrose (2014) and Gomez (2015). According to critics, not all enterprises grow uniformly. Some stagnate in the same position; others fail while others may skip some stages. Penrose (2014) argues that the life cycle theory does not account for growth or failure processes outside the normal growth rate.

1 2.2.3 Resource-Based Firm Theory

The main proponent of the theory is Barney Jay in 1990. Barney was influenced by Wernerfelt's previous work that led the idea of resource place hurdles being unevenly equivalent to entry barriers. According to the theory components by Barney (1991), "the firm comprises of differentiated technological skills, complementary assets, and organizational

routines and capacities. Financial resources such as credit are one of the resources that effect the growth of a firm". Penrose (2014), a critic of this theory is concerned with the efficiency and creative use of advantages. She guaranteed that "bundles of productive resources controlled by firms could vary significantly by a firm, that firms in this sense are fundamentally heterogeneous even if they are in the same industry" (Clark, 2017).

2.3 Empirical Review

To stress, the theoretical foundation on entrepreneurial alignment in this study, the affiliation among entrepreneurial alignment and firm performance are discussed below.

11 2.3.1 Entrepreneurial Orientation and Firm Performance

The modern-day definition of entrepreneurship is considered as an opportunity to invest and earn profits from the investment (Coad, 2013). Entrepreneurial orientation, on the other hand, is looked at as an innovative way of generating profits from a business venture of any kind. This goes with the observation of key investment pillars such as the aptitude to be pro-active, the ability to be innovative, the aptitude to be competitive, autonomy and ability for risk-taking propensity. According to Fisher and Reuber (2013), these abilities are termed as entrepreneurial behaviors.

In this case, entrepreneurial orientation is termed as the procedure of following and seizing prospects along clear business dimensions. Opportunities are always supported in the market through explored business processes (Fisher and Reuber, 2013). Besides the creation of opportunities, entrepreneurial orientation puts into account other business aspects such as demand, aggressive marketing, nice packaging of products and services and other attributes that increases business profitability (Gibb, 2013).

The affiliation between entrepreneurial orientation and firm performances is firmly related. For firms to perform in any niche environment, they have to apply entrepreneurial orientation aspects. This does not look at increased revenue alone. They have combined research on the future positioning of the business environment. The business environment incorporates non-financial actions such as employee motivations, customer fulfilment, branding and so many that make the business to continue being afloat. Mwaura et al., (2015) agree that “this is a holistic approach and a balanced scorecard approach to performance evaluation for SMEs”.

Exposure of SMEs to entrepreneurial orientation factors helps them to be more innovative hence generating the aptitude and inclination to support originality, new thoughts and research, that may cons equate in new products/services (Lumpkin & Dess, 2013; Mwaura, et. al., 2015; Gathenya, et. al., 2015; Ngugi, 2017). Proactive firms are prepared for any eventuality and act on demanding market needs, which enables them to gain the first-mover advantage over their competition. According to Ndung’u, (2015) entrepreneurs involve themselves in maximizing opportunities.

For SMEs to reflect themselves as having a competitive advantage over others, they are obligated to ensuring that they increase their engagement on entrepreneurial orientation factors. This is a mechanism in which their business environment would be considered as nourishing and healthy. Entrepreneurial orientation is looked at as an instrument for business endurance and the success of SMEs. Cassar (2014) in South Africa concluded that “entrepreneurial orientation plays an essential role in the informal sector, where it was found to be linked with greater earnings for informal street traders. Learning-related aspects were depicted to grow earnings”.

2.3.2 Innovativeness on Firm Performance

Innovativeness/innovation is a vital component in an entrepreneurial orientation (Chaminade & Vang 2016). Lumpkin and Dess (2013) recognized Schumpeter for being among the first to push the activity of advancement in the entrepreneurship method, as a technique of innovative destruction, "by which wealth was made when existing business division structures were angry with the introduction of new items or organizations reallocating resources from existing firms to new organizations and improvement" (You, 2015).

Innovation in organizations can be arranged into; item showcase innovation and mechanical innovation (Hodgetts and Kuratko, 2018). Profoundly creative firms develop, in any case, inquires about have announced that an inventive methodology is basically theoretical, with returns mysterious ahead of time, pioneers' risk squandered assets if the venture doesn't yield the sought-after outcomes. Innovations that become fruitful likewise chance impersonation. In any case, readiness to and interest in better approaches to make and catch value are key qualities of organizations that seek after enterprising procedure (Perren, 2012). Staley and Morse (2013) stated the possibility of information based advancement to be backbone of business. information Based Innovation requires cautious assessment of all the fundamental factors and clear spotlight on the key position which incorporates making frameworks, show center and having the basic situation for persuading business execution (Hanna, 2010).

2.3.3 Competitive Aggressiveness and Firm Performance

It is utilized in reference to rivalry between establishments (Moya, 2012). It is the association's penchant to straightforwardly and strongly contest its contestants to accomplish section or enhance stance: to beat industry opponents in the commercial center, this is described by reception as far as showdown or receptive activity (Laursen, and Salter, 2016). Engel et al., (2014) found that focused hostility as a procedure of an enterprising direction

alludes to the kind of power and no holds barred acting that new contestants regularly need to contend with existing rivals. Rather than genius animation, which identifies with advertise openings, focused forcefulness alludes to how ventures identify with competitors and react to patterns and request that as of now exist in the commercial center as to competitors (Tiwari, & Buse, 2017; Anyadike–Danes et.al, 2011; Ubom, 2016; Lumpkin & Dess, 2013.).

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter is on research methodology that was applied. It indicates research design, target populace, sample design, data gathering and analysis techniques that were used.

3.2 Research Design

The study presumed descriptive survey research design method. This design was used as it depicts the state of affairs as they exist during the study duration (Babbie, 2002). The investigator applied this design to describe the connection between entrepreneurial orientation and the performance of SMEs in Thika town.

3.3 Population of the Study

The study population consisted of small enterprises licensed as independent retailers or wholesalers in Thika town, particularly, those that have been in operation for more than three (3) years. According to Kiambu County, Ministry of Trade, Tourism, Cooperative & Enterprise Development (2013), there are 3800 registered small enterprises in Kiambu County. Thika town was reported to have the highest percentage of those registered enterprises with 40 percent while the remaining towns in the County share the remaining 60 percent.

Table 3. 1 Target Population

Categories of Small Enterprises within Kiambu County	Total Population (Kiambu Government Records	Thika Town Split
Mitumba Dealers	114	46
Independent Supermarkets	228	91
Large Dukas	684	274
Spa Businesses/Hairdressers	304	122
Furniture Stores	190	76
Auto Spares	114	46
Timber Yards	76	30
Welding Stores	152	61
Car Wash Business	152	61
Pubs/Night Clubs	380	152
Restaurants	380	152
Butcheries	304	122
Milk Bars	418	167
Bakery Stores	114	46
Take Away Snack Bars	190	76
Total Small Enterprises	3800	1520

Source: Kiambu County Data on the Registrar of Businesses (2015)²

3.4 Sample Size and Sampling Design

The sample included 152 registered businesses within Thika Municipality. A sample size of 152 Enterprises was accomplished by computing the target populace of 1520 with a 95% assurance interval and an error margin of 0.25 using the below formula taken from sample-size.net (2018).

Where; n = Scope of the sample,

N=Scope of the population and given as 1520,

Standard error of the mean = SEM = $S/\sqrt{N} = 0.256$

$t(\alpha, N-1) = 1.962$

The study population was stratified into different Small Enterprises in Thika town. Each stratum had a specific quota to be achieved. Potential respondents were selected using purposive sampling where only those qualified as registered enterprises were studied.

3.5 Data Collection

Secondary and primary information sources were used. The study went for available, fairly expedient and profitable secondary information (Kombo & Tromp, 2006). This research will rely on official periodicals of the ¹ Municipal Council of Thika, the Local Government Act (Cap. 265). Other publications will include the Kenya National Bureau of Statistics, local newspapers, journals, website literature, and any other published document that may be relevant to this study.

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3.6 Data Analysis

Both qualitative and quantitative data analysis methods were be used. Descriptive statistics instruments were used to show simple tallying procedures which were to be tabulated by use

of Microsoft Excel and SPSS version 21. This provides frequency distributions illustrations such as ¹⁰ tables, pie charts, and bar graphs. ¹⁰ Regression analysis was used to further establish the quality of the association among the variables (Cooper & Schindler, 2008). For more analysis of data, difference expansion factor investigation was be done to ¹ test the level of conceivable multi co-linearity of the free factors in the relapse model. The degree of multi co-linearity is whereby at least two factors in the relapse model are exceptionally associated. Multiple linear regression analysis will then be conducted for multiple response questions. Cooper & Schindler (2018) emphasizes that “compound ¹ linear regressions provide a rich and flexible framework that suits the needs of many analysts”.

CHAPTER FOUR

DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

The emphasis of the study was: to evaluate an individual's creativity and innovation influencing the performance of small enterprises in Thika. This chapter provides the outcomes of the study.

4.2 General Characteristics of the Study Sample

The study involved small enterprises licensed as independent retailers or wholesalers in Thika town, Kiambu County in Kenya. According to RoK (2007), Kiambu County was identified among five counties in Kenya that have spearheaded the growth of SMEs as among its key pillars of achieving vision 2030. The County boasts of having diverse enterprises like Mitumba dealers, Independent supermarkets, large/small Dukas, furniture stores, hairdressers / barbershops, auto spares, restaurants, butcheries, timber yards, , pubs/night clubs, car wash, milk bars among others. This study will visit each category of small enterprises in Thika town.

4.2.1 Response Rate

Orodho (2003) states that the response rate reflects which the final data set will appear compared to the sampled data. It provides a frequency and percentage of respondents who willingly participated in the study by filling the survey tool. The previous study by Bunyasi (2015) reported a response rate of 60%, on a study to evaluate the entrepreneurial aspects impelling the growth of SME's in Thika district in Kenya. This study achieved a 75% response rate, an improvement of 15% on a previous study by Bunyasi. The questionnaires fielded were 152 out of which 114 were productively filled and returned. This works out to

(114/152 *100) = 75%. In their proposal, ¹³ Mugenda and Mugenda (2003), asserts that a 50 % response is rated as adequate, 60% is termed as good, while, above 70% is referred as excellent

4.2.1 Response Rate per each Business Category

Table 4.1 below demonstrates the response rate for each business category.

Table 4. 1 Response per each Business Category

Categories of Small enterprises within Kiambu County	Sample Distribution	Response Rate(F)	Response Rate (P%)
Mitumba Dealers	5	3	2.0
Independent Supermarkets	9	5	3.3
Large Dukas	27	20	13.2
Spa Businesses/Hairdressers	12	8	5.3
Furniture Stores	8	6	3.9
Auto Spares	5	3	2.0
Timber Yards	3	3	2.0
Welding Stores	6	4	2.6
Car Wash Business	6	4	2.6
Pubs/Night Clubs	15	12	7.9
Restaurants	15	11	7.2
Butcheries	12	10	6.6
Milk Bars	17	14	9.2
Bakery Stores	5	5	3.3
Take Away Snack Bars	8	6	3.9
Total Small Enterprises	152	114	75%

Source: Researcher 2019

Different small enterprises were approached as indicated in table 4.1 above. Based on the responses received, large Dukas gave a higher response rate of 13.2% while Mitumba dealers, auto spares and timber yards all gave a smaller percentage of 2% each. This is attributed to having larger Dukas and less Mitumba dealers, auto spares and timber yards in Thika Town.

4.2.2 Length of Business

Table 4.2 below depicts a cross-tabulation between each small enterprise and the duration they have been in existence.

Table 4. 2Cross-tabulation of Small Enterprises and Length of Business

Categories	Length of business			Frequency
	3-6yrs	7-10yrs	Over 10yrs	
Mitumba Dealers	1	2	0	3
Independent Supermarkets	3	1	1	5
Large Dukas	5	6	9	20
Spa Businesses/Hairdressers	8	0	0	8
Furniture Stores	2	1	3	6
Auto Spares	0	0	3	3
Timber Yards	1	0	2	3
Welding Stores	1	1	2	4
Car Wash Business	0	1	3	4
Pubs/Night Clubs	6	4	2	12
Restaurants	8	1	2	11

Butcheries	3	6	1	10
Milk Bars	6	3	5	14
Bakery Stores	1	2	2	5
Take Away Snack Bars	1	2	3	6
Total	46	30	38	114

(Chi-square =14.375, df=14)

Source: Primary Data (2019)

Based on the cross-tabulation, the determinant chi-square is given as 14.375 at 14 points of freedom, the degree of freedom is 14. This is when the rate of significance is 0.05, the chi-square is 14.00. The calculated value on the degree of freedom and measure of significance is less than the values in the table. This means the data is very viable for further analysis.

The study findings on the sum of years the business has been operating indicate that the majority (46) have operated for between 3 to 6 years. A slight majority (38) has operated for over 10 years while minorities (30) have operated between 7-10 years. Further scrutiny on the length of operations indicates that businesses like auto spares and large Dukas have more frequency on over 10 years while spa businesses/hairdressers and restaurants have a higher frequency of 3-6 years

4.2.3 Number of Employees

The study finding indicates that small enterprises with single ownership were the majority at 50%. Those with between 2-5 employees were at 26.32%, those with 6-10 employees were at 8.77%, while those with 11-50 employees were 14.91%. Table 4.3 below demonstrates the percentage against the number of employees.

Table 4. 3Number of employees

Number of staff	Frequency	Percentage
------------------------	------------------	-------------------

Single Owner	57	50
2 to 5 years	30	26.32
6 to 10 years	10	8.77
11 to 50 years	17	14.91
Total	114	100.00

Source: Primary Data (2019)

4.2.4. Number of Employees against Education Level

Table 4.4 below shows a cross-tabulation among the education level of respondents against the number of employees. Overall, slight majorities (33) are primary level; another slight majority (32) is secondary level while minorities (8) have no education at all. The table also demonstrates that most single business owners (25) have primary education. The majority of those with 2 to 5 years have tertiary education (10) while the majority of those with 11-50 years have University (6) and Tertiary education (6).

Table 4. 4 Cross-Tabulation of Education Level against the Number of Employees

Number of Employees	University	Tertiary	Secondary	Primary	None	Total
Single Owner	3	5	20	25	4	57
2 to 5 years	6	10	5	6	3	30
6 to 10 years	4	1	2	2	1	10
11 to 50 years	6	6	5	0	0	17
Total	19	22	32	33	8	114

(Chi-square = 13.73 df = 9)

Source: Primary Data (2019)

According to the Chi-square determinant at 13.73 with 9 degrees of freedom, the table value provides 9 degrees of freedom when the significance level is 0.05, the chi-square is 17.54. The calculated value is less than the table value which suggests there is no significant variance among the sample and the population. This implies that conclusions can be drawn from the findings effectively.

4.3 Reliability Analysis

According to Bryman and Cramer (1997), a test on reliability is the determination of the rate at which separate matters used in the study provides a good measure of the results. To test the reliability, this study employed Cronbach's coefficient alpha. This gave a clear central tendency on each item studied. Table 4.5 below demonstrates the applied tastes on reliability analysis

Table 4. 5Reliability Tests

Entrepreneurial practices	Number of Items	Reliability	
		of Cronbach's Alpha	Comments
Autonomy	10	0.822	17 Accepted
Innovativeness	10	0.77	Accepted
Proactiveness	9	0.645	Accepted
Risk-Taking	9	0.88	Accepted
Business information	6	0.733	Accepted
Competitiveness	10	0.677	Accepted
Human capital	9	0.88	Accepted

Source: Primary Data (2019)

Each item subjected to a reliability test was rated as reliable and acceptable for meaningful conclusions. The reliability test using Cronbach's alpha was conducted after the pilot data. Each variable was accepted.

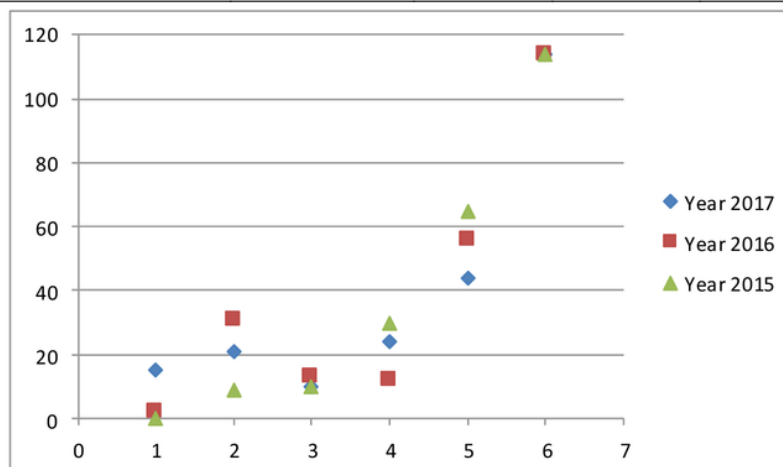
4.4 Quantitative and Qualitative ⁶ Analysis of the Study Variables

4.4.1 Growth Indicators

The data indicates that the business environment for 3 years has deteriorated. Based on the turnover indications, the majority of businesses (65) with a sales turnover of above 400,000 were witnessed in the year 2015. The trend, however, decreases in the year 2016 and the year 2017 at 56 and 44 respectively. Table 4.6 and figure 4.1 below indicate the growth indicators.

Table 4.6 Growth Indicator

Indicate	Less than 100,000	100,001- 200,000	200,001- 300,000	300,001- 400,000	Above 400,000	Total
The year 2017	15	21	10	24	44	114
The year 2016	2	31	13	12	56	114
The year 2015	0	9	10	30	65	114



Source: Primary Data (2019)

Figure 4.1: Chart on growth indicators for 3 years

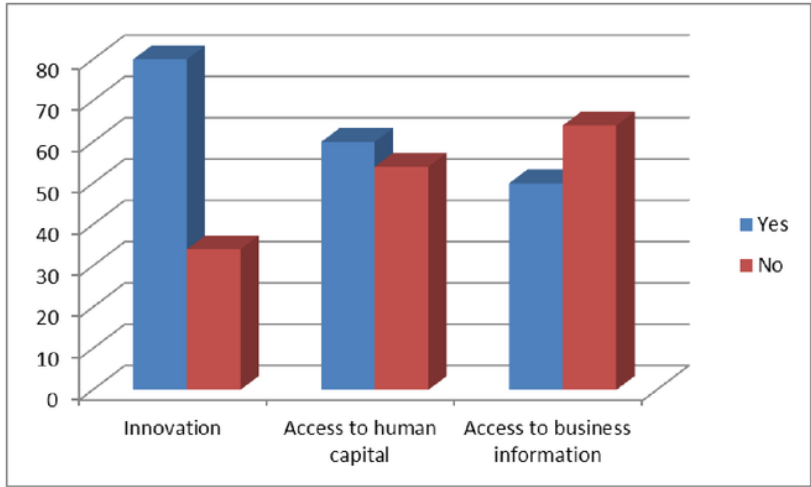
4.4.2 Perception of how Entrepreneurial Orientation Factors Affect Business Growth

The study found out that the only factor confirmed to have affected the growth of small enterprises to a larger extent is innovation. This was supported by 80 respondents while 34 did not support it. Access to labour and business information was supported by 60 and 50 respondents respectively. The finding indicates that most small enterprises are unable to access human capital due to low profits hence they cannot afford qualified staff. Further, access to business information is restrained by fewer resources such as the internet, or other institutions like banks that provide business information to small enterprises.

Table 4.7 below and chart 4.2 indicates the perception of entrepreneurial orientation factors.

Table 4. 7 Perception of Entrepreneurial Orientation Factors

Have this factor affected the growth of your business	Yes	No
Innovation	80	34
Human capital accessibility	60	54
Business information accessibility	50	64



Source: Primary Data (2019)

Figure 4.2: Entrepreneurial Orientation Factors

4.5 Impact of Innovation on the Growth of Small-Scale Businesses

Objective 1: To find out about the innovative aspect of small enterprises in Thika town, descriptive and qualitative feedback was sought after. The descriptive part of the study subjected 5 items related to innovation on a 5-point Likert scale. Qualitatively, individual feedbacks were coded with descriptive attributes. The result findings are tabulated in 4.8 below:

Table 4. 8 Effect of Innovation to SME growth

Option statement	SD%	D%	N%	A%	SA%	M	SD
For the last 3 years, I have come up with attractive products/services to increase my sales and profits	16	10	18	40	16	3.8	0.54
My business is strategically positioned hence more sales	20	24	22	34	0	4.1	0.45
I have been applying attractive marketing techniques to target more sales	60	35	5	0	0	3.2	0.6
For the last three years, this business has come up with new sales and marketing techniques to improve sales	70	10	10	5	5	3.6	0.54

This business has embraced current market innovations	50	15	20	15	0	4.2	0.44
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N=114, Cronbach alpha =0.623 with 5 items (item j dropped)

Source: Primary Data (2019)

The findings on how innovation influences the growth of small enterprises reveal that 40% of the entrepreneurs agree that for the last 3 years they have come up with attractive products/services to increase their sales and profits. Another 34% agree that their businesses are strategically positioned hence more sales. Contrary, majority representing 60%, 70%, and 50% strongly disagree on the options: I have been applying attractive marketing techniques to target more sales, for the last three years, this business has come up with new sales and marketing techniques to improve sales and this business has embraced current market innovations respectively.

It can also be noted that the mean ranges from 3.2 to 4.2. The difference between the higher mean and lower mean is 1. This means the coefficient factors are near to one another. The standard deviation is averaged at 0.514. The mean difference and standard deviation also indicate that the variation is very little. Hence conclusions made are viable. Qualitatively, most respondents cited that they have employed attractive strategies to increase sales but seem they are not working well. According to them because of the low purchasing power on the active population, however much they engage all the sales strategies, sales do not increase much. Large duka owner had this to say: “However, *much you do, sales are the same*”. Other issues such as lack of skilled personnel and limited capital base stood up as a hindrance to business growth.

4.6 Effect of Access to Business Information about SMEs

Objective 2: To find out about the Effect of access to business data on the development of SMEs, descriptive and qualitative feedback was sought after. The descriptive part of the study subjected 6 items related to innovation on a 5-point Likert scale. Qualitatively, individual feedbacks were coded with descriptive attributes. The result findings are presented in table 4.9 below:

Table 4.9 Effect of Access to Business Information on SME

Option statement	SD%	D%	N%	A%	SA%	M	SD
Data on new markets has led to an upsurge in sales and productivity.	11	12	10	50	17	3.6	0.44
Data on new sources of finances has attributed to an upsurge in sales and profits.	15	20	10	40	15	3.8	0.45
Data on better value service conveyance has led to an upsurge in sales.	20	20	10	50	0	3.2	0.56
Data on competitor approaches has attributed to an upsurge in sales and profits.	15	15	10	45	15	3.2	0.54
Data on inexpensive and quality providers has attributed to an upsurge in profits.	30	10	20	40	0	3.2	0.34
Information on business risks	14	13	13	40	20	2.9	0.38

¹ has led to the growth of the business.

N=114, Cronbach alpha =0.633 with 5 items (item j dropped)

Source: Primary Data (2019)

The research findings on the effect of business information on small scale businesses growth show that majority consents with the option statements. According to the finding, 50% agree that ¹ access to data on new markets has prompted an expansion in deals and profitability. data on new wellsprings of accounts has prompted increment in deals and profitability, data on moderate and quality providers has prompted increment in profitability and data on business dangers has prompted the development of the business, all had a 40% concur. Then again, data on better quality help conveyance has prompted an expansion in deals and data on contender systems has prompted an expansion in deals and profitability had 50% and 45% agree with rate respectively.

It can also be noted that the mean ranges from 3.8 to 2.9. The difference between the higher mean and lower mean is 1.1. This means the coefficient factors are near to one another. The standard deviation is averaged at 0.49. The mean difference and standard deviation also indicate that the variation is very little. Hence conclusions made are viable. Qualitatively, most respondents cited that access to data on competitor approaches has been key in improving profitability and sales. Most enterprises reported that they always gather some market intelligence to know the business environment and opportunities from the competition. This helps them to grow their profitability and sales. One restaurant owner had this to say: *“We always benchmark with other restaurants especially those performing well than us to know the strategies they are applying”*

4.7 Multi-co linearity Test and Inferential Statistics

According to Bickel (2007), multi-co linearity in statistics occurs where two or more predictable variables are highly linked. The model applied is Gauss-Markov assumption which only requires that multi-co-linearity is never perfect. Inferential statistics, on the other hand, is the establishment of bivariate variables where more than one variable relates to each other. Table 4.10 below shows the relationship factors among the variables.

Table 4. 10 Correlation between Variables and Entrepreneurial Orientation

		Innovation	Access to business information
	Pearson correlation		
Innovation	Sig(2-tailed)	1	0.625
	Pearson correlation		
Access to business information	Sig(2-tailed)	0.625	1

Table 4. 11

Table 4. 12

**⁶. Correlation variables are significant at the 0.01 level (2-tailed).

Source: Primary Data (2019)

4.8 Discussion of the study findings

4.8.1 Neoclassical theory

The proponents led by ²⁰ William Stanley Jevons, Carl Menger and Léon Walras in (1900) argued that there is a need to create some functional structures on a job output. This thinking coincides with the findings on both objectives. According to the findings on individual creativity and innovation, creative and innovative ideas discussed including: Coming up with attractive services and positioning the business strategy to boost sales and profitability reflects the functional structures put in to boost small enterprise performance. Modern-day neoclassical theory is all about profitability. Access to business information just as creative and innovative processes applied by small enterprises is also about increasing business profitability. On access to business information, the study findings indicate that small enterprises in Thika town are seeking information on new markets, on new sources of finances, on better quality and on competitor strategies among others all aimed at improving their profitability.

4.8.2 The Life Cycle Theory

The theory states that “individuals plan their spending over their lifetimes, taking into account their future income and debts”. This relates to lifetime strategies put in place to ensure enterprise ventures do not collapse during their few years of operation. As reflected in the entrepreneurial orientation factors initiated by small enterprises in Thika town including having innovative strategies and access to business information, the study found out that those who have applied those strategies have been in existence for a long period and have a high tendency of survival for more years to come.

¹**4.8.3 Resource-Based Firm Theory**

According to the theory, a company encompasses of distinguished technological abilities, harmonizing resources, and organizational procedures and abilities. This is a direct reflection of small enterprises in Thika town. The strategies being initiated to increase profitability for example developing innovative processes and access to business information are the differentiated technological skills. Complementary assets are capital injection while organizational routines and capabilities are the human resource process being initiated by the firms. This human resource may involve better quality service delivery being applied by small enterprises.

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter provides a summary of the findings in line with research objectives and makes the relevant conclusions and recommendations.

5.2 Summary of Findings

It noted that developing attractive products/services and positioning the businesses in a strategic place was found to be the key effect of innovation being practiced by small businesses in Thika. Conversely, developing new, attractive and innovative marketing techniques was found to be the least factors practiced by small enterprises in Thika town. In addition, attractive strategies used were ineffective in the growth of SMES in Thika town.

Small businesses in Thika to confirmed to have access to business information. This was demonstrated through agreements on: "access to information on new markets has led to an increase in sales and profitability, access to information on new sources of finances has led to an increase in sales and profitability, access to information on better quality service delivery has led to an increase in sales, access to information on competitor strategies has led to an increase in sales and profitability, access to information on affordable and quality suppliers has led to an increase in profitability and access to information on business risks has led to growth of the business". Benchmarking from the competition was also noted as part of access to business information that helps small enterprises to grow.

5.3 Conclusions

The study settles that there is an affiliation among innovation and ¹⁸ the growth of small enterprises in Thika town. This can be confirmed through the use of attractive product/services and strategically positioning their business to attract more sales. Even though other attributes were not being practiced, the study concludes that should they be practiced, they would lead to the development of small-scale trades in Thika town. Some attributes that are not being practiced currently are; coming up with attractive marketing techniques, new marketing techniques, and innovative marketing.

The study concludes that many small enterprises in Thika town have ¹ access to business information. All factors shows access to business information like: access to data on new markets, access to data on new wellsprings of accounts, access to data on better quality help, access to data on contender methodologies, access to data on moderate and quality providers and access to data on business risks were all confirmed to be practiced by small-scale businesses in Thika town.

In conclusion, the research study confirms that the two entrepreneurial orientation factors, innovation and access to business information are critical features ⁴ that affect the performance of small-scale businesses in Thika town.

5.4: Recommendations

From research conducted and findings, the recommendations are:

Small enterprises in Thika Town should apply attractive marketing techniques to promote more sales and increase profits. They should also apply new and innovative marketing techniques.

Entrepreneurial partners such as financial institutions should come on board to help small enterprises in Thika town to expand their ventures.

5.5: Suggestions for Further Research

This study ³ on the effect of entrepreneurial orientation on the performance of small enterprises in Thika town, Kiambu County is a descriptive study that was able to capture the two entrepreneurial orientation factors in detail. However, there are opportunities for further studies related to this topic. Such studies may include:

Similar studies using case studies of other Counties like Nairobi County, Kajiado or Machakos County. Suggested Counties are cosmopolitan and can provide extensive coverage of different small enterprises.

THE EFFECT OF ENTREPRENEURIAL ORIENTATION ON PERFORMANCE OF SMALL ENTERPRISES IN THIKA TOWN, KIAMBU COUNTY

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