
Entrepreneurial Orientation and Performance of Small and Medium- Sized Enterprises in Nairobi City County, Kenya

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ABSTRACT

Kenya's economic growth is estimated to have decelerated to 4.4 per cent in the third quarter of 2017 compared to 5.6 per cent in a similar period of 2016. During the quarter, the macroeconomic fundamentals remained largely stable and supportive of growth. However, uncertainty associated with political environment coupled with effects of adverse weather conditions slowed down the performance of the economy. As a result, most sectors of the economy posted poor performance during the quarter under review compared to the same quarter of 2016. (Kenya Economic Outlook, 2017). The Micro and Small Enterprises sector in Kenya is regarded as the driving force to spur economic growth, innovation and job creation. The general objective of the study is to investigate the effect of entrepreneurial orientation on performance of SMES in Nairobi County, Kenya. The specific objectives of the study are; to determine the effect of innovation, analyze the effect of risk taking and establish the effect of pro-activeness on performance of SMEs in Nairobi County. This study used descriptive research design. The study population is 2300 SMEs registered to operate in Nairobi County. Stratified sampling was used to obtain a sample size of 230 respondents. Data was collected using semi-structured questionnaires. Descriptive and inferential statistics was used in the analysis of data using SPSS and Ms Excel. Data was then be presented using tables, graphs and figures. Based on the findings, the study concluded that entrepreneurial orientation is useful as a Predictor of performance of SMEs. All the Entrepreneurial orientation dimensions: innovativeness, proactiveness and risk-taking had Positive significant effect on performance of SMEs. This implies that behaviors associated with innovativeness, proactiveness and risk-taking when taken as an overall strategic may indeed help SMEs in Kenya to grow. Further, the results suggests that EO-oriented activities within an organization not only results in better performance but also assist owners of SMEs to make better decision regarding the choice of strategic resources acquired. The findings of this study add to our understanding on the relationship between EO and performance of SMEs and represent an important contribution to the body of knowledge in the field of entrepreneurship. Based on the research findings and conclusion this study recommends that: SMEs need to embrace the entrepreneurial orientation dimensions, innovativeness, risk taking and proactiveness to increase business performance. Entrepreneurs need to consider risk-taking to effectively and successfully respond to the dynamic environments that require organizations to increase decision-making speed. Entrepreneurs should be innovative and develop new products ahead of their competitors. They should also be proactive by carrying out strategic environmental scans for new opportunities in the market. Finally, there is need for the Department of Micro and Small-Enterprise Development (DMSED) to consider in its blue print, facilitation of workshops and seminars for small and medium entrepreneurs to sensitize them on the significance of these dimensions in business performance. This study recommends that future researchers should carry out research on the Factors that play a mediating role in the influence of entrepreneurial orientation on performance like munificence, dynamism and hostility should be in future studies.

Key Words: Innovation, Risk Taking, Proactiveness, Business Operating Environment, Entrepreneurial Orientation

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1. Introduction

The economic importance of small and medium-sized enterprises (SMEs) and entrepreneurship has increased significantly in recent decades, since large companies are increasingly concentrating on core competences and implementing mass lay-offs (Basile 2012). Micro and Small Enterprises (MSEs) play an important economic role in many countries the world over. Their contribution to economic development, income generation and poverty alleviation is widely recognized (ILO, 2007). According to RoK (2014) MSEs contributed over 70% of GDP in 2013, in Singapore 47% (SMU, 2008), in Tanzania 33% (Madata, 2011). Pratono & Mahmood, (2014) Describes entrepreneurial activity and SMEs as being indispensable to economic progress, and therefore advises the importance of studying how small firms and entrepreneurs can enhance their performance and ensure their survival in the turbulent economic environment. Coping with such harsh conditions may require firms to demonstrate special capabilities, internal resources or behaviors such as innovativeness, flexibility or adaptability. In that sense the strategic management and entrepreneurship literature may offer useful concepts to utilize when looking for possible remedies or enhancements for firm's chances of performing during economic crises.

According to Andersen (2010), Entrepreneurial orientation (EO) generally refers to a firm's propensity to be innovative, to be proactive and to take risks. Most EO studies (example. Zahra, 1986; Covin & Slevin, 1990; Zahra & Covin, 1995; Wiklund, 1999; Wiklund & Shepherd, 2005; Kraus *et al.*, 2012) have focused on the EO-performance relationship and have found that adopting EO associated entrepreneurial behaviors will help firms to create or sustain a high level of performance according to Covin & Slevin, (1991). Krueger (2000) asserts that In business environments especially, where rapid changes, hostility, uncertainty, and aggressive competition are present, a firm's entrepreneurial posture plays an important role as a performance enhancing factor. SMEs are encouraged to implement an entrepreneurial mindset to recognize the threats and opportunities in the environment of the firm in order to make sure that the firm will continue to exist in the future (Krueger 2000). In periods of economic and environmental turbulence, it becomes even more apparent that firms face particularly high levels of market instability and complex business uncertainty that obliges firms to act upon such change (Grewal & Tansuhaj 2001; Lin & Carley 2001).

Environmental turbulence can have a significant impact on the viability of a firm such that it is critical for managers to understand and effectively manage these events, as well as for scholars to determine what elements might explain the business performance difference between those firms rising and falling in complex environmental conditions (Grewal & Tansuhaj 2001) The most recent economic crisis of 2017 offers an exceptional context in which to study the performance implications of EO in small firms. According to a report by Deloitte, in the Kenya Economic Review in 2017, Kenya's economic growth is estimated to have decelerated to 4.4 per cent in the third quarter of 2017 compared to 5.6 per cent in a similar period of 2016. During the quarter, the macroeconomic fundamentals remained largely stable and supportive of growth. However, uncertainty associated with political environment coupled with effects of adverse weather conditions slowed down the

performance of the economy. As a result, most sectors of the economy posted slower growths during the quarter under review compared to the same quarter of 2016.

The performance of a firm according to Shepherd & Wiklund, (2009) can be measured by several attributes such as an increase in sales, assets, market share, profits and employment. Among these attributes, increase in sales and employment are the most favored among scholars as indicators of both small and large firm growth (Janssen, 2009). Accordingly Zhou & Wit (2009) agrees with other researchers that growth in sales and employment do well in reflecting both short-term and long-term changes in a firm. Additionally, the two are easy to obtain as compared to other attributes such as market shares, which are more objective. Increase in sales is regularly used in the measurement of performance due to it being easily remembered by SME owners/managers, (Gürbüz & Aykol (2009). Even so, Delmar (1997) discouraged the measurement of a single growth indicator by arguing that environment and industrial context varies and this variations may affect the different growth indicators.

According to Covin et al. (2006), EO effectiveness is appropriately measured using criteria that reflect a firm's success at translating entrepreneurial opportunities into growth trajectories. In their study, sales growth was used to measure growth rate where a positive relationship between EO and sales growth was established. Soininen et al. (2012) also did a study that established a positive relationship between EO and sales growth, this findings on the positive relationship between EO and firm performance, agreed with prior literature, to be caused by the growth factor. Other factors may play a role or the relationship to exist. Moreno & Casillas (2008) found the relationship between EO and SME growth to be insignificant, this they attributed to the mediating and moderating role of other variables such as strategy, environment, or resources of the firm and among others. Covin et al. (2006) confirmed the assertion by Moreno & Caillas(2008) by suggesting that the effect of EO on firm growth rate depended on several strategic process-related variables, thus stressing on the complexity of the relationship between EO and firm growth (Moreno & Casillas, 2008).

Wiklund & Shepherd (2003) showed a strong correlation between the level of EO and performance, while Keh et al. (2007) on their part pointed out that EO has a crucial role in improving firm's perceived performance measured by benchmarking the respondent's own business performance against those of competitors based on profitability, sales growth, market share, and overall performance. The relationship between EO and performance has also been tested in specific industries. For instance, Kraus (2013) showed that within service firms EO is a highly significant predictor of company performance. In their study Covin et al. (2006) used sales growth rate as a growth proxy when exploring the relation between EO and growth. Their study showed that there is a positive relationship between EO and sales growth rate. They argued that EO effectiveness is appropriately measured using criteria that reflect a firm's success at translating entrepreneurial opportunities into growth trajectories. The findings of Harms et al. (2010) and Stam & Elfring (2008) also emphasized the positive relationship between EO and sales growth and the findings of Eggers et al. (2013) evidenced the positive influence of EO on revenue growth and employment growth. Therefore this research will use the Sales Growth and employment growth as the measures of performance of SMEs as recommended by (Eggers et al, 2013; Harms et al, 2010; and Stam & Elfring, 2008).

2. Statement of the Problem

Kenya's economic growth is estimated to have decelerated to 4.4 per cent in the third quarter of 2017 compared to 5.6 per cent in a similar period of 2016. During the quarter, the macroeconomic fundamentals remained largely stable and supportive of growth. However, uncertainty associated with political environment coupled with effects of adverse weather

conditions slowed down the performance of the economy. As a result, most sectors of the economy showed poor growths during the quarter under review compared to the same quarter of 2016. (Kenya Economic Outlook, 2017). According to Deloitte, (2017) the period under review registered the slowest growth since the fourth quarter of 2013 mainly due to suppressed performance in key sectors of the economy. Financial and insurance activities recorded the largest deceleration from 7.1 per cent in third quarter 2016 to 2.4 per cent in the period under review. Other industries that recorded notable slowdown include; manufacturing; health; accommodation and food services; mining and quarrying and education. While Kenya is the most industrially developed country in the East Africa region, manufacturing only accounts for 14% of GDP. According to KNBS (2017), the manufacturing sector registered a declined growth of 1.9% in third quarter 2016 compared to a growth of 3.3% in the similar quarter in 2015.

The latest economic crisis therefore offers a very fruitful context for studying the effects of EO on the performance of small and medium-sized enterprises. Kenyan MSEs significantly contribute to the economy, yet there is little empirical Evidence available to this study on the influence of EO on growth of MSEs in Kenya. Mwangi & Ngugi, (2014) conducted a research on, the Influence of Entrepreneurial Orientation on Growth of Micro and Small Enterprises in Kerugoya. They used descriptive research design in a target population of 1420 SMEs, The study found that the dimensions of EO,(innovativeness, risk taking, proactiveness, and entrepreneurial managerial competence have a significant positive influence on growth of Micro and Small Enterprises. Nduriri & Namusonge,(2017) sampled 30 hotels using Simple random sampling technique in a research on the Market, Entrepreneurial orientation on the performance of SMEs hotel enterprises in Nanyuki town, The results of the study indicated that market and entrepreneurial orientations have a positive influence on the performance of the small-scale hotels. The two researches were done in Kerugoya County and Nanyuki town respectively hence the results cannot be generalised in other counties due to difference in climatic, economic conditions, this creates a contextual gap. The study aim to examine the impact of entrepreneurship on the performance of SMEs in Nairobi county when the skills associated with entrepreneurship example, ability to manage uncertainty; innovate to meet emerging opportunities and threats; tolerate risk would theoretically be called for. The goal of the article then was to investigate the influence of entrepreneurial orientation on SME business performance when such firms face acute market uncertainty and instability.

3. Research Objective

The general objective of the study was to investigate the effect of Entrepreneurial orientation on performance of SMEs in Nairobi County, Kenya.

The study was guided by the following specific objectives

- i. To determine the effect of innovation on SMEs performance in Nairobi County, Kenya.
- ii. To analyze the effect of risk taking on performance of SMEs in Nairobi County, Kenya.
- iii. To establish the effect of proactiveness on performance of SMEs in Nairobi County, Kenya.
- iv. To analyze the moderating effect of Business operating environment on the relationship between entrepreneurial orientation and performance of SMEs in Nairobi County, Kenya.

4. Theoretical Review

4.1 Schumpeter's Innovation Theory

The study was based on the Schumpeter's innovation theory; the theory by Schumpeter (1942) describes a process of "creative destruction" where wealth creation occurs through disruption of existing market structures due to introduction of new goods and/or services that cause resources to move away from existing firms to new ones thus allowing the growth of the new firms. Schumpeter refers innovation as the specific tool of entrepreneurs, the means by which entrepreneurs exploit change as an opportunity for a different business or a different service. Schumpeter (1942) emphasized to the entrepreneurs the need to search purposefully for the sources of innovation, the changes and their symptoms that indicate opportunities for successful innovation; as well as their need to know and to apply the principles of successful innovation. He also stressed the role of entrepreneurs as primary agents effecting creative destruction. Other scholars and researchers who carried the same view include Schumpeterian (Drucker 1985; Kolvereid & Westhead, 1991, Lumpkin & Dess, 1996). Drucker (1985) saw an entrepreneur as one who is always searching for change, responding to it, and exploiting it as an opportunity, and engaging by this means in purposeful innovation. Kolvereid and Westhead (1991), in their study found that innovation is among the key motives to start a business, while Lumpkin & Dess (1996) saw the process of creative destruction as initiated by an entrepreneur, which makes innovation an important success factor within EO.

Schumpeterian growth theory supposes that technological progress comes from innovations carried out by firms motivated by the pursuit of profit. That is, each innovation is aimed at creating some new process or product that gives its creator a competitive advantage over its business rivals; it does so by rendering obsolete some previous innovation; and it is in turn destined to be rendered obsolete by future innovations (Schumpeter, 1934). Joseph Schumpeter's innovation theory of entrepreneurship (1949) holds an entrepreneur as one having three major characteristics: innovation, foresight and creativity. Entrepreneurship takes place when the entrepreneur: Creates a new product, Introduces a new way to make a product, Discovers a new market for a product, Finds a new source of raw materials and Finds a new way of making things or organization. Innovation is vital to entrepreneurship since it is part of a country's economic growth. Ling, et al. (2008) asserts that countries with the largest economies can be associated with great commitment to innovation and research. Currie, et al. (2008) on their part posits that in an external setting which is ever changing, innovation and entrepreneurial conduct are processes that are holistic, vibrant and complementary fundamental to an organization's sustainability and success. The researcher adopted the Schumpeterian innovation theory as it underpins one of the variables under study. Innovation will be a key variable to be observed for the entrepreneurial orientation to have an impact on the firm performance.

4.2 Entrepreneurial Orientation Theory at Individual Level

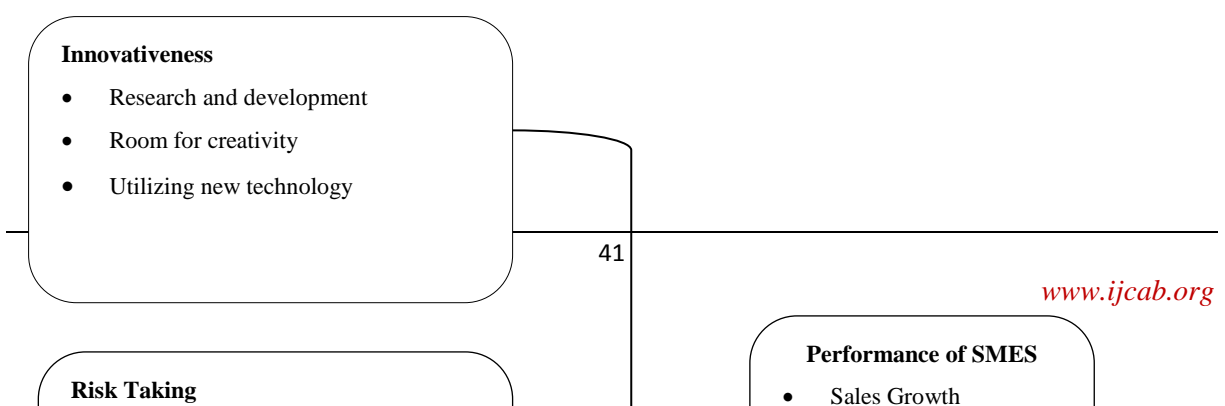
The origins of definitions of entrepreneurship at the individual level go back to Cantillon's definition (1959) of an entrepreneur as a rational decision maker who assumes the risk and provides management for the firm. Kirzner, (1997) sees the entrepreneur as an economic actor having a driving force for economic development. Schumpeter (1934) viewed entrepreneurs as revolutionaries of the economy whose economic function is the realization of new combinations in the course of which they are the active element. Callaghan (2009) adds two dimensions to the Schumpeterian spectrum of EO; Learning and Achievement orientations. McClelland's (1961) theory relates to entrepreneurs as having a higher need for achievement. The entrepreneurial theory at individual level has been criticized by several researchers among them, (Shane, 1996; Shapero & Sokol, 1982). Shane (1996) argues that

the “trait” approach, whereby an individual’s distinguishing characteristics, including personality characteristics, are related to entrepreneurial variables, is often studied according to a flawed approach. Shapero and Sokol (1982) on their part criticized McClelland’s (1961) need for achievement theory and the individual centered perspectives of entrepreneurship on the deficiency of the theoretical process resulting in what they call “an oversimplification of the subject”. Despite all this, a number of research studies have argued the need for small firm entrepreneurs to develop entrepreneurial and managerial competencies as proper allocation of these two roles crucially underpin small firm survival (e.g., Inyang & Enuoh, 2009; Silinevica, 2011; Peljhan, 2012). The research used Individual Entrepreneurial behavior as the behavior used to identifying and exploiting opportunities and creating and developing new ventures. Entrepreneurial behavior is also increasingly recognized as a precursor to social change and facilitating innovation within emerging organizations and established organizations. One common approach to explaining entrepreneurship was to use general demographic variables such as level of education, age and gender wealth or parents occupation as possible determinants of whether one will develop the individual entrepreneurial behavior which will be key for the one to act entrepreneurially

4.2 Entrepreneurial Orientation theory at Firm Level

According to Miller (1983) an entrepreneurial firm is one that engages in product market innovation, undertakes somewhat risky ventures, and is first to come up with proactive innovations, beating competitors to the punch Support for the entrepreneurial mode is given by Khandwalla (1977) who refers to entrepreneurial management style as consisting bold, risky and aggressive approach to decision-making in contrast to a more cautious stability-oriented approach. Miller (1983) characterized entrepreneurial orientation by using the dimensions of innovativeness, risk taking and pro-activeness., while Lumpkin & Dess (1996) added competitive aggressiveness and autonomy to Millers dimensions. The prevalent firm level EO was originally developed with the psychological claim to distinguish between managers and business owners (Callaghan, 2009) and laments that it was abandoned in a still quasi-psychological stage before individual EO-success relationships were even investigated. One of the strategy – making modes put forth by Mintzberg (1973) is the entrepreneurial one which is based on active search for entrepreneurial opportunities and growth. The other modes include planning - concerned with systematic information gathering for situational analysis, generation of alternate and selection of appropriate strategies; and the adaptive mode which focuses on reactive solutions than proactive search for new opportunities.. On their part, Covin and Slevin (1989) contrast firms operating in hostile competitive environments, characterized by intense rivalry among firms with firms that operate in more benign competitive settings and reported that the former tended to adopt innovations with greater frequency than the latter. Entrepreneurial orientation at a firm level will be used in this research as a strategic orientation which captures an organization’s strategy making practices, managerial philosophies and firm behaviors’ that are entrepreneurial in nature. Entrepreneurial orientation theory at the firm level is preferred for this study because the Structure of the organization, management styles, compensation mechanism may have an effect on the level of EO. Financial resource base increase the entrepreneurial spirit.

5. Conceptual Framework



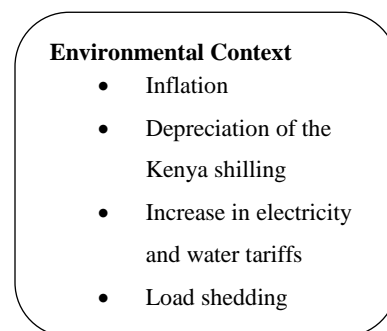


Figure 1. Conceptual Framework

Source: Author (2020)

The conceptual framework defines the mental stretch of the study in formulating the linkage between the independent variables and the independent variables. The independent variables were the aspects of Entrepreneurial orientation while the dependent variable was the SMEs Performance. The framework proposes that there exists a relationship between Entrepreneurial Orientation (EO) and Business performance (BP). However, the Environmental Context (EC) in which the business finds itself in was more likely to moderate the growth of a business.

6. Research Methodology

The descriptive research design was adopted for the study as it gives the accurate portrayal of the characteristics of persons, situations or groups. The study was expected to describe and document the influence of entrepreneurial orientation to the business performance of SMEs in Nairobi during the harsh economic situations. The study relied on Linkert scale structured questionnaire to collect the primary data from the respondents. The target population was 2300 SMEs registered in the county government of Nairobi (2017). The respondents were the managers or owners of the businesses. Mugenda and Mugenda (2003) formula was used whereby a 10% of the population in each stratum was used. Simple random sampling was used to select participants from each strata, Then likert structured questionnaires was given to the managers or the owners of those SMEs; this made a total of 230 respondents. The analysis of the data was conducted using descriptive and inferential statistics. Statistical Package for Social Sciences (SPSS) was used in data coding, entry and analysis. Descriptive statistics allowed the researcher to describe the data and examine relationships between variables. The Analyzed Data was presented using tables to give concise information as possible where SPSS data was exported to Excel programme.

7. Data Analysis Results

The study sought to establish the respondents' level of agreement with the various statements on the effect of innovation on SMEs performance in Nairobi County, Kenya.

Table 1 Innovativeness

No	Innovativeness	Mean	Std. dev.
1	We encourage employees to think and behave in original and distinctive ways	3.934	0.9302
2	Our company has the tendency to engage in and support new ideas, experimentation and creative processes	3.501	1.2139
3	Our company emphasizes on utilizing new technology	3.594	0.9837
4	Changes in this company's products or service lines are quite slow	4.561	1.1391
5	Our company searches purposely for the sources of innovation	2.894	1.0792
6	We emphasize on research and development	2.347	0.8478
7	We encourage new ideas from workers regardless of their position	4.601	1.1 975

From the data findings, the respondents strongly agree to the statement that we encourage employees to think and behave in original and distinctive ways as shown by mean of 3.934. Asked whether the company has the tendency to engage in and support new ideas, experimentation and creative processes the respondents agreed as shown by mean of 3.501. On if the company emphasizes on utilizing new technology the respondents agreed as shown by mean of 3.594. The respondents strongly agree to the statement that Changes in this company's products or service lines are quite slow as shown by mean of 4.561. The respondents were neutral on the statement that Our company searches purposely for the sources of innovation and we emphasize on research and development as shown by mean of 2.894 and 2.347 respectively. Finally the respondents strongly agree on the statement that the we encourage new ideas from workers regardless of their position as shown by mean of 4.601.

The study sought to establish the respondents rating on various statements on the effect of risk taking on performance of SMEs in Nairobi County, Kenya. The findings were presented in the table below.

Table 2 Risk Taking Ability

No	Risk Taking Ability Variable	Mean	Std. dev.
1	We have a strong and aggressive attitude towards taking decisions to achieve firm objectives	3.961	1.051
2	Our company understands risk-taking and how it works	3.246	0.637
3	Our company does not have strong preference for high-risk projects	4.113	0.983
4	We do not response to unrelated opportunities	3.621	1.007
5	Our company always invests in untested technologies	1.238	1.043
6	Our company considers the term “risk taker” a positive attribute for people in our business	2.439	1.374
7	We consider ourselves daring	3.110	1.920

From the data findings, the respondents strongly agreed that they have a strong and aggressive attitude towards taking decisions to achieve firm objectives as shown by mean of 3.961. On if the company understands risk-taking and how it works the respondents agreed as shown by mean of 3.246. The respondents strongly agreed that their companies do not have strong preference for high-risk projects as shown by mean of 4.113. Asked whether they do not response to unrelated opportunities the respondents agreed as shown by mean of 3.621. The respondents disagreed that their company’s always invests in untested technologies as shown by mean of 1.238. The respondents were neutral on the statement that company considers the term “risk taker” a positive attribute for people in our business as shown by mean of 2.039 and finally the respondents agree on the statement that the company considers themselves daring as shown by mean of 2.039.

The study sought to establish the respondents rating on various statements on effects of proactiveness on performance of SMEs in Nairobi County, Kenya.

Table 3 Proactiveness

No	Proactiveness Variable	Mean	Std. dev.
1	Our company acts in anticipation of future needs	3.934	0.9302
2	Our company has an intensive drive towards its goals	3.501	1.2139
3	We aid in the recognition of clear customer needs	2.594	0.9837
4	We take the lead and competitors then follow	4.561	1.1391
5	Our company has an aggressive posturing relative to competitors	3.894	1.0792
6	We are not the first to introduce new products or services	3.347	0.8478
7	Our company is not over-awed by new situation	4.601	1.1 975

From the data findings, the respondents strongly agreed on the statement that their company acts in anticipation of future needs as shown by mean of 3.934. Asked whether the company has an intensive drive towards its goals the respondents agreed as shown by mean of 3.501. On if they aid in the recognition of clear customer needs the respondents agreed as shown by mean of 2.594. Asked whether they take the lead and competitors then follow the respondents agreed as shown by mean of 4.561. On whether the company has an aggressive posturing relative to competitors the respondents agreed as shown by mean of 3.894. The respondents agreed on the statement that they are not the first to introduce new products or services as shown by mean of 3.347. Finally on whether the company is not over-awed by new situation as shown by mean of as shown by mean of 4.601.

The study sought to establish the respondents' level of agreement on various statements on increase in sales as well as increase in the number of employees.

Table 4 Increase in Sales

No	Increase In Sales		
1	Our company has experience a steady increase in sales within the last two years	3.004	0.8102
2	We have achieve our sales objective within the past two years	2.901	1.2319
No	Increase In The Number Of Employees		
3	Our company has witness an increase in the number of Employees within the past two years	3.111	1.1391
4	We have room for more full time workers in the coming months in this company	1.347	1.0292
5	We have had to lay off Workers within the past two years	3.132	0.8401

From the data findings, the respondents agreed on the statement that the company has experience a steady increase in sales within the last two years as shown by mean of 3.004. Asked if they have achieve our sales objective within the past two years the respondents we neutral as shown by mean of 2.901. On whether the company has witness an increase in the number of Employees within the past two years the respondents agreed as shown by mean of 3.111. The respondents disagreed on the statement that they have room for more full time workers in the coming months in this company as shown by mean of 1.347. Finally on whether they have had to lay off Workers within the past two years the respondents strongly agreed as shown by mean of 3.132

The study sought to establish the respondents' level of agreement on various statements on Environmental Context.

Table 5 Business operating environment

No	Business operating environment		
1	Increase in inflation rate (general rise in goods and service) do not affect the growth of this company	1.934	1.9702
2	The current depreciation of the Kenyan shilling against major currencies (US dollar, Pound sterling, Euro) do not affect the growth of this company	1.001	1.0139
3	Increase in electricity and water tariffs do not affect the growth of this company	2.594	0.3037
4	The current load shedding do not affect the day-to-day running of this company	2.361	1.5691

From the data findings, the respondents disagreed on the statement that the increase in inflation rate (general rise in goods and service) do not affect the growth of this company as shown by mean of 1.934. On whether the current depreciation of the Kenyan shilling against major currencies (US dollar, Pound sterling, Euro) do not affect the growth of this company he respondents strongly disagreed as shown by mean of 1.001. On whether the Increase in electricity and water tariffs does not affect the growth of this company the respondents were neutral as shown by mean of 2.594. Finally on whether the current load shedding do not affect the day-to-day running of this company the respondents disagreed as shown by mean of 2.361.

7. Conclusion of the Study

On innovation, the study concludes that that innovation led to improved market share, quality of goods, volume of sales and increase product portfolio. On risk taking, the study concludes that there is also better business performance with higher risk taken. On proactiveness, the study concludes that that proactiveness enabled the organization to improve business growth and profits. Based on the findings, the study concluded that entrepreneurial orientation is useful as a Predictor of performance of SMEs. All the Entrepreneurial orientation dimensions: innovativeness, proactiveness and risk-taking had Positive significant effect on performance of SMEs. This implies that behaviors associated with innovativeness, proactiveness and risk-taking when taken as an overall strategic may indeed help SMEs in Kenya to grow. Further, the results suggests that EO-oriented activities within an organization not only results in better performance but also assist owners of SMEs to make better decision regarding the choice of strategic resources acquired. The findings of this study add to our understanding on the relationship between EO and performance of SMEs and represent an important contribution to the body of knowledge in the field of entrepreneurship.

8. Recommendation of the Study

Based on the research findings and conclusion this study recommends that SMEs need to embrace the entrepreneurial orientation dimensions, innovativeness, risk taking and proactiveness to increase business performance. Entrepreneurs need to consider risk-taking to effectively and successfully respond to the dynamic environments that require organizations to increase decision-making speed. Entrepreneurs should be innovative and develop new products ahead of their competitors. They should also be proactive by carrying out strategic environmental scans for new opportunities in the market. Finally, there is need for the Department of Micro and Small-Enterprise Development (DMSED) to consider in its blue print, facilitation of workshops and seminars for small and medium entrepreneurs to sensitize them on the significance of these dimensions in business performance.

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