ENTREPRENEURIAL INTENSITY AND GROWTH OF SMALL AND MEDIUM ENTERPRISES IN NAIROBI COUNTY, KENYA

Sylvia Jepkosgei Kiplagat
Jomo Kenyatta University of Agriculture and Technology

Dr. Mary Kamaara (PhD)
Jomo Kenyatta University of Agriculture and Technology


ABSTRACT

The study sought to establish the relationship between entrepreneurial intensity and growth of SMEs in Nairobi County. Entrepreneurship is one of the best contributors of the economic development in most of the countries across the globe. Studies have it that through entrepreneurship mostly by private sectors; most of the jobs globally are created thus reducing the unemployment rates. SMEs on the other hand are recognized as the main employment providers across the globe. In Kenya SMEs contribute to more than 40% of the GDP annually. However, despite the enterprises being very essential in the economy, they have been facing numerous challenges such as high competition, technological changes, globalization and human resources which threaten their success and others even end up collapsing. It is on this basis that the study sought to find out the impacts of entrepreneurial intensity on the performance of SMEs in Nairobi County. The study was guided by independent variables which included; Entrepreneurial orientation, entrepreneurial frequency, entrepreneurial capability and entrepreneurial alertness. The study used specific theories related to the independent variables to enlighten the understanding of the variables. The theories included; Schumpeterian growth theory, psychological theory, social network theory and Kirzner’s theory of entrepreneurship. The study focused on SMEs in Nairobi County. A sampling formula was used to obtain a sample size of 98 respondents. Questionnaires were used as the research instruments. Data was gathered by delivering the questionnaires in the areas of work of the respondents and later picking them. Afterwards the data was analysed using SPSS version 21 and presented in form of tables, bar-graphs and pie charts for easier interpretation and understanding. The study established that entrepreneurial orientation, entrepreneurial frequency, entrepreneurial capability and entrepreneurial alertness positively and significantly influenced growth of SMEs. The study recommends that SME owners and/or managers should embrace entrepreneurial alertness, entrepreneurial frequency, entrepreneurial orientation as well as entrepreneurial capability to enhance growth and performance of their SMEs. The findings of the study will be significant to the SME owners.
and/or managers, policy makers and the government who will use them to identify the key areas they can focus on to improve the status and performance of the SMEs which are key contributors to the GDP. The findings will also add basis of literature to the available evidences and research on SMEs and entrepreneurial intensity thus benefiting future scholars and researchers who will use the findings to make their hypothesis and fill the gaps.

**Key Words:** Entrepreneurial Intensity, Growth of SMEs, Nairobi Count

### 1.0 INTRODUCTION

#### 1.1 Background of the Study

The study aimed at establishing the effects of entrepreneurial intensity on growth of small and medium enterprises in Nairobi County, Kenya. Entrepreneurship is one of the best contributors of economy in the current business world. It is argued by a wide range of scholars that the level of entrepreneurship in any country determines the level of the country’s GDP (Small Business Research Centre (SBRC), 2015; Okpara, 2011; and Harrison & Leitch, 2010). In a general view, entrepreneurs make the most important part of the economy. The small businesses that they start in turn become big businesses providing employment to lots of persons.

#### 1.1.1 Entrepreneurial Intensity

Entrepreneurial intensity is the level at which and individual, group of persons or an organization expresses entrepreneurial skills and ability through participation in various entrepreneurship activities (Jacob & Francis, 2012). Kremer and Olga (2013) define entrepreneurial intensity (EI) as the degree at which spirit of entrepreneurship is revealed among individuals in a given country or part of country. In a broader view of entrepreneurial intensity, several scholars have defined entrepreneurial intensity as the ability of persons to venture into entrepreneurship and level of the risks they are willing to take as far as investments in other sectors is concerned (Kadushin, 2014; Miriam, 2011; and David & Christopher, 2012).
1.1.2 Growth of SMEs
According to the World Bank (2014), many countries benefit from SMEs in that they provide employment, utilize resources available as well as enhancing technology and innovations. In the UK, SMEs make 99.8% of the businesses in London owned by private individuals. According to a statistical release by department for business innovation and skills (2015), SMEs in UK increased by 6% in between the year 2014 and 2015. According to the report, the businesses recorded a 3% increase in their growth. In the year 2015, SMEs in UK accounted for 99.3% of all the private sector businesses.

1.1.3 Entrepreneurial Intensity and Growth of SMEs
Entrepreneurship is one of the most stunning agendas in the 21st century in every country across the globe. Individuals and organization are realizing the importance of innovation and investment in new ideas as a way of expansion and increase of opportunities. SMEs have been the key target for every entrepreneur across the globe. As Smallbone and Welter (2009) contend, through SME, the returns on investment even for the big organization are at a great extent guaranteed due to reduction of risks and exposure to greater ideas and opportunities. According to World Bank (2015) over 39% of the SMEs across the globe have been failing due to lack of the intensified knowledge among the entrepreneurs on how to cater and manage the SMEs (Wooldridge, 2015).

1.2 Statement of the Problem
SMEs are the main source of employment in developed and developing countries comprising of over 90% of African business operations and contributing to over 50% of African employment and GDP (Holt, 2012). The SMEs play an important role in the Kenyan Economy. According to the Economic Survey (2016), the sector (SMEs) contributes to over 78 per cent of new jobs created annually. The sector contributes an estimated 98% of the
GDP as well as creating employment for 50% of the workforce population (Kithae, 2012; GOK, 2017; and KEPSA, 2016).

However, despite the merit that surrounds SMEs; past statistics indicate that 3 out of 5 (60%) small businesses record losses and others collapse within the first year of operation (KNBS, 2016). Small businesses increasingly face competition not only from their peers but also from large corporations participating in niche markets once regarded as a preserve for small businesses (Ntakobajira, 2013). Lack of planning, improper financing and poor management have been cited as the main causes of failure of small enterprises. The studies conducted on entrepreneurial intensity did not focus on SMEs and most of these studies were conducted in developed countries with advanced business environment as compared to that of Kenya. This therefore raises the question; could entrepreneurial intensity be the missing aspect in SMEs? The study therefore sought to establish the relationship between entrepreneurial intensity and growth of SMEs in Kenya.

1.3 Objectives of the Study

i. To examine to what extent does the degree of entrepreneurial orientation influence growth of Micro and Small enterprises in Kenya

ii. To determine how entrepreneurial frequency influence growth of Micro and Small enterprises in Kenya

iii. To establish the relationship between entrepreneurial capabilities and growth of micro and small medium enterprises in Kenya

iv. To examine how entrepreneurial alertness influence the growth of micro and small enterprises in Kenya.
2.0 LITERATURE REVIEW

2.1 Theoretical Review

2.1.1 Schumpeterian Growth Theory
According to Schumpeterian (1934) as cited by Hagemann (2013), there are four dimensions that can be applied in the field of entrepreneurship to enhance the innovativeness of an entrepreneur. First aspect given by Schumpeterian is the relationship between growth and industrial organizations whereby the growth that come as a result of innovativeness are linked with high turnover such that the destructions and creation are high (Hagemann, 2013). Second, Schumpeterian said that there is a strong relationship between the firm size and firm growth. In this case, Schumpeterian (1934) stated that small firms were more likely to exit the market than larger firms and that small firms were growing faster than larger firms. As stated by Cantwell and Santangelo (2010), Schumpeterian also found that firm size was strongly correlated with the size of the firm in that the older the firm the larger the size of the firm. Thirdly, Schumpeterian gave the aspect of relationship between growth and development of organizations (Breschi, Malerba & Orsenigo, 2011). Lastly, Schumpeterian gave the aspect of relationship between long-term technology waves and growth of an organization. In this, Schumpeterian stated that technology had both short term and long term effects on the organization.

2.1.2 Psychological Theory
As cited by Othman and Rosli (2011), McClelland established that psychology of the entrepreneur is very essential when the entrepreneur is starting the business. However, McClelland (1961) found that the motivation of individual and society is one of the most important factors that explain entrepreneurship and individual’s becoming an entrepreneur depends on the highest possibility of achievement within the business environment. This means that an entrepreneur will consider the possibility of the achievements get high as a
result of ventures and thus the entrepreneurial intensity gets higher as well (Tan & Tay, 2015). According to McClelland (1961), entrepreneurial nature of an individual is mostly determined by the perception of the society on the individual’s ability to achieve something as a result of entrepreneurship. According to Bass (2009), although to a great extent enterprises affect individuals, the individuals have also a big influence on the enterprises in that they also affect the businesses. The McClelland’s psychology model identifies risk taking, avoidance of uncertainty and power distance among entrepreneurs to be enhanced by the psychological status and knowhow of the entrepreneur.

2.1.3 Social Network Theory
Social Network Theory is a social science concept that discusses the connection and relationship in a social structure (Kadushin, 2014). According to Brass (1992), a social network is a generic way a set of nodes or actors are connected by a set of social relationships, ties, or a specified type of ties. The term “network” is generally used for the structure of ties among the actors in a social system (Nohria & Eccles, 1992). These actors could be roles, individual persons, organizations, industries, or even nation states. Their ties may be based on conversation, affection, friendship, kinship, authority, economic exchange, information exchange, or anything else that forms the basis of a relationship. In a network, flows between objects and actors and exchanges, which might contain an advice, information, friendship, career or emotional support, motivation, and cooperation, can lead to very important ties (Kadushin, 2014).

2.1.4 Kirzner’s Theory of Entrepreneurship
Kirzner (1982, 1985, and 2009) is one of the scholars that have greatly contributed in the field of entrepreneurship. In his first work on competition and entrepreneurship, Kirzner (1982) focused on the ability of the entrepreneur to be alert on the changing economies and acting on the same to counter the competition. According to Kirzner (2009), opportunities are
always there and the ability of the entrepreneur to grasp them faster determines the competitiveness of the entrepreneur. This as noted by Short, David, Christopher and Duane (2010) describes the entrepreneurial alertness of the entrepreneur which is very essential for the business performance. The economy needs investments for the GDP to increase and thus lead to its growth. Kirzner (1995) recognizes entrepreneurship as the key contributor to the GDP and thus defines it as the key contributor to economic growth as well.

2.2 Conceptual Framework

<table>
<thead>
<tr>
<th>Independent Variables</th>
<th>Dependent Variable</th>
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<tbody>
<tr>
<td><strong>Degree of Entrepreneurial Orientation</strong></td>
<td></td>
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<tr>
<td>✓ Encouraging Innovativeness (new products)</td>
<td></td>
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<tr>
<td>✓ Frequency Risk taking</td>
<td></td>
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<td>✓ Pro-activeness measures</td>
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<tr>
<td><strong>Frequency of Entrepreneurship</strong></td>
<td></td>
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<tr>
<td>✓ Product frequency</td>
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<td>✓ Service Frequency</td>
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<td>✓ Process Frequency</td>
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<td><strong>Entrepreneurial Capabilities</strong></td>
<td></td>
</tr>
<tr>
<td>✓ Number of enterprises undertaken previously</td>
<td></td>
</tr>
<tr>
<td>✓ Access to entrepreneurial training</td>
<td></td>
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<tr>
<td>✓ Team-playing with other entrepreneurs</td>
<td></td>
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<tr>
<td><strong>Entrepreneurial Alertness</strong></td>
<td></td>
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<tr>
<td>✓ Market Surveys</td>
<td></td>
</tr>
<tr>
<td>✓ Opportunity Recognition</td>
<td></td>
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<tr>
<td>✓ Exploitation of the opportunity</td>
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</tbody>
</table>

**Growth of SMEs**

✓ Increase in: profitability
✓ Increase in: no. of employees
✓ Number of branches
✓ Market share

2.3 Empirical Review

Matchaba-Hove and Goliath (2016) conducted a study on the impacts of entrepreneurial orientation on performance of businesses owned by young adults in South Africa. In their findings, Matchaba-Hove and Goliath (2016) indicated that pro-activeness, innovativeness and autonomy influenced the performance of the businesses owned by young adults in South
Africa. However, the researchers found that competitiveness and risk taking did not influence the performance of young adult owned businesses.

A similar study was carried out by Lee and Lim (2016) on the relationship between entrepreneurial orientation and performance of service businesses in Seoul Metropolitan Area, South Korea. Their study found that personal traits had a significant relationship with the performance of businesses. They also found that the aspects of entrepreneurial orientation (pro-activeness, innovativeness and risk taking) had influence on the performance of the businesses. Sijde and Weijman (2013) conducted a study on the benefits and impact of mentoring for entrepreneurs. Sijde and Weijman (2013) found that many businesses performed poorly not because of lack of resources but because of low frequency of improving on their products and services and low capacity to come up with newer products more frequently.

Roudini and Osman (2012) carried out a research on the role of international entrepreneurship capability on international performance in born global firms. Roudini and Osman (2012) found that entrepreneurial capability played the major role in enhancing the global entrepreneurship among organizations. Klein and Foss (2010) did a study on the relationship between entrepreneurial alertness and opportunity discovery among entrepreneurs. They extensively focused on the origins, attributes and critiques to entrepreneurial alertness based on the Kirzner (1985, 1992, 1999 and 2006) works on entrepreneurial alertness. The study found that entrepreneurial alertness enhanced the grasp of new opportunities by the entrepreneurs and this increased the performance of their businesses. A similar study was carried out by Storr and John (2012) who investigated the determinants of entrepreneurial alertness and characteristics of successful entrepreneurs. The scholars identified the ability to network with other people as one of the indicators of a good
entrepreneur and the ability to take on new opportunity as a definitive aspect to measure entrepreneurial alertness.

2.4 Research Gaps

Matchaba-Hove and Goliath (2016) did a study on the impacts of entrepreneurial orientation on performance of businesses owned by young adults in South Africa. In his study, he focused on all the dimensions of EO which are pro-activeness, competitiveness, autonomy, risk taking and innovativeness. The current study will not only focus on the dimensions of the entrepreneurial orientation but also on the relationship as well as the contributions of the dimensions to the entrepreneurial intensity and performance of SMEs in Nairobi. The study was located in South Africa whose economy is totally different from the Kenyan economy. The current study will investigate the implications of entrepreneurial orientation in Kenya thus identifying if there will be a difference in the results based on the place of study.

A study by Lee and Lim (2016) on the relationship between entrepreneurial orientation and performance of service businesses in South Korea focused on service business. The current study will focus on SMEs in Kenya which is a developing country unlike South Korea which is a developed country. Lee and Lim (2016) only focused on the personal characteristics of the entrepreneurs unlike the current study which not only focus on the personal characteristics of the entrepreneurs but also the environment implications of the EO that influence the entrepreneurial intensity of the SME owners.

Sijde and Weijman (2013) did a study on the benefits and impact of mentoring for entrepreneurs and had entrepreneurial frequency as a variable. Sijde and Weijman (2013) focused on the number of times that entrepreneurs increased or came up with new ventures for the expansion of their businesses. However, the current study will focus on the frequency of product, service and process which are the key determinants of entrepreneurial frequency.
According to Caselli and Nicola (2013), entrepreneurial frequency is the degree of introduction of new ideas, products and services in a business and can be measured by the number of times an entrepreneur comes up with new products, processes and services. This therefore means that the study at hand will fill the gap that could have been left by Sijde and Weijman (2013) for not using the actual aspects of degree of entrepreneurship to measure the frequency.

3.0 METHODOLOGY

3.1 Research Design
The study adopted a descriptive research design. Descriptive research design according to Kellstedt and Whitten (2013) is aimed at defining the characteristics of the research subjects by systematically analysing their behaviour.

3.2 Target Population
The target population for this study comprised of the SMEs in Nairobi County. According to data from the Registrar of Companies, Nairobi County has 10252 registered SMEs as at July 2015 (Company Registrar, 2016). The study targeted those SMEs that had been active for a period of at least one year. According to KNBS (2016) there are 4560 active SMEs in Nairobi County.

3.3 Sampling Frame and Techniques
In this study, the Nassiuma’s coefficient and variation formula was used (Nassiuma, 2000). The formula is as presented below;
\[ n = \frac{NC^2}{C^2 + (N-1)e^2} \]

Where:
- \( n \) is the sample size
- \( N \) is the population size
- \( C \) is the coefficient of variation (taken as 5%)
- \( e \) is the standard error (0.5%)

\[ = \frac{4,560 \times 0.05^2}{0.05^2 + (4560 - 1)0.005^2} \]

\[ = 97.87 \]

\[ n = 98 \text{ Respondents} \]

3.4 Data Analysis

The quantitative data collected was sorted and graded as per the research variables then coded in statistical package for social scientists (SPSS). The software was then be used to generate tables, figures and graphs which will represent the findings. The qualitative data was sorted and organized as per the research objectives and presented in the final report of the study. The data was essential in identifying the respondents’ views on the research questions and what extensively the respondent can view the questions given.

ANOVA was used to determine the correlation of the variables of the study and how the independent variables specifically relate to the dependent variable of the study. The following model was used for the purpose of correlation analysis:

\[ Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + e \]

Where:
- \( Y \) = Growth of SMEs
- \( \beta \) = Constant
- \( X_1 = \) Entrepreneurial Orientation
- \( X_2 = \) Entrepreneurial Frequency
- \( X_3 = \) Entrepreneurial Capability
- \( X_4 = \) Entrepreneurial Alertness
4.0 FINDINGS

4.1 Degree of Entrepreneurial Orientation
The first objective of the study was to establish the relationship between the degree of entrepreneurial orientation and the growth of SMEs. The respondents were asked specific questions related to entrepreneurial orientation.

4.1.1 How frequent do you come up with new ideas?
The respondents were asked to indicate the frequency in which they came up with new entrepreneurial ideas and were to choose from weekly, monthly, twice a year, once a year and never came up with new ideas at all. As the findings in figure 1 below show, 4% of the respondents said that they came up with new ideas weekly, 21% said its monthly, 10% said its twice per year, 24% said they came up with new ideas once per year and 41% said that they never came up with new ideas. The findings imply that most of the SMEs did not uphold coming up with new ideas and this could affect their performance. The findings compare to some extent with those of Kadushin (2014) who established that most SMEs were falling in the categories of those that are in comfort zone such that they do not bring in new ideas thus making their performance remain constant or even decline.
4.1.2 Frequency of Risk Taking
The study sought to find out the frequency of risk taking embraced by the SME owners/managers. The respondents were asked to indicate how frequent they took risks in their enterprises. The findings in figure below show that 19% of the respondents had never taken risks, 34% hardly took risks, 27% took risks once, 9% took risks often and 11% took risks very often. The findings imply that many SMEs did not take risks which could sabotage their performance. According to Berry and Dipak (2010) risk taking enhances the ability of an entrepreneur to establish new ideas and learn from the experiences thus making him or her more diverse to carry on the business.
4.2 Frequency of Entrepreneurship
The second objective of the study was to find out the influence of frequency of entrepreneurship on the growth of SMEs. The study sought to establish the extent to which the product frequency, process frequency and service frequency exercised by the entrepreneurs affected the growth of the SMEs.

4.2.1 How often do you introduce or develop the existing ones among the following?
The respondents were asked to indicate how often they introduced or developed the existing products, services and markets. As the findings in table 4.6 below shows, majority of the respondents introduced and developed new products, services, markets and processes annually. Development of processes was mostly practiced with a mean of 2.39 and a standard deviation of 1.28. The findings further shows that development of products, services and markets was not practiced by more than 40% of the SMEs which could affect their performance to a great extent. The findings compare with those of Giacomo and Olivier (2010) who established that most of the small enterprises upheld coming up with new processes in their operations than products or services and this made them attain a short-term growth which later deteriorated as a result of unimproved markets and products/services.

Table 1: Frequency of Development of Entrepreneurial Aspects

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<tbody>
<tr>
<td>Products</td>
<td>8</td>
<td>14</td>
<td>37</td>
<td>33</td>
<td>1.95</td>
<td>1.01</td>
</tr>
<tr>
<td>Services</td>
<td>19</td>
<td>21</td>
<td>32</td>
<td>20</td>
<td>2.10</td>
<td>1.24</td>
</tr>
<tr>
<td>Markets</td>
<td>3</td>
<td>17</td>
<td>56</td>
<td>16</td>
<td>1.88</td>
<td>1.00</td>
</tr>
<tr>
<td>Processes</td>
<td>24</td>
<td>19</td>
<td>49</td>
<td>0</td>
<td>2.39</td>
<td>1.28</td>
</tr>
</tbody>
</table>

4.3 Entrepreneurial Capability
The third objective of the study was to find out the influence of entrepreneurial capability on growth of SMEs. The study sought to establish the extent to which entrepreneurial capability contributed to the growth of SMEs by establishing the level at which the SMEs had embraced
and practicing the entrepreneurial capability to enhance their growth. The respondents were asked to respond to specific questions given on the questionnaire based on the sub-variables of entrepreneurial capability.

4.3.1 Other Enterprises initiated
The study sought to establish whether the SME owners/managers had other business that they initiated apart from the existing one. The respondents were asked to indicate the number of enterprise undertakings they had carried out in a period of 5 years. As the findings in figure 4.7 below shows, 11% of the respondents had not initiated any other enterprise in the period of five years, 31% had initiated between 1 and 3 other enterprises, 38% had initiated between 4 to 5 enterprises and 12% had initiated 6 and above other enterprises. The findings imply that the entrepreneurs are aggressive to start other enterprises to enhance their performance and growth. A study by Othman and Rosli (2011) found that when an entrepreneur opens new ventures, he or she creates more space to learn and encounter new opportunities.

![Figure 3: Number of other Enterprises Initiated by the Entrepreneur](image)

4.3.2 Frequency of Entrepreneurial Activities
The study sought to establish the frequency of entrepreneurial activities as practiced by the SMEs. The respondents were asked to indicate how frequent they practiced given entrepreneurial activities. As the findings in table 2 below shows, majority of the respondents
stated that they frequently planned for business ideas and strategies for their firms as evidenced by a mean of 2.81 and a standard deviation of 1.35. The findings also shows that the respondents were frequently available for management of their enterprises as shown by a mean of 2.40 and a standard deviation of 1.16. The findings compare with those of Taipale (2012) who established that the frequency of practice of entrepreneurial activities enhanced performance of the enterprise through proper management and entrepreneurial decision making.

Table 2: Frequency of Entrepreneurial Activities

<table>
<thead>
<tr>
<th>Statement</th>
<th>Mean</th>
<th>Std. Dev.</th>
</tr>
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<tbody>
<tr>
<td>Frequency of availability for enterprise management</td>
<td>2.40</td>
<td>1.16</td>
</tr>
<tr>
<td>Frequency of use of recreational time to pursue the business</td>
<td>1.93</td>
<td>1.02</td>
</tr>
<tr>
<td>Frequency of planning business ideas and strategies</td>
<td>2.81</td>
<td>1.35</td>
</tr>
</tbody>
</table>

4.4 Entrepreneurial Alertness
The last objective of the study was to establish the effects of entrepreneurial alertness on growth of SMEs. The study sought to establish the role played by entrepreneurial alertness on growth of SMEs based on the level of entrepreneurial alertness undertaken by the SME owners or managers. The respondents were asked specific questions related to the entrepreneurial alertness and its impacts on SME growth.

4.4.1 Adoption of Entrepreneurial alertness aspects
The study sought to establish the frequency of adoption of entrepreneurial alertness aspects. The respondents were asked to indicate the frequency at which they practiced and adopted specific aspects of entrepreneurial alertness. As the findings in table 3 below indicates that the respondents carry out market surveys frequently as evidenced by a mean of 2.60 and a standard deviation of 1.49. The findings also show that the respondents carry out recognition of new opportunities occasionally and this is shown by a mean of 2.59 and a standard
deviation of 1.42. The findings imply that the SME owners/managers are moderately alert on entrepreneurial opportunities. According to Kirner (2008) an entrepreneurial alert individual upholds recognizing and exploiting of new opportunities to enhance the effectiveness of the enterprises.

Table 3: Adoption of Entrepreneurial alertness aspects

<table>
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<tbody>
<tr>
<td>Carrying out market surveys</td>
<td>31</td>
<td>44</td>
<td>17</td>
<td>2.60</td>
<td>1.49</td>
</tr>
<tr>
<td>Recognizing new opportunities</td>
<td>22</td>
<td>67</td>
<td>3</td>
<td>2.59</td>
<td>1.42</td>
</tr>
<tr>
<td>Exploiting new opportunities</td>
<td>51</td>
<td>27</td>
<td>14</td>
<td>2.83</td>
<td>1.55</td>
</tr>
</tbody>
</table>

4.4.2 Frequency of Implementation of New Opportunities
The study sought to establish how frequent the respondents implemented the new identified opportunities. As the findings in figure 4 shows, 43% of the respondents indicated that they implemented the new opportunities frequently, 31% said that they implemented the opportunities occasionally and 26% of the respondent did not implement the opportunities at all. The findings imply that despite the merit that surround implementation of new identified opportunities, many of the entrepreneurs still do not implement the opportunities at all. Zahra (2011) argued that entrepreneurs who frequently implement the opportunities they identify stand a chance to expand more.
Figure 4: Frequency of Implementation of new opportunities

4.5 Growth of SMEs
The study sought to establish the growth of SMEs based on the findings on the independent variables. Growth is the ability of an enterprise to develop its share capital, market share and profit margin as a result of increased investments and enhanced strategies that promote smooth flow of its operations. To identify the level of these aspects, measures such as number of employees, percentage profits, market share and number of branches were considered.

The respondents were asked to indicate the number of employees, profits recorded, market share as well as number of branches the firm has. As the table 4 below shows, number of employees among most of the enterprises in the year 2013 was very low with 56 respondents indicating that they had below 10 employees. The findings further show that in the year 2013, 14 and 53 enterprises had no branches and 1 to 3 branches respectively. The findings further show that percentage profits of the SMEs were low in the year 2013 as compared to the year 2016 whereby 78 respondents indicated that they go profits of between 0 to 10%. However, the findings show that in the year 2014 and 2015 the profit rates were higher among most of the SMEs with 24 and 39 respondents indicating that the profits were between 11 and 20%. On market share, the study established that there was an increase and decrease in the market share among the SMEs over the four years. According to David and Christopher (2012) firm
performance and growth is determined by the ability of the firm to expand and control a larger market thus make more sales as a result.

Table 4: Performance of the Enterprises

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
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<tbody>
<tr>
<td>Number of Employees</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Below 10</td>
<td>56</td>
<td>31</td>
<td>17</td>
<td>10</td>
</tr>
<tr>
<td>10-30</td>
<td>22</td>
<td>44</td>
<td>21</td>
<td>19</td>
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<tr>
<td>30-50</td>
<td>5</td>
<td>18</td>
<td>38</td>
<td>41</td>
</tr>
<tr>
<td>Above 50</td>
<td>9</td>
<td>7</td>
<td>16</td>
<td>22</td>
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<tr>
<td>Number of Branches</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>0</td>
<td>14</td>
<td>9</td>
<td>4</td>
<td>0</td>
</tr>
<tr>
<td>1-3</td>
<td>53</td>
<td>42</td>
<td>61</td>
<td>73</td>
</tr>
<tr>
<td>3-5</td>
<td>19</td>
<td>28</td>
<td>17</td>
<td>11</td>
</tr>
<tr>
<td>Above 5</td>
<td>6</td>
<td>13</td>
<td>10</td>
<td>8</td>
</tr>
<tr>
<td>Profits recorded (%)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>0-10%</td>
<td>78</td>
<td>41</td>
<td>27</td>
<td>43</td>
</tr>
<tr>
<td>11-20%</td>
<td>6</td>
<td>24</td>
<td>39</td>
<td>31</td>
</tr>
<tr>
<td>21-30%</td>
<td>4</td>
<td>13</td>
<td>24</td>
<td>14</td>
</tr>
<tr>
<td>Over 30%</td>
<td>4</td>
<td>12</td>
<td>2</td>
<td>4</td>
</tr>
<tr>
<td>Market Share (%)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>0-10%</td>
<td>35</td>
<td>30</td>
<td>29</td>
<td>56</td>
</tr>
<tr>
<td>11-20%</td>
<td>26</td>
<td>44</td>
<td>40</td>
<td>14</td>
</tr>
<tr>
<td>21-30%</td>
<td>12</td>
<td>9</td>
<td>11</td>
<td>2</td>
</tr>
<tr>
<td>Over 30%</td>
<td>19</td>
<td>9</td>
<td>12</td>
<td>5</td>
</tr>
</tbody>
</table>

4.6 Analysis of the Study Model

The study ran an overall ordinary least square regression model. All the measures of each independent variable were combined using mean into their respective independent variable. The four measures of SMEs growth were also combined into one measure of SMEs growth and an ordinary least square regression model was then established.

The model was of the form:

\[ Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \epsilon \]

Where:

\( Y \) = Growth of SMEs

\( \beta \) = Constant

\( X_1 \) = Entrepreneurial Orientation
\(X_2 = \text{Entrepreneurial Frequency}\)

\(X_3 = \text{Entrepreneurial Capability}\)

\(X_4 = \text{Entrepreneurial Alertness}\)

e = \text{Error Term}

The results for the model summary are as presented in table 5. The study findings indicates that the entrepreneurial orientation; entrepreneurial frequency, entrepreneurial capability and entrepreneurial alertness are positively associated with SME growth as indicated by a Pearson correlation, R, value of 0.891. The study also established the model fitness by comparing the F-calculated and F-critical values. The results for F-calculated are presented in table 6. The results show F-value of 15.63, which is significant at 0.06<0.05. This signifies that the model is fit.

**Table 5: Model Summary**

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>0.891</td>
<td>0.794</td>
<td>0.786</td>
<td>0.022</td>
</tr>
</tbody>
</table>

**Table 6: ANOVA**

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>Df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regression</td>
<td>230.69</td>
<td>4</td>
<td>57.67</td>
<td>15.63</td>
<td>.006</td>
</tr>
<tr>
<td>Residual</td>
<td>549.81</td>
<td>92</td>
<td>3.69</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>780.50</td>
<td>96</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The regression coefficients are as presented in Table 7. The results indicate that the relationship between entrepreneurial orientation; entrepreneurial frequency, entrepreneurial capability and entrepreneurial alertness was significant. The relationship was however positive implying that an increase in any of the factors results to an improvement in SME growth.
Table 7: Regression Model coefficients

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Constant)</td>
<td>.196</td>
<td>.174</td>
<td>5.16</td>
<td>.001</td>
</tr>
<tr>
<td>Entrepreneurial capability</td>
<td>.231</td>
<td>.221</td>
<td>2.82</td>
<td>.002</td>
</tr>
<tr>
<td>Entrepreneurial frequency</td>
<td>.286</td>
<td>.281</td>
<td>4.54</td>
<td>.001</td>
</tr>
<tr>
<td>Entrepreneurial orientation</td>
<td>.316</td>
<td>.311</td>
<td>5.45</td>
<td>.010</td>
</tr>
<tr>
<td>Entrepreneurial alertness</td>
<td>.148</td>
<td>.125</td>
<td>13.45</td>
<td>.003</td>
</tr>
</tbody>
</table>

The researcher conducted a multiple regression analysis so as to determine the relationship between SME growth and the four independent variables.

The regression equation \( Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 \) now becomes:

\[ Y = 0.196 + 0.316X_1 + 0.286X_2 + 0.231X_3 + 0.148X_4 \]

Where; \( Y \) is the dependent variable (Growth of Small and Medium Enterprises), \( X_1 \) is the entrepreneurial orientation, \( X_2 \) is entrepreneurial frequency, \( X_3 \) is entrepreneurial capability, and \( X_4 \) is entrepreneurial alertness.

According to the regression equation established, taking all factors into account (entrepreneurial orientation, entrepreneurial frequency, entrepreneurial capability and entrepreneurial alertness) to be constant at zero, Growth of Small and Medium Enterprises will be 0.196. The findings also show that taking all other independent variables at zero, a unit improvement in entrepreneurial orientation will lead to a 0.316 increase in Growth of Small and Medium Enterprises; a unit increase in entrepreneurial frequency will lead to a 0.286 increase in Growth of Small and Medium Enterprises, a unit increase in entrepreneurial capability will lead to a 0.231 increase in Growth of Small and Medium Enterprises and
finally a unit increase in entrepreneurial alertness will lead to 0.148 increase in Growth of Small and Medium Enterprises.

CONCLUSION

The study concluded that Entrepreneurial orientation is a key pillar in the growth of SMEs. The study concluded that most of SMEs in Kenya have not embraced entrepreneurial orientation through innovativeness, frequency of risk taking and pro-activeness. The study also concluded that entrepreneurial frequency is essential in growth of SMEs. Through product frequency, service frequency and process frequency SMEs are able to come up with new processes and products as well as improve the existing ones thus gaining more competitiveness. The study further concludes that entrepreneurial capability contributes to performance and growth of SMEs through promotion of social networking, taking new opportunities and being active to integrate the available resources to covert challenges into opportunities through provision of solutions. A capable entrepreneur is able to take advantage of the existing challenges to create opportunities by introducing solutions to the challenges.

The study finally concluded that entrepreneurial alertness is essential in promoting growth of SMEs through enhancement of strategies to promote fast realization of the new opportunities and ideas that may come the way of the processes of the firm. Through market surveys, opportunity recognition and exploitation of the opportunities, SMEs expand their base to enhance their operations and growth.

RECOMMENDATIONS

SMEs should embrace entrepreneurial orientation as a way of promoting innovativeness and risk taking which are essential in enhancing growth of the enterprises through coming up with new ideas.
SME managers should promote enhanced product improvement, service improvement and process improvement which are key entrepreneurial aspects to enhance efficiency and effectiveness.

Entrepreneurs should promote social network, and new measures that enable them to come up with new strategies that seek to analyse and determine the solutions to the available challenges and turning them to opportunities for the SME growth.

SME owners should always ensure that they are alert such that they are ready to take advantage of any opportunity that comes their way.

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