OWNER CHARACTERISTICS AND GROWTH OF MICRO AND SMALL ENTERPRISES IN NAIROBI CITY COUNTY IN KENYA

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ABSTRACT
In Kenya, past statistics indicate that over 50% of MSEs continue to have deteriorating performance with three out of five MSEs failing within the first few months of operation. In recent times, there has been an extensive amount of literary research devoted to investigate factors influencing growth of micro and small enterprises. Nevertheless, the bulk of such research tends to concentrate on MSEs in developed countries. Very limited studies have provided such research on MSEs in Africa, and even less in Kenya. This research sought to access the link between owner characteristics and growth of MSEs in Nairobi City County. It aims to contribute to the understanding of the factors that influence the growth of micro and small enterprise (MSE). The study variables include entrepreneurial readiness, demographic characteristics, entrepreneurial orientation and personality traits. This research adopted descriptive research design. The target population under this study consisted of 125,123 licensed MSEs within Nairobi central business district. The study used stratified random sampling technique in coming up with a sample size of 376 respondents. The sample size was determined using a statistical formula. A preliminary questionnaire was structured and pre-tested on a sample population to validate the questionnaire. A multiple regression was used to test the statistical significance of the independent variables. The study revealed that the four independent variables that were studied, explain 76.6% on the relationship between owner characteristics and MSE growth as represented by the R² in the regression model summary. This is an indication that the four variables are critical drivers to growth of MSEs. It is recommended that the government should identify and nurture young entrepreneurs so as to equip them with technical competencies that will enable them run their businesses effectively. It is also recommended that MSEs invest more in research on other factors that spur growth such as innovation and technology in order to increase number of brands in their lines. This will enable expansion of MSEs and consequently graduate them from micro to medium enterprises.

Key words: Entrepreneurial readiness, Entrepreneurial orientation, Personality traits, Demographic characteristics, Growth of MSEs
Background of the Study
The micro and small enterprises (MSEs) play an important role in the economy of any developing economy. According to the Economic Survey (2014), the sector contributed over 65 percent of new jobs created in the year 2013 in Kenya. Despite their importance in economic development, MSEs all over the world are more prone to failure due to the specific qualities possessed by the businesses, their owners and managers (Samarakoon & Jasek, 2011). In Kenya, entrepreneurial ventures have a low survival rate as entrepreneurs start businesses but are unable to turn them into sustainable businesses. According to the Kenya National Bureau of Statistics (2013), most new MSEs in Kenya do not move from the first stage (existence) to other stages such as survival, success, take off and resource maturity. For MSEs to survive and succeed in their business operations, it is important that its owners or managers possess certain entrepreneurial characteristics and carry out specific business practices (Webster & Bischoff, 2011).

Studies have shown that MSEs fail because of several factors which include inaccessibility to credit, unfair competition from established businesses as well as owner characteristics (Sánchez, 2012). These characteristics influencing MSE performance include personality traits, demographic characteristics, entrepreneurial readiness and entrepreneurial orientation. In this regards, MSEs deserve much more attention, especially with regards to the entrepreneurial characteristics and the business practices of the entrepreneur, which are often developed as part of the entrepreneur’s personal life strategies. Many studies have suggested that a development of good leadership is one of the driving forces for the success of MSEs in the future, and evidences suggest that inadequate leadership and management skills as primary factors contributing towards the failure of MSEs (Kasseehah, 2012). Entrepreneurial Orientation (EO) refers to a firm’s strategic orientation, acquiring specific entrepreneurial aspects of decision-making styles, practices and methods (Nimalathasan, 2010).

The link between specific personality characteristics and entrepreneurial success was foremost drawn by McClelland who attributed a person’s need for achievement as an important ingredient of entrepreneurial success (Stevenson & Jarillo, 2007). Other specific traits that were frequently connected to successful entrepreneurial activity are locus of control and risk taking propensity (Samarakoon & Jasek, 2011). Age is a time of life and particular power or qualification arises as the age increases. The skills of people might improve with the age because they learn to manage time effectively (Neneh, 2011). Many studies have described gender as an important predictor of entrepreneurial behavior and intention and revealed that males have more intentions towards entrepreneurship than females (Korpunen & Nápravníková, 2008). Years of education of the owner increased the probability that a firm would adopt a number of strategic initiatives. There is a positive link between high capital requirements and the educational attainment of the owner

Statement of the Problem
According to Uchenwamgb (2013), MSEs propel the engines of many African economies by addressing the challenges of job creation, sustainable economic growth, equitable distribution of income and the overall stimulation of economic development. The success of these firms is not the result of one factor alone, but rather a combination
of company strategy, structure, and processes that fit together and is developed in a
dynamic, evolutionary manner, with respect to its constantly changing environment with
customers, partners and competitors, prepared for any future requirements (Zainol &
Ayadurai, 2011). Despite the importance of Micro and small enterprises in economic
development, MSEs all over the world are more prone to failure (Bannock, 2005).

A report published by Startup Genome (2011) showed that nearly 92 percent of startups
globally fail within the first three years. According to Fairoz, Hirobumi and Tanaka
(2010), 85 percent of MSEs face significant survival challenges and more than 75 percent
fail within five years of startup. In Kenya, past statistics indicate that three out of five
MSEs fail within the first few months of operation (Kenya National Bureau of Statistics,
2007). This raises concern not only on challenges that face MSEs and causes of high
failure rate but also on understanding the relationship of MSEs that thrive and the link
with owner’s characteristics.

Various studies have been conducted to investigate the relationship between
entrepreneurial characteristics and MSE performance. Mallaye, Thierry and
Koulkéblandine (2014) assessed the relationship between the profile of entrepreneurs and
the performance of MSEs in Chad, Neneh, (2011) investigated the impact of
entrepreneurial characteristics and business practices on the long term survival of Small
and Medium Enterprises (SMES) in South Africa, Othman and Shamsuri (2012)
investigated the Impact of Training on Small and Medium Enterprises (SMEs) in
Malaysia and Kasseeah (2012) examined the effect of the education level of owners on
the performance of small and medium-sized enterprises in Mauritius. The present study
will be finding out the relationship between owner/manager characteristics and MSE
growth in Kenya, taking the case of MSEs in Nairobi City County.

Objectives of the Study

1. To explore the effect of entrepreneurial readiness on the growth of MSEs in
   Nairobi City County
2. To establish the effect of entrepreneurial orientation on the growth of MSEs in
   Nairobi City County
3. To establish the effect of personality traits on the growth of MSEs in Nairobi City
   County
4. To determine the effect of demographic characteristics on the growth of MSEs in
   Nairobi City County

LITERATURE REVIEW

Theoretical Review

Social Learning Theory
Perceived self-efficacy is concerned with people's beliefs in their ability to influence
events that affect their lives. This core belief is the foundation of human motivation,
performance accomplishments, and emotional well-being (Bandura, 1997, 2006). Unless
people believe they can produce desired effects by their actions, they have little incentive
to undertake activities or to persevere in the face of difficulties. Whatever other factors
may serve as guides and motivators, they are rooted in the core belief that one can make a
difference by one's actions. Bandura (1977) believes that humans are active information processors and think about relationship between their behavior and its consequences. According to the social learning theory bandura (1977) perceived self-efficacy affects people choice of activities and behavioral settings, how much effort they expend and how long they will persist in the face of obstacles and aversive experiences. The stronger the perceived self-efficacy, the more active the copying efforts are. Those who persist in subjectively threatening activities will eventually eliminate their inhibition through corrective experience, whereas those who avoid what they fear or who cease their coping efforts prematurely will retain their self-debilitating expectations and defensive behavior.

Empirical test of this theory (Bandura, Adams & Beyer, 1977), confirm that different treatment approaches alter expectations of personal efficacy, and the more dependable the source of efficacy information, the greater the changes of self-efficacy. Thus, treatments based on performance accomplishments through aid of participant modeling produce higher, stronger, and more generalized expectations of personal efficacy than do vicarious experiences alone. Results of micro analysis of the congruence between self-efficacy and performance reveal that behavioral changes correspond closely to the level of self-efficacy whether instated inactively or vicariously.

**Schumpeter’s Theory of Innovation**
According to Sweezy (1943), Schumpeter is regarded as one of the greatest economists of the first half of the twentieth century. During that time he took part in the most important economic debates (Sweezy, 1943). The concepts of innovation and entrepreneurship are probably Schumpeter’s most distinctive contributions to economics with one of his most common themes being the role of innovation and entrepreneurship in economic growth (Provasi&Squazzoni, 2007). Schumpeter (1912) viewed the occurrence of discontinuous and “revolutionary” change as the core of economic development which breaks the economy out of its static mode (circular flow) and sets it on a dynamic path of fits and starts.

Schumpeter (1934) considered the entrepreneur as an innovator if he acts as a catalyst by his innovative ideas and introduces dynamism in the economy. He would then bring about development by interrupting and altering the stagnant circular flow of the economy (Sweezy, 1943). He considers that innovation can take the following forms; introduction of a new product; introduction of a new, improved technology for the production of an already existing product; opening up of a new market into which a specific product has not been introduced so far; discovery of new sources of supply of raw materials and introduction of new form of organization. Schumpeter also makes a distinction between an inventor and an innovator ((Provasi&Squazzoni, 2007). While the inventor finds out new methods, techniques, materials, product, the innovator uses such inventions and discoveries to produce and offer new products to the economy. He calls an entrepreneur as an innovator (Sweezy, 1943).

**McClelland’s Theory of Achievement**
McClelland (1965) concerned himself with economic growth and the factors that influence it. He wanted to find the internal factors, i.e. the human values and motives that lead men to exploit opportunities and take advantage of favorable trade conditions. His theory on achievement motivation is regarded as the most important psychological
theories of entrepreneurship. According to McClelland, individuals whose need for achievement is high will have the drive to excel and win. They will take personal responsibility for solving problems and will be high achievers. In view of the inner urge for personal achievement they will always try to be better than others.

McClelland (1965) stressed that the need for achievement is the directly relevant factor for explaining economic behavior. People having high need for achievement are more likely to succeed as entrepreneurs. McClelland (1965) explains that entrepreneur’s interest in profit growth in terms of sales is an expression of their need for an achievement. McClelland applies his n-achievement approach to study the relationship that exists between n-achievement scores and economic development. The n-achievement approach suggests promotion of achievement-oriented ways of thinking to hasten the economic development in underdeveloped countries. McClelland (1965) says that high level of n-factor will motivate an entrepreneur to take on greater responsibility and also to take bigger risks. They prefer to shoulder tasks that involve real challenges. Some of the main psychological traits identified in entrepreneurship literature are need for achievement, locus of control, willingness to take risk and innovativeness.

**Hagen’s Theory**

Hagen (1962) reveals general model of the social-interrelationship among physical environment, social structure, personality and culture. Hagen has attributed the withdrawal of status respect of a group to genesis of entrepreneurship (McMullen & Shepherd, 2006). Hagen considers the withdrawal of status, of respect, as the trigger mechanism for changes in personality formation. Status withdrawal occurs when members of some social group perceive that their purposes and values in life are not respected by the groups in the society they respect, and whose esteem they value (Davidsson & Wiklund, 2001). Hagen postulates four types of events which can produce status withdrawal; displacement of a traditional elite group from its previous status by another traditional supply physical force, denigration of valued symbols through some change in the attitude of the superior group, inconsistency of status symbols with a changing’ distribution of economic power, and on-acceptance of expected status on migration to a new society (MacMillan & Katz, 2002).

According to Hagen (1962), the creativity of a disadvantaged minority group is the main source of entrepreneurship. He developed this thesis from the case of the samurai community of Japan. Traditionally, this community had enjoyed a high status of which it was deprived later. To regain this lost prestige, it became more active and vigorous and gave rise to many entrepreneurs (Mueller & Thomas, 2001). McClelland (1987) supported this thesis by admitting that a suppressed community had more creativity. McClelland (1987) had modified Hagen’s thesis slightly in order to explain such cases. He stated that the subordination of minority group could arouse achievement motivation in its members but its extent depended upon the initial level of motivation and the means available to the group to active its achievement motivations (Eckhardt & Shane, 2003). Personality types (which stand for the subjective norm in Hagen’s Theory) are viewed as influencing the perceived feasibility of entrepreneurship. Perceived feasibility expresses self-efficacy as the degree to which personality traits and other resources are perceived to match the requirements of building up and managing an organization.
Conceptual Framework

Entrepreneurial readiness
- Planning ability
- Financial literacy
- Managing ambiguity

Entrepreneurial Orientation
- Innovativeness
- Pro-activeness
- Risk taking

Personality Traits
- The need for achievement
- Locus of control
- Self-confidence

Demographic Characteristics
- Gender
- Age
- Education level

MSE Growth
- Number of new brands
- Number of new products
- Number of employees

Empirical Review

Prodan (2007) examined the impact of entrepreneurial self-efficacy to academic’s intention to become an entrepreneur and to academic’s entrepreneurial engagement. The result indicates a significant relationship between entrepreneurial self-efficacy and the academic’s intention to become an entrepreneur but entrepreneurial self-efficacy was not important predictor of an academic’s entrepreneurial engagement. Mallaye, Thierry and Koulkéblandine (2014) assessed the relationship between the profile of entrepreneurs and the performance of SMEs in Chad. The study sought to find out the entrepreneur’s characteristics which correlate more with job creation at the SMEs level and the effect of oil windfall on job creation at the microeconomic level. Findings showed that three main characteristics correlate with the increase in the number of jobs: experience of the manager/owner, the state of the competition and access to credit. It was also revealed that there was no significant effect of the oil exploitation on job creation in

Nimalathasan (2010) investigated the relationship between owner’s characteristic and business growth. The study found an empirical relationship between the business founding processes of entrepreneurs and the growth of their businesses. The result also
revealed that the personal values of owner/managers, the strategies they adopt in operating their firms, and the performance outcomes of their businesses were empirically related. Yahya, Othman and Shamsuri (2012) investigated the Impact of Training on Small and Medium Enterprises (SMEs) in Malaysia. Results showed that manager's, enterprises and external characteristics affect the demand for training, and training has a positive impact on MSE growth. Ng'ang'a, Ngugi and Odhiambo (2014) investigated the influence of owner/manager personal characteristics on the demand for business development services by Micro and Small Enterprises. This study found that age and education attainment are the key individual characteristics that drive demand for BDS by micro and small enterprises.

Kasseeah (2012) examined the effect of the education level of owners on the performance of small and medium-sized enterprises in Mauritius. The study captured the effect of the level of education of owners as measured by primary, secondary and tertiary education. It was found that education is an important characteristic of the owner which contributes positively to firm’s growth. Ogubazghi and Muturi (2014) investigated the effect of age and educational level of owner/managers on SMMEs’ access to bank loan in Eritrea. The study, using logistic regression, found out that age of the owner/manager has significant effect on SMMEs’ access to bank loan. On the other hand, educational level of the owner/manager does not have significant effect on access to bank loan. The study also found out that both the variables have positive effect on SMMEs’ access to bank loan. Cao and Zhang (2011) measured the growth of micro and small enterprises with reference to the three aspects namely return on investment, profit, sales volume while Lee and Tsang (2001) using performance effort represented by; the ability to offer quality products and services, the capacity to develop new products and processes, the ability to manage and work in groups, labor productivity and corporate responsibility to the environment. Studies indicated that the growth of an enterprise is dependent on a number of factors, which include; lack of access to credit, poor record keeping, lack of strategy and devotion from the business owners. Okpara and Wynn (2007) carried out an exploratory study to examine the reason for small business failure in Nigeria. The study revealed major obstacles as: lack of financial support, lack of management experience, corruption and lack of training and inadequate book keeping. The study recommended future research on the effect of business environment in different sub-Saharan economies and also diverse businesses.

**RESEARCH METHODOLOGY**

This research adopted descriptive research design. The target population under this study consisted of 125,123 licensed MSEs within Nairobi central business district. The study used stratified random sampling technique in coming up with a sample size of 376 respondents. The sample size was determined using the formula of Fisher et al (1991). A preliminary questionnaire was structured and pre-tested on a sample population to validate the questionnaire. Data analysis involved data cleanup and explanations. A multiple regression was used to test the statistical significance of the independent variables where descriptive statistics such as mean and standard deviation was used. Tables, pie charts, graphs were used to present responses and facilitate comparison. Data was analyzed using excel and Statistical Package for Social Sciences (SPSS) version 21.0.
Table 1: Sample Size

<table>
<thead>
<tr>
<th>Category</th>
<th>Frequency</th>
<th>Ratio</th>
<th>Sample size</th>
</tr>
</thead>
<tbody>
<tr>
<td>Manufacturing</td>
<td>3,230</td>
<td>0.003</td>
<td>10</td>
</tr>
<tr>
<td>Trade</td>
<td>56,546</td>
<td>0.003</td>
<td>170</td>
</tr>
<tr>
<td>Services</td>
<td>65,347</td>
<td>0.003</td>
<td>196</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>125,123</strong></td>
<td><strong>0.003</strong></td>
<td><strong>376</strong></td>
</tr>
</tbody>
</table>

Multivariate regression was used to determine the effect owner/manager characteristics on MSE growth. The regression model was:

$$ Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \epsilon $$

Where: $Y =$ MSE growth, $X_1 =$ Entrepreneurship readiness, $X_2 =$ Entrepreneurial Orientation, $X_3 =$ Personality Traits, $X_4 =$ Demographic Characteristics, $\epsilon =$ Error term/Erroneous variables, $\beta_0 =$ constant/the minimum change in $Y$ when the rest of the variables are held at a constant zero, $\beta_1 - \beta_4 =$ measures the rate of change in MSE growth as a result of the rate of change in the independent variables.

**RESULTS AND DISCUSSION**

**Response Rate**

The study targeted 376 respondents in collecting data with regard owner characteristics and performance of micro and small enterprises in Nairobi City County. Of these, 256 questionnaires were filled and returned. This gives a response rate of 68%.

**Demographic Characteristics**

The study sought to find out the demographic characteristics of the respondents in terms of gender, age and education.

**Gender**

The study sought to find out the gender of the respondents. Results are given on Figure 2.

![Figure 2: Gender Representation](image)

From the findings, the majority, 149 (58.2%) of the respondents were male while 107 (41.8%) were female. The findings are in agreement with Wilson et al (2007) who said that gender as an important predictor of entrepreneurial behavior and intention and that males have more intentions towards entrepreneurship than females.
Age of Respondent
The study sought to find out the age of the respondents. Results are given on Figure 3.

![Age Distribution](image)

**Figure 3: Age**

From the results, 21 (8.2%) of the respondents are aged above 60 years, 55 (21.5%) are aged between 46 and 60, 81 (31.6%) are aged between 35 and below while the majority, 99 (38.7%) are aged between 36 and 45 years. This means that there are more young entrepreneurs (45 years and below) as compared to those older ones (46 years and above). These findings are in disagreement with Aapola (2002) who argued that age is a time of life and particular power or qualification arises as the age increases. They are also in disagreement with Welmilla et al. (2011) who argued that the skills of people might improve with the age.

Highest Level of Education
The study sought to find out the highest level of education reached by the respondents. The results are given on Figure 4.

![Education Level](image)

**Figure 4: Education Level**

From the findings, 3 (1.2%) of the respondents have a masters degree, 19 (7.4%) have reached primary school, 34 (13.3%) have an undergraduate degree, 93 (36.3%) of them have gone to college while the majority, 107 (41.8%) have reached secondary school. This means that the majority of respondents have at least a secondary education which
equips them with skills to run their businesses. The findings of this study are in agreement with Van der Sluis et al (2005) who said that years of education of the owner increased the probability that a firm would adopt a number of strategic initiatives and that developing countries an additional year of schooling raises enterprise profits by 5.5 per cent.

Demographic Characteristics and MSE Growth
The respondents were asked about their views on various demographic characteristics and small business performance. The results are shown on Table 2.

Table 2: Demographic Characteristics and MSE Growth

<table>
<thead>
<tr>
<th></th>
<th>Mean</th>
<th>Std. Dev</th>
</tr>
</thead>
<tbody>
<tr>
<td>Successful entrepreneurs are mostly young</td>
<td>3.878</td>
<td>0.972</td>
</tr>
<tr>
<td>There is significant correlation between age of the entrepreneur and business growth.</td>
<td>3.801</td>
<td>1.118</td>
</tr>
<tr>
<td>More women owned businesses collapse in their early stages as compared to male owned businesses</td>
<td>3.711</td>
<td>1.054</td>
</tr>
<tr>
<td>Good education equips an entrepreneur with the necessary skills to run a successful business venture</td>
<td>3.667</td>
<td>0.500</td>
</tr>
<tr>
<td>Small businesses are more likely to die in their early stages when the owner does not have a good education</td>
<td>3.611</td>
<td>1.453</td>
</tr>
</tbody>
</table>

From the results, whether small businesses are more likely to die in their early stages when the owner does not have a good education had a mean of 3.611 and a standard deviation of 1.453, whether good education equips an entrepreneur with the necessary skills to run a successful business had a mean of 3.667 and a standard deviation of 0.500. The findings of this study are in agreement with Van der Sluis et al (2005) who said that years of education of the owner increased the probability that a firm would adopt a number of strategic initiatives and that developing countries an additional year of schooling raises enterprise profits by 5.5 per cent. On whether more women owned businesses collapse in their early stages as compared to male owned businesses had a mean of 3.711 and a standard deviation of 1.054. The findings are in agreement with Wilson et al (2007) who said that gender as an important predictor of entrepreneurial behavior and intention and that males have more intentions towards entrepreneurship than females.

Whether there is significant correlation between age of the entrepreneur and business success had a mean of 3.801 and a standard deviation of 1.118. Whether successful entrepreneurs are mostly young had the highest mean of 3.878 and a standard deviation of 0.972. These findings are in disagreement with Aapola (2002) who argued that age is a time of life and particular power or qualification arises as the age increases. They are also in disagreement with Welmilla et al. (2011) who argued that the skills of people might improve with the age.

Extent of Influence of Demographic Characteristics
Respondents were asked about the extent of influence of demographic characteristics (education, age, gender) on the performance of MSEs. Results are given on Table 3.
From the results, 4.3% said that demographic characteristics have no effect on the performance of MSEs, 12.5% said demographic characteristics influenced the performance of MSEs to a little extent, 13.7% said that there was a moderate effect. The majority, 40.6% said demographic characteristics influenced the performance of MSEs to a great extent. The findings are in agreement with Lévesque and Minniti (2006) who opined that the success of an entrepreneur will depend on her characteristics such as level of education, age and gender.

**Entrepreneurial Readiness**

Respondents were asked about their thoughts on statements regarding entrepreneurial readiness. Results are given below on Table 4.

**Table 4: Entrepreneurial Readiness**

<table>
<thead>
<tr>
<th></th>
<th>Mean</th>
<th>Std. Dev</th>
</tr>
</thead>
<tbody>
<tr>
<td>Self-perception plays an important role in development of an intention to start a business</td>
<td>3.111</td>
<td>1.002</td>
</tr>
<tr>
<td>I can perform most of the tasks required for my business to perform well</td>
<td>3.875</td>
<td>0.926</td>
</tr>
<tr>
<td>I believe I can succeed in this business</td>
<td>3.567</td>
<td>0.834</td>
</tr>
<tr>
<td>I am always ready to undertake any task in my business</td>
<td>3.709</td>
<td>1.234</td>
</tr>
<tr>
<td>Entrepreneurial readiness is linked significantly to business performance</td>
<td>4.001</td>
<td>0.476</td>
</tr>
</tbody>
</table>

From the results, whether self-perception plays an important role in development of an intention to start a business had a mean of 3.111 and a standard deviation of 1.002. Whether one believes they can succeed in their business had a mean of 3.567 and a standard deviation of 0.834. On whether one is always ready to undertake any task in their business had a mean of 3.709 and a standard deviation of 1.234. On whether one can perform most of the tasks required for their business to perform well had a mean of 3.875 and a standard deviation of 0.926. Whether entrepreneurial readiness is linked to business performance had the highest mean of 4.001 and standard deviation of 0.476. These findings are in agreement with Kristiansen and Indarti (2004) who opine that an individual’s perception of self-efficacy has strong influence on how she/he will act and how the available knowledge and skills will be utilized.

**Extent of Influence of Entrepreneurial Readiness**

Respondents were asked to what extent they thought entrepreneurial readiness affected MSE growth. Results are given on Table 5.
Table 5: Extent of Influence of Entrepreneurial Readiness

<table>
<thead>
<tr>
<th>Extent</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Very great extent</td>
<td>88</td>
<td>34.4</td>
</tr>
<tr>
<td>Great extent</td>
<td>114</td>
<td>44.5</td>
</tr>
<tr>
<td>Moderate extent</td>
<td>44</td>
<td>17.2</td>
</tr>
<tr>
<td>Little extent</td>
<td>10</td>
<td>3.9</td>
</tr>
<tr>
<td>Total</td>
<td>256</td>
<td>100</td>
</tr>
</tbody>
</table>

From the results, 10 (3.9%) said entrepreneurial readiness affected MSE growth to a little extent, 44 (17.2%) said entrepreneurial readiness affected MSE growth to a moderate extent, 114 (44.5%) to a great extent while the majority, 88 (34.4%) said entrepreneurial readiness affected MSE growth to a very great extent. These findings are in agreement with Kristiansen and Indarti (2004) who opine that an individual’s perception of self-efficacy has strong influence on how she/he will act and how the available knowledge and skills will be utilized.

Entrepreneurial Orientation

Respondents were asked what they thought about businesses since inception, as far as entrepreneurial orientation is concerned. Results are given on Table 6.

Table 6: Entrepreneurial Orientation

<table>
<thead>
<tr>
<th>Activity</th>
<th>Mean</th>
<th>Std. Dev</th>
</tr>
</thead>
<tbody>
<tr>
<td>I have increased the number of new products</td>
<td>3.667</td>
<td>1.323</td>
</tr>
<tr>
<td>Number of new technological processes have increased</td>
<td>2.889</td>
<td>0.527</td>
</tr>
<tr>
<td>I am spending more on R&amp;D</td>
<td>2.522</td>
<td>0.236</td>
</tr>
<tr>
<td>I have developed a scheme to reward employees for innovation</td>
<td>2.873</td>
<td>1.311</td>
</tr>
<tr>
<td>I am now taking less time in making important level decisions</td>
<td>3.764</td>
<td>0.534</td>
</tr>
<tr>
<td>I have ventured in new markets ventured</td>
<td>3.389</td>
<td>0.136</td>
</tr>
<tr>
<td>I have invested in new ventures</td>
<td>3.876</td>
<td>0.758</td>
</tr>
</tbody>
</table>

From the results, whether one is spending more on R&D had a mean of 2.522 and a standard deviation of 0.236, whether one has developed a scheme to reward employees for innovation had a mean of 2.873 and a standard deviation of 1.311. On whether one has ventured in new markets ventured had a mean of 3.389 and a standard deviation of 0.136; whether one has increased the number of new products had a mean of 3.667 and standard deviation of 1.323. On whether one is currently taking less time in making important level decisions had a mean of 3.764 and standard deviation of 0.534, whether one has invested in new ventures had the highest mean of 3.876 and a standard deviation of 0.758. This means that the majority of respondents invest very little in research and development because of lack of enough finances. It also means that most of the respondents take less time in making important decisions because they are sole
proprietorships. The findings are in agreement with Zainol and Ayadurai (2011) who found a significant positive relationship between EO and firm performance. In addition, it was found that innovativeness, pro-activeness and risk-taking play a significant role in firm performance.

**Extent of Influence of Entrepreneurial Orientation**

Respondents were asked to what extent they thought entrepreneurial orientation affected MSE performance. Results are given on Table 7.

**Table 7: Extent of Influence of Entrepreneurial Orientation**

<table>
<thead>
<tr>
<th>Extent</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Very great extent</td>
<td>54</td>
<td>21.1</td>
</tr>
<tr>
<td>Great extent</td>
<td>113</td>
<td>44.1</td>
</tr>
<tr>
<td>Moderate extent</td>
<td>57</td>
<td>22.3</td>
</tr>
<tr>
<td>Little extent</td>
<td>23</td>
<td>9.0</td>
</tr>
<tr>
<td>No extent at all</td>
<td>9</td>
<td>3.5</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>256</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

From the results, 9 (3.5%) said no extent at all, 23 (9.0%) said entrepreneurial orientation affected MSE growth to a little extent, 54 (21.1%) to a very great extent, 57 (22.3%) to a moderate extent while the majority, 113 (44.1%) said that entrepreneurial orientation affected MSE Growth to a great extent. The findings are in agreement with Zainol and Ayadurai (2011) who found a significant positive relationship between EO and firm performance. In addition, it was found that innovativeness, pro-activeness and risk-taking play a significant role in firm’s growth.

**Personality Traits**

Respondents were asked to rate themselves on the personal attributes of independence in decision making, self-confidence and control of one’s environment. Results are given on Table 8.

**Table 8: Personality Traits**

<table>
<thead>
<tr>
<th>Trait</th>
<th>Mean</th>
<th>Std. Dev</th>
</tr>
</thead>
<tbody>
<tr>
<td>Independence in making decisions</td>
<td>4.192</td>
<td>1.098</td>
</tr>
<tr>
<td>Self-confidence</td>
<td>3.988</td>
<td>0.236</td>
</tr>
<tr>
<td>In control of one’s environment</td>
<td>3.764</td>
<td>0.934</td>
</tr>
</tbody>
</table>

From the results, control of one’s environment had a mean of 3.764 and a standard deviation of 0.934, Self-confidence had a mean of and a standard deviation of 0.236 while independence in making decisions had the mean of 4.192 and a standard deviation of 1.098. This means most of the respondents had less control of their environments. This is because of the many factors affecting their businesses like government, their competitors etc which they had no control over. The findings also show that the majority were independent as far as decision making is concerned. This is because of most of them are sole proprietorships. The findings are in agreement with McClelland (1961) who argued that specific personality characteristics are a big factor determining a person’s entrepreneurial success.
**Extent of Influence of Personality Traits**
Respondents were asked to what extent they thought personality traits affected MSE performance. Results are given on Table 9.

**Table 9: Extent of Influence of Personality Traits**

<table>
<thead>
<tr>
<th>Extent</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Very great extent</td>
<td>22</td>
<td>8.6</td>
</tr>
<tr>
<td>Great extent</td>
<td>63</td>
<td>24.6</td>
</tr>
<tr>
<td>Moderate extent</td>
<td>114</td>
<td>44.5</td>
</tr>
<tr>
<td>Little extent</td>
<td>45</td>
<td>17.6</td>
</tr>
<tr>
<td>No effect</td>
<td>12</td>
<td>4.7</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>256</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

From the results, 12 (4.7%) of the respondents said that personality traits do not affect MSE growth, 22 (8.6%) said that personality traits affect MSE growth to a very great extent, 45 (17.6%) said that personality traits affect MSE growth to a little extent, 63 (24.6%) said that personality traits affect MSE growth to a great extent while the majority, 114 (44.5%) of the respondents said that personality traits affect MSE growth to a moderate extent. The findings are in agreement with McClelland (1961) who argued that specific personality characteristics are a big factor determining a person’s entrepreneurial success.

**MSE Growth**
Respondents were asked about the performance of their businesses with regard to Number of employees, Number of new products, number of new brands for the last three years. Results are given on Table 10.

**Table 10: MSE Growth**

<table>
<thead>
<tr>
<th>Growth Indicator</th>
<th>Mean</th>
<th>Std. Dev</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of new brands</td>
<td>3.522</td>
<td>0.236</td>
</tr>
<tr>
<td>Number of employees</td>
<td>3.667</td>
<td>1.323</td>
</tr>
<tr>
<td>Number of new products</td>
<td>3.889</td>
<td>0.527</td>
</tr>
</tbody>
</table>

From the results, number of new brands had a mean of 3.522 and a standard deviation of 0.236, number of employees had a mean of 3.667 and a standard deviation of 1.323 while number of new products had the highest mean of 3.889 and a standard deviation of 0.527. This means the majority of micro and small businesses recorded an increase in number of new products.

**Regression Analysis**
The section below presents the results of regression analysis. A multiple regression analysis was conducted to test the relationship among predictor variables. The research used statistical package for social sciences (SPSS V 21.0) to code, enter and compute the measurements of the multiple regressions.
Table 11: 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>0.872</td>
<td>0.766</td>
<td>0.751</td>
<td>0.573</td>
</tr>
</tbody>
</table>

Coefficient of determination explains the extent to which changes in the dependent variable can be explained by the change in the independent variables or the percentage of variation in the dependent variable (growth of MSEs) that is explained by all the four independent variables (demographic characteristics, entrepreneurial readiness, entrepreneurial orientation and personality traits). The four independent variables that were studied, explain only 76.6% on the relationship between owner characteristics and MSE growth as represented by the $R^2$. This is an indication that the four variables are critical drivers to growth of MSEs.

ANOVA

Table 12: 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>39.999</td>
<td>67</td>
<td>0.597</td>
<td>1.895</td>
<td>.0480(a)</td>
</tr>
<tr>
<td>Residual</td>
<td>15.477</td>
<td>188</td>
<td>0.231</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>55.476</td>
<td>255</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

From the ANOVA statistics in Table 12, the processed data had a significance level of 0.0480 which shows that the data is ideal for making a conclusion on the study parameters. The F calculated at 5% Level of significance was 1.895. Since F calculated is greater than the F critical, this shows that the overall model was significant i.e. there is a significant relationship between MSE growth and its determinants. Statistical tests of ANOVA reveal that the four variables are crucial factors influencing growth of MSEs.

Model Coefficients

Table 13: Regression Coefficients

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Constant)</td>
<td>1.376</td>
<td>3.316</td>
</tr>
<tr>
<td>demographic characteristics</td>
<td>0.338</td>
<td>0.362</td>
</tr>
<tr>
<td>entrepreneurial readiness</td>
<td>0.362</td>
<td>0.426</td>
</tr>
<tr>
<td>entrepreneurial orientation</td>
<td>0.426</td>
<td>0.471</td>
</tr>
<tr>
<td>Personality traits</td>
<td>0.471</td>
<td>0.224</td>
</tr>
</tbody>
</table>

As per the SPSS generated table above, the equation $\beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \epsilon$ becomes $Y= 1.376 + 0.338\beta_i + 0.362\beta_{ii} + 0.426\beta_{iii} + 0.471\beta_{iv}$. The regression equation above has established that taking all factors into account (demographic characteristics, entrepreneurial readiness, entrepreneurial orientation and personality traits) constant at zero MSE growth will be 1.376. The findings presented also show that taking all other independent variables at zero, a unit increase in the annual amount of personality would
lead to a 0.471 increase in the scores of MSE growth, a unit increase in the scores of entrepreneurial orientation would lead to a 0.426 increase in the scores of MSE growth, a unit increases in the scores of entrepreneurial readiness would lead to a 0.362 increase in the scores of MSE growth while a unit increase in the scores of demographic characteristics would lead to a 0.338 increase in the scores of MSE growth. Overall, personality traits and entrepreneurial orientation had the greatest effect on the growth of MSEs in Nairobi City County. All the variables were significant (p<0.05).

CONCLUSIONS
On gender, it can be concluded that the majority of MSE owners in Kenya are male. On age, it can be concluded that the majority of MSE owners are young. On education, it can be concluded that the majority of MSE owners have at least a secondary education. On demographic characteristics, it can be concluded that demographic characteristics influence the growth of MSEs in Kenya to a great extent. On entrepreneurial readiness, it can be concluded that self-perception does not play an important role in development of an intention to start a business in Kenya. It can also be concluded that entrepreneurial readiness impacts a lot on the growth of MSEs in Kenya.

On entrepreneurial orientation it can concluded that most MSEs in Kenya don’t invest in research and development. It can also be concluded that most MSEs in Kenya have invested in new ventures. On personality traits, it can be concluded that most owners in Kenya are not in control of their environments. It can also be concluded that most owners make decisions independently. On MSE growth, it can be concluded that most MSEs did not increase new brands to their lines. This is because most of them are in the retail business.

RECOMMENDATIONS
On gender, it is recommended that the government and other stakeholders invest a lot in inculcating entrepreneurial skills among the youth and women. This can be done by conducting entrepreneurship workshops as well as providing a conducive atmosphere for investment. The government other stakeholders like the private sector must also ensure restrictive factors like inaccessibility to credit are removed.

On entrepreneurial readiness, it is recommended that owners increase the perception about themselves which can improve the performance of their businesses. On entrepreneurial orientation, it is recommended that MSEs invest more in research and development and innovation which will give them a competitive edge and thus improve performance. On personality traits, it is recommended that owners of MSEs in Kenya take more control of the environment which will in turn prevent contingencies from harming their business. This will go a long way in improving the firm’s growth. On MSE growth, it is recommended that MSEs invest more in research and design as well as innovation in order to increase number of brands in their lines. This will enable them have a competitive edge.
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