

## **DETERMINANTS OF PERFORMANCE OF GOVERNMENT FUNDED WOMEN OWNED SMALL AND MEDIUM ENTERPRISES IN NAIROBI COUNTY, KENYA**

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### **ABSTRACT**

SMEs are facing tremendous competitive challenges and threats to survive despite being at the center stage in the economic development of many countries. Studies indicate that three out of five fail within the first few months of operation and over 60% fail each year while most do not survive to their third anniversary. This study hence sought to establish the determinants of performance of government funded women owned small and medium enterprises in Nairobi County. Specifically, it focused on the influence of training, pro-activeness, risk-taking and innovativeness on performance of government funded women owned SMEs. The study target population included 558 government funded women owned SMEs in Nairobi County according to the Kenya National Bureau of Statistics report on Nairobi County. From which 233 were samples. Both primary and secondary data were collected and used for analysis in the study. Descriptive statistics such as, mean and frequencies and inferential statistics (regression and correlation analysis) were used to perform data analysis. A multiple linear regression analysis model was used to test the hypotheses and link the variables. The findings of the study revealed that the four independent variables of training, pro-activeness, risk-taking and innovativeness positively and significantly influenced the performance of government funded women owned SMEs in Nairobi County. The study recommends that in order for the government funded women owned SMEs in Nairobi County to improve their performance, there is need to focus on key training indicators including receiving training on how to financially manage the business, receiving training on problem-solving skills, training on interpersonal/communication skills, having access to training on effective customer management skills, access to training on effective marketing skills.

**Key Words:** *Training, Pro-activeness, Risk-taking, Innovativeness, Performance of government funded women owned SMEs*

## Introduction

The importance and contribution of SMEs to achieving macroeconomic goals of nations, especially in developing nations, has attracted the attention of scholars in the entrepreneurship discipline in recent years (Cruickshank & Eden, 2005). A complex global environment in which SMEs survive, grow and thrive is, therefore, considered an important objective of policy makers in both developed and emerging economies around the world. SMEs are generally known for their labour intensive activities and also for their use of local resources. Support for SMEs is a common theme because it is recognized that SMEs contribute to the national and international economic growth. With the spread of capitalism and globalization, entrepreneurship continues to gain importance (Tien, Aho & Uden, 2014). Statistics show that there is no better way to provide a broad basis for rapid economic growth than to dramatically increase the number of active entrepreneurs in a society (Pretorius, van Vuuren & Nieman, 2005). The important contribution of a dynamic SME sector to economic growth has been widely acknowledged. SMEs are said to be major components of many economies (Miller, Besser & Sattler, 2010). As a result, most governments, bilateral and multilateral agencies as well as nongovernmental organizations worldwide have policies in place to assist entrepreneurship development (Robertson, Collins, Medeira & Slater, 2003).

Due to globalization, small and medium sized enterprises (SMEs) face increasing pressure from competition from across the world. When compounded with the changing sophistication of customers worldwide it becomes apparent that SMEs face increasing difficulty in maintaining and improving business performance in time, unless they can actively manage these pressures. 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). The Lloyds TSB survey, found that 70% of SMEs were adopting a sustainable approach in order to secure new business, while 54% are becoming sustainable to save money. Sustainability not only serves altruistic motives, but is also smart business because it can deliver higher profit — both in the short and the long term. A sustainable business is more efficient, has a more resilient business model and is therefore able to generate reliable cash flow (AICPA, 2013). Financial sustainability can be considered as an important dimension as it is a condition for achieving sustainability of other project components (Salman, 2008). It is achieved if the revenues of the SME are greater than the expenditures. However, financial sustainability is an output of the sustainability of other components at the same time. Financial sustainability is a key factor for SME performance, as it is a condition for achieving sustainability of other components and the survival of the SME (Todd, 2006).

## Statement of the Problem

Small and Medium enterprises contribute largely to the economy of Kenya. The Kenya National Bureau of Statistics data (2016) report indicated that employment by the SMEs informal sectors went up by 5.9 per cent from 14,319.2 thousand in 2014 to 15,160.8 thousand in 2015. The report also indicated that the informal SMEs sector created 713.6 thousand new jobs in 2015 compared to 695.9 thousand new jobs in 2014 constituting 84.8 per cent of all new jobs created. The SME sector contributed a higher percentage, 5.9 per cent increase in employment as compared to the public sector which contributed 2.5 per cent increase in employment. This sector is therefore important for the economy of Kenya.

Despite their importance to the economy, SMEs are facing tremendous competitive challenges and threats to survive despite being at the center stage in the economic development of many countries (KNBS, 2016).

Mungai (2013) argues that performance of SMES is no longer determined by access to financing alone but by entrepreneurial characteristics such as risk taking, innovativeness, proactiveness and training. Previous studies have mainly indicated that the determinants of sustainable growth of SMEs are macro-economic factors for instance GDP, inflation as well as bank lending rates (Tambunan, 2008 ; Žvirblis, 2007) and micro economic factors such as leadership, availability of capital, number of employees, business culture, administrative costs, access to financial resources, access to productive resources particularly capital, technology, information and markets and availability of business networks (Jukna & Tvaronavičienė, 2004 ; Bekeris, 2012) without a focus on entrepreneurial characteristics.

Demick and Reilly (2010) state that the issue of entrepreneurial characteristics cannot be overlooked since studies have shown that innovative and creative entrepreneurs have a higher potential of developing their enterprises and expand (World Bank, 2015; ILO, 2010). With the argument that few studies have given entrepreneurial characteristics a focus (Mungai, 2013) and with the high mortality rate characterizing SMEs in Kenya (World Bank, 2015), the study sought to fill this gap by focusing on the determinants of performance of government funded women owned Small and Medium enterprises in Nairobi County

### **Study Objectives**

- i. To establish the influence of training on performance of government funded women owned Small and Medium enterprises in Nairobi County in Kenya
- ii. To determine the influence of pro-activeness on performance of government funded women owned Small and Medium enterprises in Nairobi County in Kenya
- iii. To examine the influence of risk-taking on performance of government funded women owned Small and Medium enterprises in Nairobi County in Kenya
- iv. To establish the influence of innovativeness on performance of government funded women owned Small and Medium enterprises in Nairobi County in Kenya

### **Literature Review**

#### **Theoretical Review**

#### **Enterprise Growth Theory**

The theory was proposed by Greiner in the year 1990. According to the theory, an entrepreneurial venture is successful if it is growing. Growth has various connotations. It can be defined in terms of revenue generation, value addition, and expansion in terms of volume of the business. It can also be measured in the form of qualitative features like market position, quality of product, and goodwill of the customers (Kruger & Kumar, 2004).

There are many factors like characteristics of the entrepreneur, access to resources like finance, and manpower which affect the growth of the enterprise and differentiate it from a non-growing enterprise. Gilbert *et al.* (2006) suggested how and where questions are important in the context of the growth of the enterprise. It has been highlighted that growth is a function of the decisions an entrepreneur makes, like how to grow internally or externally and where to grow in domestic market or international market. There are many different theories on identifying the main factors underlying the growth of the enterprise.

### **Resource Dependence Theory**

The Resource Dependence Theory was developed in the 1970s by Davis and Cobb. The theory is based on the premise that organizations acquire power when they possess resources that are valued by other organizations. The resource dependency theory draws attention to the firm's internal environment as a driver for competitive advantage and emphasizes the resources that firms have developed to compete in the environment. Furrer *et al.* (2008) changed the focus of inquiry from the structure of the industry, to Structure-Conduct-Performance (SCP) paradigm and the Porter's five forces model) to the firm's internal structure, with resources and capabilities. Researchers subscribing to the resource dependency theory argue that only strategically important and useful resources and competencies should be viewed as sources of competitive advantage (Hessels & Terjesen, 2010). Previous scholars such as Prahalad and Hamel (1994) as cited in Bryant and Davis (2012) have used terms such as core competencies, distinctive competencies and strategic assets to indicate the strategically important resources and competencies, which provide a firm with a potential competitive edge.

### **Frank Knight's Risk Bearing Theory**

Knight (1921) introduced the dimension of risk-taking as a central characteristic of entrepreneurship. The author made a clear distinction between uncertainty and risk and argued that due to this uncertainty perfect competition would not eliminate all the profits. According to Knight (1921) it will appear that a measurable uncertainty or "risk" is so different from an immeasurable one that it is not an uncertainty at all. Therefore there should be a differentiation between "risk" and "uncertainty". The entrepreneur as an economic actor has, according to Knight (1921), the function to bear this "true" uncertainty. One alternative interpretation of the risk-bearing theory is that entrepreneurs bear the aggregate risks, rather than idiosyncratic ones. Then if one assumes that there is no possibility for entrepreneurs to insure against these risks, while workers are perfectly insured, one can easily show that the poor (and highly risk averse) agents become workers while the wealthy (and less risk averse) become entrepreneurs. But once again, this fails to correspond to optimal risk sharing. For instance, it is not hard to show that if there is only aggregate risk, entrepreneurs will bear a risk that is proportional to his initial endowment (Rothschild & Stiglitz, 1976).

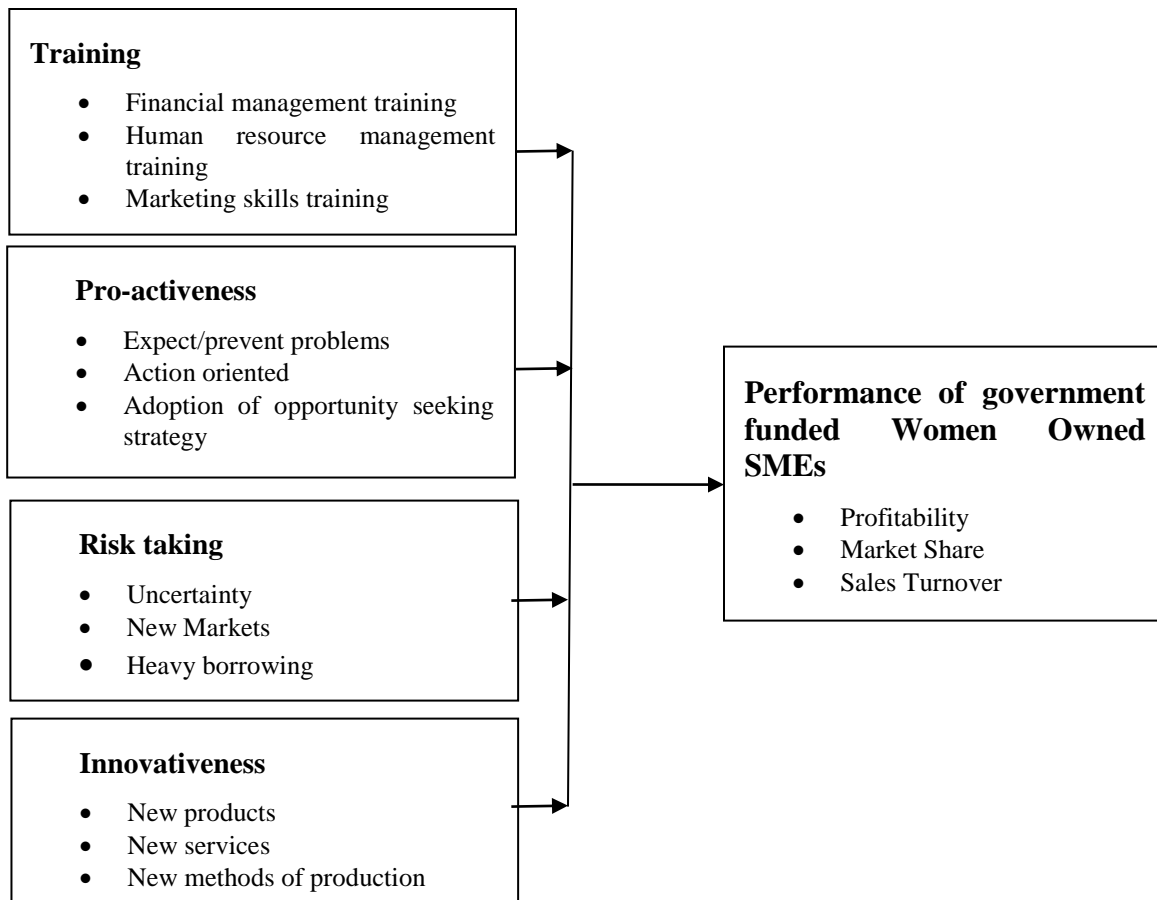
### **Schumpeterian Theory**

The theory was proposed by Schumpeter (1934) to outline the role of innovation in the entrepreneurial process. The author describes a process of "creative destruction" where wealth creation occurs through disruption of existing market structures due to introduction of new goods and services that cause resources to move away from existing firms to new ones thus allowing the growth of the new firms. Accordingly, Schumpeter calls innovation 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) stressed the role of entrepreneurs as primary agents effecting creative destruction, and 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.

Currie *et al.* (2008) posits that in an external setting that is ever changing, innovation and entrepreneurial conduct are processes that are holistic, vibrant and complementary fundamental to an organization's sustainability and success. According to Oslo Manual (2005) an organizational innovation is the implementation of a new organizational method in the firm's

business practices, workplace organization or external relations. Innovations can be classified by the degree of novelty. Schumpeter (1934) argues that innovation not necessarily means the introduction of radically new products and processes. In financial services, especially in insurance industry, innovations are more often incremental in their nature (Pain, 2011). In this regard, depending on the degree of radicalism, innovations can be divided into incremental, evolutionary and transformational (Pain, 2011).

### Conceptual Framework



**Independent Variables**

**Dependent Variable**

**Figure 1 Conceptual Framework**

### Training

Sustainable growth of SMEs has been linked to entrepreneurship training by some scholars for instance, Demick and Reilly (2010) who argues that provision of management training enhances long-term strategies and managerial competencies of SMEs. The need for training in entrepreneurial competencies has further been emphasized in many policy and scholarly documents (Tien, Aho & Uden, 2014). However, despite the training that is handed to prospective entrepreneurs, most of the new enterprises collapse before their third birthday

(Urban and Naidoo, 2012; Odunayo, 2014). The collapse of small and medium enterprises begs the question of whether the training handed out is adequate or appropriate. Training is crucial in productivity as it influences the quality, depth and flexibility of members' skills and generates positive attitudes such as job satisfaction (Kibassa, 2012). Untrained members are a cost in terms of operational capability. At best failure of training means that members never achieve superior performance and at worst low-skilled members can destroy business competitiveness. Failure of management training and financial accountability contributes to business failure, along with general management incompetence (Hutchinson & Quintas, 2008).

### **Pro-activeness**

The term pro-activeness is defined in Webster's Ninth New Collegiate Dictionary (2010) as "acting in anticipation of future problems, needs, or changes." As such, pro-activeness may be crucial to entrepreneurial orientation because it suggests a forward-looking perspective that is accompanied by innovative or new-venturing activity. It is active to influence and lead the future rather than waiting to be influenced by it; it involves exploiting opportunities and accept the responsibility of failure (Kuratko *et al*, 2007). It is being able to anticipate future problems, needs for change, and improvement (Okudan & Rzasa, 2006). Pro-activeness was used to depict a firm that was the quickest to innovate and first to introduce new products or services (Miller, 2011). The idea of acting in anticipation of future demand is an important component of entrepreneurship. Smith and Cao (2008) argued that Proactive firms are in a better position to exploit existing opportunities by scanning their environment for useful information that they can utilize to satisfy underserved markets. Furthermore, for the firm to take a leadership position within the industry there need to have a proactive behaviour. Thus, Proactive firms are also able to create new opportunities for themselves by actively seeking to redefine their market; successful organisations in this vein benefits from increased levels of demand, higher levels of customer loyalty, and greater profitability (Chen, *et al.*, 2007).

### **Risk-taking**

Risk taking is the willingness to absorb uncertainty and take the burden of responsibility for the future (Chen, *et-al.*, 2007). It is one of the three essential elements of EO, and one that enhances company profitability (Miller & Le Bruton-Miller, 2011). It is the degree to which managers are willing to make large and risky resource commitments and act in an uncertain environment (Miller, 2011). The principal factor that separated entrepreneurs from hired employees was the uncertainty and riskiness of self-employment. It was expected that firms that have better performance would also have a higher level of risk propensity. Kraiser *et al*, (2013) argues that risk-taking and performance are negatively related. Also it was found that risk-taking is positively related to performance, but the level of the relationship is not significant.

Similarly, according to Lim (2008), risk-taking has the lowest positive influence on performance. Muhammad *et-al* (2014) also confirmed that risk-taking has positive and significant relationship with financial performance.

### **Innovativeness**

Innovation is a complex phenomenon that involves the production, diffusion and translation of knowledge in new or modified products or services, or the development of new production or processing techniques (Bigliardi, 2013). It reflects a firm's tendency to engage in and support new ideas, novelty, experimentation, and creative processes that may result in new products, services, or technological processes. There are different dimensions of innovation (Egbetokun, *et-al*, 2008). Innovation is an important component of a firm's strategy mainly because it



constitutes one of the principal means through which it can seek new business opportunities (Lumpkin & Bigliardi, 2013). Today more than ever, a firm's construction of sustainable competitive advantage crucially depends on its capacity to innovate (Marques & Ferreira, 2009). Innovation is considered by many researchers and managers to be critical for firms to compete efficiently in both domestic and global markets. Indeed it facilitates the development of new organizational routines and the discovery of unique approaches to technologies, products, or processes and enables SMEs to adapt to changing market conditions through the introduction of new and refined products (Ireland *et al* , 2009).

### Research Methodology

The study adopted a descriptive survey design. The target population of the study comprised of 558 government funded women owned SMEs in Nairobi County. Yamane (1967) formula was used to determine a sample size of 233 which was then samples through sstratified random sampling. A questionnaire was used to collect primary data while secondary data on the depended variable was also collected. The quantitative data was analyzed using Statistical Package for Social Sciences (SPSS) version 22 software. In order to test the strength of the relationship between the dependent and independent variables, both correlation and regression analysis was conducted. The following study multiple linear regression model was tested.

$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \varepsilon$ , Where: Y is the dependent variable (performance of government funded women owned SMEs),  $X_1$  is Training,  $X_2$  is Pro-activeness,  $X_3$  is Risk taking,  $X_4$  is Innovativeness and  $\beta_0$  is the regression constant or intercept,  $\beta_1$ ,  $\beta_2$ ,  $\beta_3$ , and  $\beta_4$  are the unknown parameters (regression coefficients) and  $\varepsilon$  is the error term.

### Results

#### Response Rate

A total of 233 questionnaires were administered to the study respondents. The total number of questionnaires that were filled and returned was 164, representing an overall response rate of 70%.

### Demographic Characteristics

**Table 1 Respondent Demographic Information**

Demographic Characteristic	Category	Percentage
Respondent level of education	Secondary	46.3%
	College	43.9%
	University	9.8%
Respondents Duration in the SME	Below 1 year	16.5%
	1-2 years	28.7%
	3-5years	33.5%
	More than 5 years	21.3%

### Descriptive Findings and Analysis

#### Training

The findings of the study on the influence of training on performance of government funded women owned SMEs in Nairobi County showed that majority of the study respondents as

indicated by 43.9% and mean value of 4.21 strongly agreed that the business staff have received training on how to financially manage the business with 39.6% also agreeing and 9.8% of the respondents moderately agreeing to the statement. On the other hand, 6.7% of the study respondents disagreed that the business staff have received training on how to financially manage the business while the standard deviation value of 0.88 implied low variation in the responses on this variable. The findings also showed that majority of the respondents, 81.1 and mean value 4.62, strongly agreed that the business staff have received training on how to manage business finances with only 18.9% of the study respondents moderately agreeing and none of the respondents disagreed to the statement. The standard deviation value of 0.79 also implied low variation in the responses on this variable.

The findings of the study on the influence of training on performance of government funded women owned SMEs in Nairobi County also showed that majority of the study respondents as indicated by 90.2% and mean value 4.9 strongly agreed that the business staff have received training on interpersonal/communication skills, 9.8% of the respondents agreed while none of the study respondents disagreed to this statement and the standard deviation value of 0.3 implied low variation in the responses. On whether the business staff have received training on effective customer management skills, majority of the study findings, 40.9% moderately agreed while 27.4% agreed and 14% of the respondents strongly agreed that the business staff have received training on effective customer management skills and the standard deviation value of 1.12 depicted low variation in responses on this variable. The findings of the study on the influence of training on performance of government funded women owned SMEs in Nairobi County finally showed that majority of the study respondents, 33.5%, agreed that the business staff have received training on effective marketing skills, 11.6% strongly agreed and 23.8% of the respondents moderately agreed with the statement while 13.4% of the study respondents strongly disagreed to the statement.

**Table 2: Training**

Statement	Strongly Disagree	Disagree	Moderately agree	Agree	Strongly agree	Mean	Std Dev
The business staff have received training on how to financially manage the business	0.00%	6.70%	9.80%	39.60%	43.90%	4.21	0.88
The business staff have received training on problem-solving skills	0.00%	0.00%	18.90%	0.00%	81.10%	4.62	0.79
The business staff have received training on the interpersonal/communication skills	0.00%	0.00%	0.00%	9.80%	90.20%	4.90	0.30
The business staff have received training on effective customer management skills	10.40%	7.30%	40.90%	27.40%	14.00%	3.27	1.12
The business staff have received training on effective marketing skills	13.40%	17.70%	23.80%	33.50%	11.60%	3.12	1.23
<b>Average</b>						<b>4.03</b>	<b>0.86</b>



### Pro-activeness

The findings of the study showed that majority of the study respondents as shown by 79.3% strongly agreed that the business anticipated future demand increases due to value addition, 20.15 of the respondents moderately agreed with the statement and the standard deviation value of 0.85 implied low variation in the responses provided on this statement. The results also showed that majority of the respondents, 86.6% strongly agreed that forward-looking perspective of the entrepreneur enhance productivity while 6.7% of the respondents agreed and moderately agreed. None of the study respondents disagreed that forward-looking perspective of the entrepreneur enhance productivity and the standard deviation value of 0.54 implied low variation in responses on this variable. Majority of the study respondents, 68.3%, also strongly agreed that there was an evaluation of new opportunities, and monitors market trends to increase markets base of the business, 17.1% of the respondents also agreed while 5.5% and 3.7% of the respondents agreed and strongly disagreed respectively. The standard deviation value of 1.06 implied low variation in responses on this variable.

The findings of the study also showed that majority of the study respondents as shown by 40.2% strongly agreed that the entrepreneur is ahead of the rest in finding new market opportunities supported by 12.8% of the study respondents who also agreed while 27.4% of the respondents moderately agreed that the entrepreneur is ahead of the rest in finding new market opportunities and 11% strongly disagreed supported by 8.5% who also disagreed that the entrepreneur is ahead of the rest in finding new market opportunities. The findings of the study also confirmed that majority of the respondents, 65.2%, agreed that the opportunity Seeking entrepreneur generates a lot of revenue for their business, while 14% of the study respondents strongly agreed with the statement while 3.7% of the study respondents strongly disagreed. The findings of the study finally showed that majority of the respondents, 37.8%, strongly agreed that the entrepreneur initiates actions that are then taken up by competitors, 25.6% of them also agreed while 36.6% moderately agreed that the entrepreneur initiates actions that are then taken up by competitors.

None of the respondents disagreed that the entrepreneur initiates actions that are then taken up by competitors with the standard deviation value of 0.87 implying low variation in the responses on this statement.

**Table 3: Proactiveness**

Statement	Strongly Disagree	Disagree	Moderately agree	Agree	Strongly agree	Mean	Std Dev
The business anticipates future demand increases due to value addition	0.60%	0.00%	20.10%	0.00%	79.30%	4.57	0.85
Forward-looking perspective of entrepreneur enhances productivity	0.00%	0.00%	6.70%	6.70%	86.60%	4.80	0.54
Entrepreneur evaluates new opportunities, and monitors market trends to increase markets base of the business	3.70%	5.50%	5.50%	17.10%	68.30%	4.41	1.06
The entrepreneur is ahead of the rest in finding new market opportunities	11.00%	8.50%	27.40%	12.80%	40.20%	3.63	1.37
Opportunity Seeking entrepreneur generates a lot of revenue for their business	3.70%	0.60%	16.50%	65.20%	14.00%	3.85	0.80
The entrepreneur initiates actions that are then taken up by competitors	0.00%	0.00%	36.60%	25.60%	37.80%	4.01	0.87

Statement	Strongly Disagree	Disagree	Moderately agree	Agree	Strongly agree	Mean	Std Dev
Average						4.21	0.92

### Risk-Taking

The findings of the study revealed that majority of the study respondents as indicated by 34.1% agreed that the entrepreneur does not practice “wait and see” tendency to minimize risks, 29.3% of the respondents strongly agreed while 14% of the respondents moderately agreed that the entrepreneur does not practice “wait and see” tendency to minimize risks. On the other hand, 13.4% of the respondents strongly disagreed that the entrepreneur does not practice “wait and see” tendency to minimize risks supported by 9.1% who also disagreed. The findings of the study also showed that majority of the respondents, 42.7%, strongly agreed that the business borrows heavily to invest in new products, technologies, markets and services, 12.8% agreed while 25.6% moderately agreed that the business borrows heavily to invest in new products, technologies, markets and services. On the other hand, 15.9% of the respondents strongly disagreed that the business borrows heavily to invest in new products, technologies, markets and services supported by 3% of the respondents disagreed.

The results of the study also showed that majority of the respondents, 38.4%, strongly agreed that the entrepreneur employs a brave and open minded approach to achieve business goals, 7.3% of the respondents also agreed and 33.5% of the respondents moderately agreed while 19.5% of the study respondents strongly disagreed that the entrepreneur employs a brave and open minded approach to achieve business goals supported by 1.2% of the respondents who also disagreed that the entrepreneur employs a brave and open minded approach to achieve business goals.

The standard deviation value of 1.49 implied high variation in responses regarding the statement. The results of the study also showed that majority of the respondents, 81.7%, agreed that they have a specific strategy that enables them to spread business related risks, 8.5% of the respondents strongly agreed with the statement. On the other hand, 2.4% of the respondents disagreed with the statement while 1.8% strongly disagreed that they have a specific strategy that enables them to spread business related risks. The standard deviation value of 0.63 implied low variation in responses provide on this variable.

The results further showed that majority of the respondents, 29.3%, strongly agreed that the firm invests in high risk projects, unexplored technologies and takes new products to new markets, 24.4% of the respondents agreed and 15.2% of them moderately agreed while 6.1% strongly disagreed that the firm invests in high risk projects, unexplored technologies and takes new products to new markets supported by 25% also disagreed. The standard deviation value of 1.31 implied low variation in terms of the responses provided on this statement. On whether the entrepreneur ventures into businesses with uncertainty, majority of the respondents, 39.6% strongly agreed followed by 6.7% of the respondents who also agreed and 34.1% of the respondents who moderately agreed while 19.5% strongly disagreed that the entrepreneur ventures into businesses with uncertainty with the standard deviation value of 1.49 implying high variation in responses on this statement.

**Table 4: Risk-Taking**

Statement	Strongly Disagree	Disagree	Moderately agree	Agree	Strongly agree	Mean	Std Dev
The entrepreneur does not practice “wait and see” tendency to minimize risks	13.40%	9.10%	14.00%	34.10%	29.30%	3.57	1.35
The business borrows heavily to invest in new products, technologies, markets and services	15.90%	3.00%	25.60%	12.80%	42.70%	3.63	1.45
The entrepreneur employs a brave and open minded approach to achieve business goals	19.50%	1.20%	33.50%	7.30%	38.40%	3.44	1.49
I have a specific strategy that enables me to spread business related risks	1.80%	2.40%	5.50%	81.70%	8.50%	3.93	0.63
The firm invests in high risk projects, unexplored technologies and takes new products to new markets	6.10%	25.00%	15.20%	24.40%	29.30%	3.46	1.31
The entrepreneur ventures into businesses with uncertainty	19.50%	0.00%	34.10%	6.70%	39.60%	3.47	1.49
The business commits a large portion of resources to ventures with uncertain outcomes	0.00%	1.80%	5.50%	83.50%	9.10%	4.00	0.47
<b>Average</b>						<b>3.64</b>	<b>1.17</b>

### Innovativeness

The findings of the study showed that majority of the study respondents, 54.9%, agreed that the business has invested adequately in creation and marketing of new products, 20.7% of the respondents strongly agreed with this statement and 7.9% of the respondents moderately agreed while 6.7% of the respondents strongly disagreed that that the business has invested adequately in creation and marketing of new products supported by 9.8% of them who also disagreed. The standard deviation value of 1.1 implied low variation in responses on this variable. The results further showed that majority of the respondents, 37.8% and mean value 4.05, strongly agreed that the business has invested heavily in research and development activities, 29.3% of the respondents also agreed with the statement and 32.9% of the respondents moderately agreed while none of the study respondents disagreed that the business has invested heavily in research and development activities. The standard deviation value of 0.84 implied low variation in the responses on this statement.

The findings of the study also showed that majority of the respondents as shown by 70.1% strongly agreed that the business has invested heavily in new services supported by 26.2% who also agreed with the statement while 3.7% of the respondents moderately agreed that the business has invested heavily in new services. None of the respondents disagreed that the business has invested heavily in new services with the standard deviation value of 0.55 implying low variation in the responses on this statement. The findings of the study also showed that majority of the respondents, 40.9%, strongly agreed that the business has invested adequately in new technology in order to improve production supported by 13.4% of the study respondents also agreed with the statement while 28% moderately agreed. On the other hand, 17.7% of the respondents strongly disagreed that the business has invested adequately in new technology in

order to improve production. The standard deviation value of 1.46 implied low variation in responses provided on this statement.

The results of the study on innovativeness finally showed that majority of the respondents, 54.9%, strongly agreed that the business has partnered with research institutions in order to improve on production methods, 21.3% of the respondents also agreed while 23.8% of them moderately agreed. None of the respondents disagreed that the business has partnered with research institutions in order to improve on production methods with the standard deviation value of 0.83 implying low variation in responses provided on this statement.

**Table 5: Innovativeness**

Statement	Strongly Disagree	Disagree	Moderately agree	Agree	Strongly agree	Mean	Std Dev
The business has invested adequately in creation and marketing of new products	6.70%	9.80%	7.90%	54.90%	20.70%	3.73	1.10
The business has invested heavily in research and development activities	0.00%	0.00%	32.90%	29.30%	37.80%	4.05	0.84
The business has invested heavily in new services	0.00%	0.00%	3.70%	26.20%	70.10%	4.66	0.55
The business has invested adequately in new technology in order to improve production.	17.70%	0.00%	28.00%	13.40%	40.90%	3.60	1.46
The business has partnered with research institutions in order to improve on production methods	0.00%	0.00%	23.80%	21.30%	54.90%	4.31	0.83
<b>Average</b>						<b>4.07</b>	<b>0.96</b>

### Performance of Women Owned Government Funded SMES in Nairobi County

The study sought to establish the performance of the SMEs in relation to market share, number of employees and profitability. The questions were structured in range format so as to give the respondents a choice of their range. The first in Table 6 revealed that for the last five years, the market share of the women owned government funded SMEs has been steadily increasing though at a small pace. In the year 2013 for instance, those SMEs that had between 1% to 20% of the market share were 65%. However, five years later, only 43% had less than 20% of the market share. However, 39% had between 21% and 40% market share in the year 2017 as compared to 22.4%, five years back.

**Table 6: Market Share**

Year / Market Share	1-20%	21-40%	41-60%	61-80%	81-100%
2013	65.00%	22.40%	12.60%	0.00%	0.00%
2014	58.00%	31.88%	10.12%	0.00%	0.00%
2015	60.56%	24.44%	15.00%	0.00%	0.00%
2016	48.40%	34.15%	17.45%	0.00%	0.00%
2017	43.00%	39.00%	18.00%	0.00%	0.00%

The study also established the sales turnover of the SMEs for the last five years. It was established that, currently, only 18% of the SMEs record over half a million in sales while five

years ago, none was. Those that record less than Kshs.150, 000 worth of sales currently are 37% while five years ago, they were twice that number. This shows an improvement in the sales turnover among the women owned government funded SMEs. The findings are shown in Table 7.

**Table 7: Sales Turnover**

Year / Sales Turnover	Less than 150,000	151000-300000	301000-400000	401000-500000	Above 500000
2013	64.00%	11.00%	18.00%	7.00%	0.00%
2014	60.00%	8.00%	19.00%	13.00%	0.00%
2015	49.60%	21.70%	14.40%	12.00%	2.30%
2016	45.70%	21.60%	4.90%	17.80%	10.00%
2017	37.00%	23.50%	10.50%	11.00%	18.00%

The study further sought to find out the amount of profits among the women owned government funded SMEs for the last five years. It was revealed that, currently, only 18% have net profits above 0.5 Million while the majority, that is 32% still record revenues below Ksh. 100, 000.

This number is lower than that in the year 2013 though since then, 67% of the SMEs were recording profits below Kshs.100, 000. These findings are consistent with the World Bank (2015) report that SMEs continue to perform poorly and the growth is slow because of a number of factors.

**Table 8: Net Profits**

Year / Net Profits	Less than 100,000	110000-250000	260000-350000	350000-500000	Above 500000
2013	67.00%	8.00%	22.00%	3.00%	0.00%
2014	53.00%	13.00%	25.00%	9.00%	0.00%
2015	46.50%	18.50%	20.00%	15.00%	0.00%
2016	45.70%	21.60%	4.90%	17.80%	10.00%
2017	32.00%	28.50%	12.50%	9.00%	18.00%

### Correlation Analysis

The study used Pearson correlation coefficient to determine the connection among the study variables at 5% level of significance. The study findings on correlation are as presented in Table 9.

**Table 9: Correlation Analysis**

Correlations		Training	Proactiveness	Risk-Taking	Innovativeness	Performance
Training	Pearson Correlation	1				
	Sig. (2-tailed)					
Proactiveness	Pearson Correlation	.194	1			
	Sig. (2-tailed)	0.13				
Risk-Taking	Pearson Correlation	.178	.201	1		

	Sig. (2-tailed)	0.23	0.91			
Innovativeness	Pearson					
	Correlation	.193	.184	.421	1	
	Sig. (2-tailed)	0.23	0.18	0.321		
Performance	Pearson					
	Correlation	.319**	.398**	.648**	.511**	1
	Sig. (2-tailed)	0.000	0.000	0.000	0.000	
	N	164	164	164	164	164

The study findings revealed a positive and significant relationship between training and performance of government funded women owned SMEs in Nairobi County ( $R = 0.319$ ,  $\text{Sig} < 0.05$ ). This therefore implies that an improvement in various indicators of training such as receiving training on how to financially manage the business, receiving training on problem-solving skills, training on interpersonal/communication skills, having access to training on effective customer management skills, access to training on effective marketing skills resulted to a significant improvement in the performance of government funded women owned SMEs in Nairobi County. The correlation results also showed that proactiveness and performance of government funded women owned SMEs in Nairobi County are positively and significantly associated ( $R = 0.398$ ,  $\text{Sig} < 0.05$ ). This therefore implies that an improvement in various indicators of proactiveness such as anticipating future demand changes due to value addition and reacting accordingly, adopting a forward-looking perspective regarding business adjustments, conducting an evaluation on new market opportunities as well as closely monitoring market trends to increase markets base of the business, being the first to find new market opportunities and initiating actions that are then taken up by competitors rather than replicating their actions resulted to a significant improvement in the performance of government funded women owned SMEs in Nairobi County.

Correlation results also indicated that risk-taking had a positive and significant association with performance of government funded women owned SMEs in Nairobi County, ( $R = 0.233$ ,  $\text{Sig} > 0.05$ ). This also implies that an improvement in various indicators of risk-taking such as avoiding “wait and see” tendency in an attempt to maximize opportunities, borrowing adequately to invest in new products, technologies, markets and services, developing a brave and open minded approach to achieve business goals, having a specific strategy that enables one to spread business related risks, increasing investment in high risk projects, unexplored technologies and taking new products to new markets, making entry into new markets considered uneventful and committing a significant portion of resources to ventures with uncertain outcomes resulted to a significant improvement performance of government funded women owned SMEs in Nairobi County. Finally, the correlation results showed that innovativeness are positively and significantly related with performance of government funded women owned SMEs in Nairobi County ( $R = 0.511$ ,  $\text{Sig} < 0.05$ ) implying that improvement in various indicators of innovativeness such as investing adequately in creation and marketing of new products, investing heavily in research and development activities, investment in new services, adequate investment in new technology in order to improve production, partnering with research institutions in order to improve on production methods resulted to a significant improvement in performance of government funded women owned SMEs in Nairobi County.



### Regression Analysis

This study used the following regression model to establish the influence of training on performance of government funded women owned Small and Medium enterprises in Nairobi County in Kenya: The model summary results as presented in Table 10 revealed that the four independent variables of availability of training, proactiveness, risk-taking and innovativeness had a strong positive influence on performance of government funded women owned Small and Medium enterprises in Nairobi County as shown by a joint Pearson correlation of 0.754 . This implies that an overall improvement in all the four independent variables of availability of training, proactiveness, risk-taking and innovativeness resulted to a strong positive improvement in the performance of government funded women owned Small and Medium enterprises in Nairobi County. The coefficient of determination (R-square) was 0.568 implying that the four variables jointly accounted for up to 56.8% of the variation in performance of government funded women owned Small and Medium enterprises in Nairobi County.

It follows 43.2% of the variation in performance of government funded women owned Small and Medium enterprises in Nairobi County was accounted for by other factors not covered in the model presented in this study.

**Table 10: Model Summary**

R	R Square	Adjusted R Square	Std. Error of the Estimate
.754	0.568	0.557	0.29976

The F statistic indicating the overall significance of the model is significant at 5% (Sig < 0.000) showing that the model was significant. The F calculated statistic of 52.298 > F (4, 159) critical value of 2.4285 confirming that the model was significant. The model significance results therefore imply that the four independent variables of training, proactiveness, risk-taking and innovativeness adopted in the study are suitable factors in predicting variation in performance of government funded women owned Small and Medium enterprises in Nairobi County. The results are presented in Table 11.

**Table 11: ANOVA (Model Significance)**

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	18.797	4	4.699	52.298	.000
Residual	14.287	159	0.09		
<b>Total</b>	<b>33.084</b>	<b>163</b>			

a Dependent Variable: Performance

b Predictors: (Constant), Innovativeness, Proactiveness, training, Risk-Taking

The regression results revealed that training positively and significantly influenced performance of government funded women owned Small and Medium enterprises in Nairobi County (Beta = 0.129, Sig < 0.05). This implies that a unit increase in various indicators of availability of training such as receiving training on how to financially manage the business, receiving training on problem-solving skills, training on interpersonal/communication skills, having access to training on effective customer management skills, access to training on effective marketing skills resulted to 0.129 unit improvement in performance of government funded women owned Small and Medium enterprises in Nairobi County. The regression results on proactiveness further showed that this variable positively and significantly influenced performance of government funded women owned Small and Medium enterprises in Nairobi County (Beta = 0.227, Sig < 0.05)

implying that a unit increase in proactiveness indicators such as anticipating future demand changes due to value addition and reacting accordingly, adopting a forward-looking perspective regarding business adjustments, conducting an evaluation on new market opportunities as well as closely monitoring market trends to increase markets base of the business, being the first to find new market opportunities and initiating actions that are then taken up by competitors rather than replicating their actions resulted to 0.227 unit improvement in performance of government funded women owned Small and Medium enterprises in Nairobi County.

The regression results further revealed that risk-taking positively and significantly affected performance of government funded women owned Small and Medium enterprises in Nairobi County (Beta = 0.328, Sig <0.05) implying that a unit increase in indicators of risk-taking including avoiding “wait and see” tendency in an attempt to maximize opportunities, borrowing adequately to invest in new products, technologies, markets and services, developing a brave and open minded approach to achieve business goals, having a specific strategy that enables one to spread business related risks, increasing investment in high risk projects, unexplored technologies and taking new products to new markets, making entry into new markets considered uneventful and committing a significant portion of resources to ventures with uncertain outcomes resulted to 0.0328 unit improvement in performance of government funded women owned Small and Medium enterprises in Nairobi County.

The regression results finally showed that innovativeness had a positive and significant influence on performance of government funded women owned Small and Medium enterprises in Nairobi County (Beta = 0.251, Sig<0.05). This implies that a unit improvement in indicators measuring innovativeness such as investing adequately in creation and marketing of new products, investing heavily in research and development activities, investment in new services, adequate investment in new technology in order to improve production, partnering with research institutions in order to improve on production methods resulted to 0.251 improvement in performance of government funded women owned Small and Medium enterprises in Nairobi County.

**Table 12: Regression Coefficients**

Coefficients	Unstandardized Coefficients		Standardized Coefficients		
		Std. Error	Beta	t	Sig.
(Constant)	0.449	0.31		1.448	0.15
Training	0.129	0.049	0.144	2.658	0.009
Proactiveness	0.227	0.053	0.231	4.26	0.000
Risk-Taking	0.328	0.04	0.475	8.151	0.000
Innovativeness	0.251	0.061	0.241	4.132	0.000

The optimal regression model is as shown below

**Performance of SME = 0.449 + 0.129 Training + 0.227 Proactiveness + 0.328 Risk-Taking + 0.251 Innovativeness**

### Conclusions

Based on the study findings, the study made the following conclusions on the objective of the study that sought to establish the determinants of performance of government funded women owned Small and Medium enterprises in Nairobi County in Kenya. The study concluded that an improvement in various indicators of availability of training including receiving training on how to financially manage the business, receiving training on problem-solving skills, training on

interpersonal/communication skills, having access to training on effective customer management skills, access to training on effective marketing skills significantly leads to significantly improved performance of government funded women owned Small and Medium enterprises in Nairobi County. The study also concluded that pro-activeness and performance of government funded women owned SMEs in Nairobi County were positively and significantly associated. Improvement in pro-activeness indicators such as anticipating future demand changes due to value addition and reacting accordingly, adopting a forward-looking perspective regarding business adjustments, conducting an evaluation on new market opportunities as well as closely monitoring market trends to increase markets base of the business, being the first to find new market opportunities and initiating actions that are then taken up by competitors rather than replicating their actions significantly improves performance of government funded women owned Small and Medium enterprises in Nairobi County.

Another conclusion that was made by the study is that risk-taking and performance of government funded women owned SMEs in Nairobi County were positively and significantly associated with improvement in risk-taking such as avoiding “wait and see” tendency in an attempt to maximize opportunities, borrowing adequately to invest in new products, technologies, markets and services, developing a brave and open minded approach to achieve business goals, having a specific strategy that enables one to spread business related risks, increasing investment in high risk projects, unexplored technologies and taking new products to new markets, making entry into new markets considered unexciting and committing a significant portion of resources to ventures with uncertain outcomes leading to significant improvement in performance of government funded women owned Small and Medium enterprises in Nairobi County. The final conclusion made by the study is that innovativeness and performance of government funded women owned SMEs in Nairobi County are positively and significantly associated. Improvement in innovativeness indicators such as investing adequately in creation and marketing of new products, investing heavily in research and development activities, investment in new services, adequate investment in new technology in order to improve production, partnering with research institutions in order to improve on production methods will lead to positive and significant change in performance of government funded women owned SMEs in Nairobi County.

### **Recommendations of the study**

The study recommends that in order for the government funded women owned SMEs in Nairobi County to improve their performance, there is need to focus on key training indicators including receiving training on how to financially manage the business, receiving training on problem-solving skills, training on interpersonal/communication skills, having access to training on effective customer management skills, access to training on effective marketing skills. The study also recommends that for the purpose of improvement in the performance of SMEs in Nairobi County and the rest of the counties in Kenya, there is need for the SMEs to focus on pro-activeness aspects such as anticipating future demand changes due to value addition and reacting accordingly, adopting a forward-looking perspective regarding business adjustments, conducting an evaluation on new market opportunities as well as closely monitoring market trends to increase markets base of the business, being the first to find new market opportunities and initiating actions that are then taken up by competitors rather than replicating their actions.

Another recommendation made by the study is that for SMEs in Nairobi County and the rest of the counties in Kenya to improve on their performance, there is need to pay close attention to risk-taking aspects such as avoiding “wait and see” tendency in an attempt to maximize

opportunities, borrowing adequately to invest in new products, technologies, markets and services, developing a brave and open minded approach to achieve business goals, having a specific strategy that enables one to spread business related risks, increasing investment in high risk projects, unexplored technologies and taking new products to new markets, making entry into new markets considered unexciting and committing a significant portion of resources to ventures with uncertain outcomes. The study finally concludes that in order for SMEs in Nairobi County and the rest of the counties in Kenya to improve on their performance, there is need to encourage innovativeness through such practices as investing adequately in creation and marketing of new products, investing heavily in research and development activities, investment in new services, adequate investment in new technology in order to improve production, partnering with research institutions in order to improve on production methods.

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