



**INFLUENCE OF ENTREPRENEURIAL DRIVE ON GROWTH OF SELECTED MICRO AND SMALL ENTERPRISES IN  
NAIROBI COUNTY, KENYA**

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**Accepted: October 13, 2017**

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**ABSTRACT**

*The general objective of the study was to examine the influence of entrepreneurial drive on the growth of selected micro and small enterprises in Nairobi, Kenya. The specific objectives of the study were to: Establish how pro-activeness and innovativeness influence growth of selected micro and small enterprises in Nairobi, Kenya. The study was limited to the 30,000 registered as MSEs in Nairobi County which were expected to give insights on the various growth related problems faced by the enterprises in the region. A sample of 102 respondents was used for the study. The study adopted a descriptive research design to collect primary data. The study involved the use of questionnaire method to collect data. With the help of the statistical package for social sciences (SPSS) regression analysis was done and the results were used at .05 level of significance. It was notable that there existed strong positive relationship between the independent variables and dependent variable. The entrepreneurial drive variables were very significant and they therefore needed to be considered in any effort to boost growth of MSEs. According to the study findings, the study concluded that growth of MSEs in Nairobi, Kenya was affected by pro-activeness and innovativeness as the major factors that mostly affect growth of MSEs in Nairobi, Kenya. Therefore other factors affecting growth of MSEs need to be established. Challenges like the existing legal and policy framework, entrepreneurial and management courses available to the entrepreneurs and their affordability, accessibility and affordability of financial credits in the market and accessibility to market information among others need further investigation. The study confined itself to the MSEs in Nairobi, Kenya. A comparative study should be carried out to compare whether the findings also apply for MSEs in other areas in order to validate whether the findings can be generalized to MSEs in Kenya.*

**Keywords:** Pro-activeness, Innovations, Micro Enterprises, Organization Growth

## INTRODUCTION

Entrepreneurs play an important role to spur the economic development for every nation. This implies that the country relies essentially on its entrepreneurs and small businesses (Naidi & Wiklund, 2007) and the growing number of these women micro small and medium-sized enterprises shows that it holds an important place and role in the modern economy. Entrepreneurship is the process of creating something new with value by devoting the necessary time and effort, assuming the accompanying financial, psychic and social risks and receiving the resulting rewards of monetary and personal satisfaction and independence. (Putta, 2014). Many different types of people are drawn to entrepreneurship and a wide variety of talents, aptitudes, and personal traits help to contribute to an entrepreneurial spirit, personality, and vision. The attitude, mind-set, passion, and character that define the successful entrepreneur are sometimes hard to pinpoint, specify, or sum up in a profile. These profiles also revealed some differences in personality between the successful and less successful entrepreneurs. Industrial psychology and behaviour is important to entrepreneurship development to ensure that right type of entrepreneurship is developed and nurtured by the right type of entrepreneur with respect to her attitude, domain of knowledge, leadership skill. Njororge and Gathingu (2013) observed that by examining some of the more predominant qualities of the true entrepreneur, it is possible to emulate them, nurture and develop them, or to acknowledge whether or not we are actually suited to be an entrepreneur or be involved in an entrepreneurial career. Understanding one's entrepreneurial drives is doubly important. These are the internal forces that would drive and motivate the individual entrepreneurs to overcome any challenges and take up risks and opportunities. Therefore, having a strong

entrepreneurial drive is a key factor for entrepreneurial success.

Throughout the world, shifts in population demographics, technological changes, fluctuating economies and other dynamic forces have transformed societies as never before, bringing new challenges and opportunities to the forefront. Among the responses to these shifting forces is an increased emphasis on entrepreneurship by governments, organizations and the public (Muki, 2011). Micro and Small Enterprises (MSEs) play an important economic role in many countries the world over. Their activity is a source of new jobs and an important factor in a free-market economy; a significant impact on economic development and immense influence on the market (Gathenya & Bwia, 2011). Their contribution to economic development, income generation and poverty alleviation is recognized (ILO, 2007). High SMEs growth would be a result of innovativeness, pro-activeness and risk-taking orientation by the firm, the scopes which refer to an entrepreneurial orientation. Furthermore, White (2008) has posited that in current business environments, where product and business model life cycles are shortened such characteristics are positively associated with better performance.

The MSEs form more than 99% of all enterprises in the world (CMA, 2010). These business enterprises allow the marginalized and vulnerable groups to diversify their incomes, create new sources of economic growth and generate additional employment, especially in rural areas. It is clear that the global economy depends on the success of the MSE sector. In OECD area over 95% of enterprises are MSEs, which account for 60%-70% of employment in most countries. In many African countries, MSEs accounts for about 90% of all enterprises and over 80% of new jobs in a given country (Reinecke 2002). Even in developed economies of the UK and U.S.A., micro and small enterprises make a great contribution

to employment generation and creation of wealth, invoking great interest in many governments. A study by David Ferrand argues that MSEs offer a solution to the problem of employment generation and economic imbalances (Aoulou & Fayole, 2005).

The concept of micro and small enterprises (MSEs) is not new in many developing countries. According to the Kenya 1999 National Baseline Survey report, micro and small enterprises have been defined as businesses employing up to 50 workers. By employment, it does not necessarily refer merely to the payment of wages; it includes those engaged in the activities of the business. It should be noted that the Kenya, micro enterprises are businesses employing up to ten workers including the owner while small enterprises employ more than 10 and up to 50 workers (McCormick, 2001; GoK, 2005). MSEs in Kenya grew from 910,000 in 1993 to about 1.3 million in 1999, accounting for up to 74.2% of the total employment. MSE contribution to GDP increased from 13.85% in 1993 to 18.4% in 2002 according to Sessional Paper No. 3 of 2004 (GoK, 2005). Small enterprises started at family level have grown to contribute to national revenues by way of taxes and in South East Asian countries like Japan, India, Korea and China; they have contributed immensely towards creation of new goods and services (Maragia, 2008). Market failure has constrained MSE development in Kenya as in many developing countries in areas of access to information, finance, labour skills and business development services (BDS) necessary for competitiveness and productivity. Lack of information and experience in transactions is a common factor that hinders the progress of MSEs towards the willingness to take risks. Nevertheless, Kenya with its long private sector tradition has significant potential to establishing sustainable support services. Demand-driven approaches are likely to bring forth a sustainable supply response (Bwisa, 1998).

The Micro and Small Enterprises sector in Kenya has always occupied a pivotal position in the development of the economy. The sector is a primary source of employment and income. It expanded from employing 3.7 million people in 1999 to 5.1 million in 2002 according to a Sessional Paper No. 3 of 2004 (GoK, 2005). Research has shown that the SMEs concept has been known in Kenya since 1972 when the Internal Labour Organizational (ILO) introduced it. However, it was not until 1990 that the Kenya Government formulated ways of implementing it in a much publicized nationwide campaign. The role of SMEs in Kenya's development process is significant, particularly in the context of generating employment, wealth creation and income opportunities to thousands of people across the country (Maragia, 2008, KIPPRA, 2007).

Nairobi County is made up of seventeen sub-counties. These include Dagoretti North, Dagoretti South, Embakasi Central, Embakasi East, Embakasi North, Embakasi South, Embakasi West, Kamukunji, Kasarani, Kibra, Langata, Makadara, Mathare, Roysambu, Ruaraka, Starehe, and Westlands. Sub-Counties are the decentralized units through which County governments of Kenya provides functions and services. They are the former districts existing as of 2013 and they are headed by a Deputy Commissioners. According to Kenya Economic Report, Nairobi County has over 30,000 registered MSEs (NCC, 2014).

### **Statement of the Problem**

Micro and small enterprises in Kenya are faced with many challenges. A study by Tarus and Ng'ang'a (2013) reveals that micro and small enterprises in Kenya have been facing critical challenges of low performance, declining trend in innovative activities and a high level of attrition. This is despite the fact that they are an important factor in the attainment of the Kenya vision 2030, which stipulates that the sector should account

for 20% of the GDP (RoK, 2007). Although Micro and small enterprises in Kenya (MSEs) account for 70% of Kenya's production and employment sector (KIPPRA, 2014), their growth dropped from 7.6% in 2013 to 4.4% in 2014 (RoK, 2015). In Nairobi, MSEs have been identified as a priority by the government in creating jobs and reducing the high unemployment rate currently estimated at 33.9% (Statistics Kenya 2014). In addition, SMEs play an important role in improving the economic growth and reducing wealth inequalities of Nairobi residents (Pahad 2008). Adeniran and Johnston (2011) note that despite the highlighted importance of the MSE sector, their rate of failure is estimated at between 70% and 80%. The limited growth of MSEs in Nairobi and their high failure rate may be associated with them lacking the entrepreneurial drive needed. Past studies indicate that the MSEs sector in Kenya is characterized by high mortality rate (RoK,2005); three out of five fail within the first few months of operation (Bowen, Morara & Mureithi, 2009; RoK, 2013); over 60% fail each year (KNBS, 2007); and most do not survive to their third anniversary (Ngugi, 2013). Many countries, it is noted, are not making full use of their entrepreneurial potential (Mwobobia, 2012), and lack of ability among African countries to identify and seize business opportunities (Mumbi, 2017, Atieno, 2009; Wanambisi & Bwisa, 2013). Many MSEs are generally low margin, 'me too' businesses, have very little differentiation and are survival or necessity driven (Nyamao & Simeyo, 2012). This implies that MSEs in Kenya may be lacking entrepreneurial drive. Entrepreneurial drive has been acknowledged as a key determinant for a firm's growth and profitability. It has been related to high firm growth (Brown, Davidson & Wiklund, 2008), superior performance (Mahmood & Hanafi, 2013), and longevity (Rhee & Lee, 2010). High adoption of innovativeness, risk-taking and pro-activeness is seen as a key ingredient to success of firms. (Kobia & Sikalieh,2010). Would lack of entrepreneurial drive among MSEs in Nairobi

account for their high mortality rate and stagnation? This study sought to explore more.

### **Objectives of the Study**

The general objective of the study was to examine the influence of entrepreneurial drive on the growth of selected micro and small enterprises in Nairobi, Kenya. The specific objectives of the study were to:

- Establish how pro-activeness influence growth of selected micro and small enterprises in Nairobi, Kenya
- Determine how innovativeness influence growth of selected micro and small enterprises in Nairobi, Kenya

## **LITERATURE REVIEW**

### **Theoretical Review**

#### **Economic Theory of Entrepreneurship**

Economic Theory of Entrepreneurship Mark Casson's economic theory holds that entrepreneurship is as a result of conducive economic conditions which include tax policy, industrial policy, easy availability of products, easy access to finance on favorable terms, access to information about market conditions, availability of technology and infrastructure (Jekenyika, 2012). According to Chu and Benzing (2007), entrepreneurship and economic growth would take place in situation where particular economic conditions are most favorable. Entrepreneurship is therefore viewed as the fourth factor of production alongside land, labor, and capital. Economic incentives include taxation policy, industrial policy, sources of finance and raw material, infrastructure availability, investment and marketing opportunities are viewed as the main motivators for entrepreneurial activities. Further, entrepreneurship and economic growth take place when the economic conditions are favorable. Mainstream economists view the supply of entrepreneurship as highly elastic. The



concept of entrepreneurial individuals with distinguishing characteristics is central to entrepreneurial theory. Early research found that the need to achieve was the principal determinant of entrepreneurial behavioural orientation. Subsequent research has shown that it is related to independence orientation, risk-taking propensities, perception of control and entrepreneurship education (Muki, 2011). The need to achieve reflects individuals' orientation, willingness, and drive for satisfaction or a sense of accomplishment. This is demonstrated by the exertion of intense, prolonged, and repeated efforts to accomplish something difficult, whether by skill, practice, or perseverance. This is accomplished by a future-oriented dedication to the task, involving prioritization of accomplishing the task and frequently sacrificing other activities and personal time.

### **Schumpeter's Innovation Theory**

Schumpeter (2007) pioneered in highlighting the role of innovation in the entrepreneurial process. Schumpeter (1942) describes a process of "creative destruction" where wealth creation occurs through disruption of existing market structures due to introduction of new goods and/or services that cause resources to move away from existing firms to new ones thus allowing the growth of the new firms. 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. This Schumpeterian vein of thinking has been carried forward by successive scholars

and researchers (Mwobobia, 2012). On his part, Muni(2011) held out the entrepreneur always searching for change, responding to it, and exploiting it as an opportunity, and engaging by this means in purposeful innovation. He saw the process of creative destruction as initiated by an entrepreneur, which makes innovation an important success factor within EO. Furthermore, the link between entrepreneurship and innovativeness is supported by the results of Atieno (2009), who found that innovation is among the key motives to start a business. Schumpeterian growth theory supposes that technological progress comes from innovations carried out by firms motivated by the pursuit of profit. That is, each innovation is aimed at creating some new process or product that gives its creator a competitive advantage over its business rivals; it does so by rendering obsolete some previous innovation; and it is in turn destined to be rendered obsolete by future innovations (Schumpeter, 2007). Innovation is vital to entrepreneurship since it is part of a country's economic growth. In the opinion of Ling, et al. (2008), countries with the largest economies can be associated with great commitment to innovation and research. 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. Schumpeter's (2007) theory of innovative profits emphasized the role of entrepreneurship (his term was entrepreneurial profits) and the seeking out of opportunities for novel value and generating activities which would expand (and transform) the circular flow of income through risk taking, pro activity by the enterprise leadership and innovation which aims at fostering identification of opportunities through intellectual capital of entrepreneur to maximize the potential profit and growth. Schumpeter distinguished innovation as the function of the entrepreneur. Since that there has been the "unfortunate" discontinuity between the

orthodox microeconomics and the Schumpeterian entrepreneurship. Schumpeter was the most influential Harvard professor in the 1930s and 1940s. Schumpeter has been mentioned as the father of entrepreneurship and (irregular) growth theories. Schumpeter is today more important than never earlier. Today, entrepreneurs are powerful players in the global markets. Because enterprises dominate the global markets of commodities, they can collectively determine the rules of the game in the core market segments. The global economy is in expansion. We need new radical innovation and, thereby, economic growth. There are one billion young people (15-24 years old), 80% in developing countries, in the labor market with few opportunities for productive work. Capacity-building is the major instrument that the World Youth Report 2005 by the UN stresses. Schumpeter (1949) termed these entrepreneurial innovations “New Combinations” (Ibid.). Since tradition and routine stifled change, Schumpeter held that innovations tend to be undertaken by new firms. Thus in Schumpeter’s theory of innovation, entrepreneurial changes in business activity created an environment conducive to further change. Innovations were copied, applied in similar and related lines, and even transferred to other non-related fields. Through this widespread entrepreneurial copying, significant innovations transformed entire sectors of the economy. One consequence of extensive imitation was “that innovations do not remain isolated events, and are not evenly distributed in time, but that on the contrary they tend to cluster, to come about in bunches, simply because some, and then most, firms follow in the wake of successful innovation”(Ibid). The result, the Austrian economist concluded, was that innovation pushed capitalist economic development forward not evenly, but rather “by jerks and rushes.” It was “a distinct and painful process” (Ibid). The above instigated the second research question. In preparation for a product launch, a business must choose whether to invest in traditional advertising such as print, outdoor

and online advertising, or other forms of promotion including email and fliers. Purchasing media space on television and radio networks is another delivery method for promoting a launch. Other businesses choose to rely on viral marketing, creating interest in a product online and allowing social networks and individual customers to promote the product through conversation. Promotional marketing follows a predetermined schedule, which lays out a time line for advertising campaign launches in various media and defines the promotional angle so that all marketing for a product launch can be consistent (Moreno & Casillas, 2008). This theory supports the innovativeness variable that influences the growth of women MSE.

### Conceptual Framework

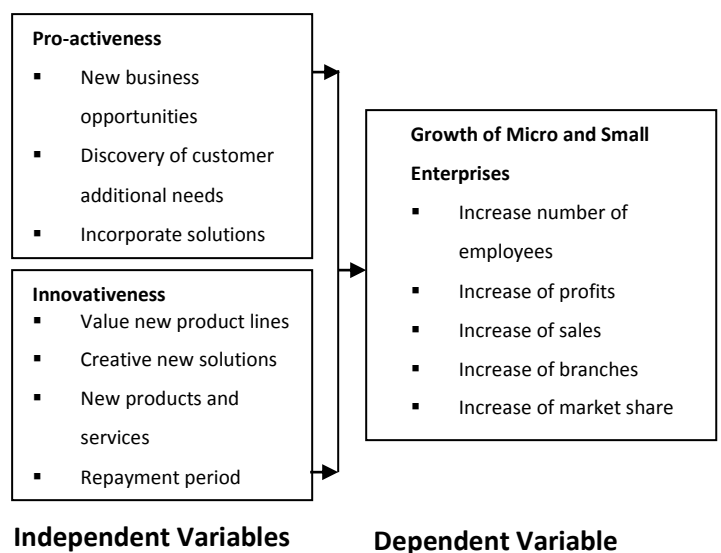


Figure 1: Conceptual Framework

#### Pro-activeness

Pro-activeness is related to initiative and first-mover advantages and to taking initiative by anticipating and pursuing new opportunities (Narayan, 2015,). It is crucial to an entrepreneurial drive because it suggests a forward-looking perspective that is accompanied by innovative and entrepreneurial activity. Pro-activeness is associated with leadership, and not following, as a proactive enterprise “has the would and foresight

to seize new opportunities, even if it is not always the first to do so”, according to Mumbi (2017). . Pro-activeness is therefore expected to be associated with higher gross earnings due to there being more commitment on the part of a more entrepreneurial, more proactive individual to the development of market share. The development of market share is therefore considered to represent pro-activeness in this work. Following this line of reasoning, it is predicted that pro-activeness would to some degree be positively and significantly associated with increased earnings. High levels of entrepreneurial orientation support opportunity recognition and opportunity creation according to Baer et al. (2015). According to this, a proactive drive might not necessarily always be associated with increased earnings or performance. If pro-activeness (Lumpkin and Dess, 2016) is associated with “seizing initiative and acting opportunistically in order to shape the environment, that is, to influence trends” and increase demand, then growth willingness is considered to represent the intent of pro-activeness. Growth willingness is a measure of the degree to which the intention to increase demand exists, and growth willingness is therefore taken to represent a measure of pro-activeness. Growth willingness for an entrepreneur may be influenced by education directly and indirectly: directly because individuals “with higher education are likely to have higher aspirations in general, and indirectly through more self-confidence in managing growth and a better ability to spot growth opportunities (Zhao, 2009). A positive and significant association between educational contextual factors and pro-activeness is predicted in terms of this. Some optimum level of pro-activeness as contributing to performance might be expected to exist in terms of a specific context (Coulthard, 2007). Pro-activeness is therefore predicted to be positively associated with education related factors, to the extent that growth willingness is taken to be a measure of pro-activeness. Education related factors are

expected to shape pro-activeness - a positive association between pro-activeness and education related factors are expected.

### **Innovativeness**

According to Gathenya and Bwisa (2011) innovativeness reflects a tendency for an enterprise “to engage in and support new ideas, novelty, experimentation, and creative processes that may result in new products, services, or technological processes”. Innovation is an important means of pursuing opportunities and so is an important component of an entrepreneurial orientation the justified use of innovativeness as a dimension of an entrepreneurial orientation in that it “reflects an important means by which firms pursue new opportunities”. This is congruent with the fundamental perspective taken in this study: that the pursuit of opportunity is a conception at the core of entrepreneurship as argued by Stevenson and Jarillo (2010). An entrepreneurial orientation is therefore considered to represent dimensions associated with learned behaviors reflected in the processes carried out by individuals that are fundamentally important key elements in the pursuit of opportunity. Innovation can be classified into two types: product market innovation and technological innovation according to Kobia and Sikalieh (2010). The most useful classification of innovations is according to the dimensions of product/market innovation and technological innovation, although a certain degree of overlap might exist in reality. Innovation represents a continuum ranging from willingness to try new innovations to a serious commitment to innovation (Stevenson & Jarillo, 2010). In enterprises various measures of innovation might exist, such as resources allocated to research and development, in addition to measures such as the number of new product or service introductions and how often changes are introduced in this regard (Stevenson & Jarillo, 2010).). Certain measures have been used to operationalize



innovation as a research variable such as the number of new product or service introductions, and changes in offerings. Within the context of the ICT SMEs, this latter conception is utilized to represent a measure of innovativeness in this context. If most innovativeness manifested in this ICT SMEs context is competence enhancing, then a positive and significant association between innovativeness and increased earnings would be expected.

## **Empirical Review**

### **Pro-activeness**

Wambugu, Gichira, Wanjau and Mungatu (2015) did a study on the Relationship between Pro-activeness and performance of Small and Medium Agro processing Enterprises in Kenya. The objective of the study was to establish the influence of pro-activeness on the firm performance of agro processing small and medium enterprises in Kenya. Data was gathered from 111 agro processing SMEs who were registered members of Kenya Association of Manufacturers. Structural Equation Modeling partial least squares (PLS) approach using PLS algorithms and bootstrapping algorithms in Smart PLS 2.0 was used. Data analysis was conducted in two phases, measurement outer model estimation and structural, inner model estimation. The findings revealed that pro-activeness was a significant predictor of firm performance of agro processing SMEs in Kenya. Firms characterized by pro-activeness initiate actions that competitors must react to, leading the way in products and services (Eggers, Kraus, Hughes, Laraway & Syncerski, 2013). Empirically, pro-activeness leads to better performance in terms of sales and employee growth, profitability, product and customer performance (Baba & Elumalai, 2011). Ahimbisibwe and Abaho (2013) examined the effect of entrepreneurial orientation and export performance of SMEs in Uganda. He found that pro-activeness had a significant and positive influence on export performance. Similarly, Boohene, Marfo-Yiadom and Yeboah (2012)

examined the influence of pro-activeness and firm performance of auto artisans in Ghana. He discovered that there was a strong and positive relationship between pro-activeness and firm performance.

### **Innovativeness**

Hughes and Morgan's (2007) study is the only one regarding the EO-performance relationship that has been identified, where the impacts of the single EO dimensions on performance have actually been measured. Hughes and Morgan (2007) collected data through a mail survey, where the managing directors of the firms were used as key informants. The data consisted of emerging young high-technology firms that were located at business incubators in the U.K. The median age of these firms was 2.5 years and they employed 6 people on average, which makes this study setting rather close to the one in this thesis, which is likely to increase comparability. Hughes and Morgan (2007) measured innovativeness by asking about finding new ways of doing things, creativity in operation methods, and active introduction of innovations in the business. Business performance was operationalized through customer performance and product performance. Customer performance was measured by examining, how effective the firm had been at attracting, retaining and sustaining customers and gaining repeated orders. Product performance was evaluated based on the relative success of the firm's products in generating sales and achieving market share. Hughes and Morgan (2007) found that innovativeness has a positive impact on product performance, but there was no significant relationship between innovativeness and customer performance. They argue that innovativeness is important for firms in their early stages of development, because it helps them to create novel competitive offerings and thus meet the needs of the market. By doing this, the firms are more likely to get a foothold in the market, which is crucial in ensuring long-term success. (Hughes a& Morgan, 2007). Hult, Hurley and

Knight (2004) used a sample of Fortune 500 industrial companies to investigate if innovativeness influences firm performance. The marketing managers of the firms were used as key informants, and approached with a mailed questionnaire. Hult, Hurley and Knight (2004) found a strong positive relationship between innovativeness and performance. They also hypothesized that there would be a difference in this relationship in markets with low and high turbulence, but were not able to find evidence for this. This suggests that innovativeness is among the key factors influencing firm performance despite of how turbulent the market is. Of course, it needs to be borne in mind that Hult, Hurley and Knight (2004) only investigated large industrial companies, so the results may not be directly applicable to SMEs such as the ones in this study.

## **METHODOLOGY**

According to Babbie (2013), research design refers to the arrangement of conditions for collection and analysis of data in a manner that aims to combine relevance to the research purpose with the economy in the procedure. The study employed descriptive research design because it is an excellent way of finalizing results and proving or disproving a hypothesis. The target population under the study was registered MSEs in Nairobi. The study utilized both primary and secondary data. Data collected was analyzed using both quantitative and qualitative methods with the help of SPSS data processing was carried out through editing, coding and classification.

## **FINDINGS AND DISCUSSION**

### **Growth of MSEs**

On the extent to which growth of MSEs in the study area in terms of increase of number of employees, sales, profits and market share than their (direct/indirect) competitors. The data was collected from the different indicators of the variable growth of MSEs which was ordinal

categorical. The data was therefore presented in frequency tables with the median being used as the appropriate measure of central tendency. The results were presented in Table 1. The first indicator for the dependent variable required to know what the growth of MSEs in terms increase of number of employees than their (direct/indirect) competitors was, 5% of the respondents had 0% , 35% had less than 10%, 20% stated 20-30% , 15% indicated 30-40% , 15% posited 31-40%, 10% indicated over 40% The mode was found to be 2 which imply that on average the growth of MSEs in terms increase of number of employees than their (direct/indirect) competitors was less than 10%.

The next indicator required the respondents to state level of growth of MSEs in terms of sales than their (direct/indirect) competitors, 25% of the respondents had 0% , 45% had less than 10%, 10% stated 20-30% , 0% indicated 30-40% , 5% posited 31-40%, 15% indicated over 40% The mode was found to be 2 which imply that on average the level of growth of MSEs in terms of sales than their (direct/indirect) competitors was less than 10%. When the respondents were asked what the level of growth of MSEs in terms of profits than their (direct/indirect) competitors was, 30% of the respondents had 0%, 55% had less than 10%, 15% stated 20-30%, 5% indicated 30-40%, 5% posited 31-40%, 0 % indicated over 40%. The mode was found to be 2 which imply that on average the level of growth of MSEs in terms of profits than their (direct/indirect) competitors was less than 10%.

Finally, when the respondents were asked to indicate the level of growth of MSEs in terms of market share than their (direct/indirect) competitors was, 20% of the respondents had 0%, 45% had less than 10%, 25% stated 20-30%, 5% indicated 30-40%, 5% posited 31-40%, 0 % indicated over 40%. The mode was found to be 2 which imply that on average the level of growth of MSEs in terms of market share than their (direct/indirect) competitors was less than 10%.

**Table 1: Growth of MSEs**

Description	0%	Less than 10%	10-20%	21-30%	31-40%	Above 40%	Mode
Last year we achieved a higher growth on number of employees than our (direct/indirect) competitors	5%	35%	0%	15%	15%	10%	2
Last year we achieved a higher sales growth than our (direct/indirect) competitors	25%	45%	10%	0%	5%	15%	2
Last year we achieved a higher profit growth than our (direct/indirect) competitors	30%	55%	15%	5%	5%	0%	2
Last year we achieved a higher market share than our (direct/indirect) competitors	20%	45%	25%	5%	5%	0%	2

**Pro-activeness**

The study sought to assess the influence of pro-activeness on the growth of the selected MSEs in Nairobi, Kenya. A scale of 1-5, the scores were as follows: The scores “Strongly disagree=SD” and “Disagree=D” were represented by mean score, equivalent to 1 to 2.5 on the continuous Likert scale (1 ≤ Disagree ≤ 2.5). The scores of ‘Neutral’ were represented by a score equivalent to 2.6 to 3.5 on the Likert scale (2.6 ≤ Neutral=N ≤ 3.5). The score of “Agree=A” and “Strongly agree=SA” were represented by a mean score equivalent to 3.6 to 5.0 on the Likert Scale (3.6 ≤ Agree ≤ 5.0). The results were presented in mean and standard deviation as illustrated in Table 2. The study results show that a majority of respondents were found to be neutral and strongly agreed that they constantly look for new business opportunities (mean of 3.542); the marketing efforts try to lead customers rather than respond to them (mean of 3.336); they work to find new business or markets to target (mean of 3.654); they incorporate solutions to unarticulated customer need in our

products and services (mean of 3.225); they continuously try to discover additional needs of our customers of which they are unaware (mean of 2.778). This implies that pro-activeness does influence growth of MSEs in Kenya. The study findings were in agreement with literature review by Narayan (2015) who stated that pro-activeness was related to initiative and first-mover advantages and to taking initiative by anticipating and pursuing new opportunities. It was crucial to entrepreneurial drive because it suggested a forward-looking perspective that is accompanied by innovation and entrepreneurial activity. Pro-activeness is therefore expected to be associated with higher gross earnings due to there being more commitment on the part of a more entrepreneurial, more proactive individual to the development of market share. The development of market share is therefore considered to represent pro-activeness in this work. Following this line of reasoning, it is predicted that pro-activeness would to some degree be positively and significantly associated with increased earnings.

**Table 2: Influence of Pro-activeness on Growth of MSEs**

Description	Mean	Std. dev.
We constantly look for new business opportunities	3.542	.682
Our marketing efforts try to lead customers rather than respond to them	3.336	.634
We work to find new business or markets to target	3.654	.067
We incorporate solutions to unarticulated customer need in our products and services	3.225	.525
We continuously try to discover additional needs of our customers of which they are unaware	2.778	.765

### Innovativeness

The study sought to assess the influence of innovativeness on the growth of the selected MSEs in Nairobi, Kenya. A scale of 1-5, the scores were as follows: The scores “Strongly disagree=SD” and “Disagree=D” were represented by mean score, equivalent to 1 to 2.5 on the continuous Likert scale ( $1 \leq \text{Disagree} \leq 2.5$ ). The scores of ‘Neutral’ were represented by a score equivalent to 2.6 to 3.5 on the Likert scale ( $2.6 \leq \text{Neutral=N} \leq 3.5$ ). The score of “Agree=A” and “Strongly agree=SA” were represented by a mean score equivalent to 3.6 to 5.0 on the Likert Scale ( $3.6 \leq \text{Agree} \leq 5.0$ ). The results were presented in mean and standard deviation as illustrated in Table 3. The study results showed that a majority of respondents were found to be neutral and strongly agreed that they highly value new product lines (mean of 3.228); the when it comes to problem solving, they value creative new solutions more than solutions that rely on conventional wisdom (mean of 3.009); they considered themselves as an innovative organization (mean of 3.223); their business was often the first to market with new products and services (mean of 2.998); Competitors in the market recognize them as leaders in innovation (mean of 2.886). This implied innovativeness influence growth of MSEs in Kenya.

The study findings were in agreement with the study findings by Gathenya and Bwisa (2011) who established that innovativeness reflected a tendency for an enterprise “to engage in and support new ideas, novelty, experimentation, and creative processes that may result in new products, services, or technological processes”. Innovation was an important means of pursuing opportunities and so is an important component of an entrepreneurial orientation the justified use of innovativeness as a dimension of an entrepreneurial orientation in that it “reflects an important means by which firms pursue new opportunities”. This was congruent with the fundamental perspective taken in this study: that the pursuit of opportunity is a conception at the core of entrepreneurship as argued by Stevenson and Jarillo (2010). An entrepreneurial orientation is therefore considered to represent dimensions associated with learned behaviors reflected in the processes carried out by individuals that are fundamentally important key elements in the pursuit of opportunity. Innovation can be classified into two types: product market innovation and technological innovation according to Kobia and Sikalieh (2010). The most useful classification of innovations is according to the dimensions of product/market innovation and technological innovation, although a certain degree of overlap might exist in reality. Innovation represents a continuum ranging from willingness

to try new innovations to a serious commitment

to innovation (Stevenson & Jarillo, 2010).

**Table 3: Influence of Innovativeness on Growth of MSEs**

Description	Mean	Std. dev.
We highly value new product lines	3.228	.456
When it comes to problem solving, we value creative new solutions more than solutions that rely on conventional wisdom	3.009	.221
We consider ourselves as an innovative company	3.223	.356
Our business is often the first to market with new products and services	2.998	.612
Competitors in this market recognize us as leaders in innovation	2.886	.121

### CONCLUSION AND RECOMMENDATIONS

The study results showed that from descriptive statistic a majority of respondents were found to be neutral and strongly agreed that they constantly looked for new business opportunities. The marketing efforts tried to lead customers rather than respond to them. They work to find new business or markets to target and incorporate solutions to unarticulated customer need in our products and services. They continuously try to discover additional needs of their customers of which they are unaware. This implied that pro-activeness influences growth of MSEs in Kenya

From the study findings the respondents indicated to be neutral and strongly agreed that they highly value new product lines. When it comes to problem solving, they value creative new solutions more than solutions that relied on conventional wisdom. It was established that they consider themselves as an innovative organization. The respondents indicated that their business was often the first to market with new products and services. The competitors in the market recognize them as leaders in innovation. This implies innovativeness influences growth of MSEs in Kenya.

The study sought to determine growth of MSEs, attributed to the influence of pro-activeness and innovativeness. The number of employees, sales, profits and market share than their (direct/indirect) competitors recorded low positive achievements in the organization. From inferential statistics, a positive correlation was seen between each determinant variables and growth of MSEs. All the independent variables were found to have a statistically significant association with the dependent variable at ninety-five level of confidence.

### Conclusions of the study

According to the study findings, the study concluded that growth of MSEs in Nairobi, Kenya was affected by pro-activeness and innovativeness as the major factors that mostly affect growth of MSEs in Nairobi, Kenya. The study concluded that pro-activeness was the first most important factor that affected growth of MSEs in Nairobi, Kenya. The regression coefficients of the study showed that pro-activeness had a significant influence on growth of MSEs in Nairobi, Kenya. This showed that pro-activeness had a positive influence on growth of MSEs in Nairobi, Kenya.

The study concluded that innovativeness was the second most important factor that affected



growth of MSEs in Nairobi, Kenya. The regression coefficients of the study showed that innovativeness had a significant influence on growth of MSEs in Nairobi, Kenya. This showed that innovativeness had a positive influence on growth of MSEs in Nairobi, Kenya.

### **Recommendations of the study**

The study recommends for enhancement of pro-activeness in the MSEs to constantly look for new business opportunities. The marketing efforts should be put to try to lead customers rather than respond to them. The MSEs should work to find new business or markets to target and incorporate solutions to unarticulated customer need in their products and services.

There is need to have innovativeness to boost highly value new product lines in the MSEs. When it comes to problem solving, they should value creative new solutions. There is need to consider themselves as an innovative organization in order

to market with new products and services than their direct and indirect competitors.

### **Areas for Further Studies**

Due to constraints highlighted in the first chapter, this study could not exhaust all the entrepreneurial drive factors influencing growth of MSEs in Kenya. Therefore factors affecting growth of MSEs need to be established. Challenges like the existing legal and policy framework, entrepreneurial and management courses available to the entrepreneurs and their affordability, accessibility and affordability of financial credits in the market and accessibility to market information among others need further investigation. The study confined itself to the MSEs in Nairobi, Kenya. A comparative study should be carried out to compare whether the findings also apply for MSEs in other areas in order to validate whether the findings can be generalized to MSEs in Kenya.

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