EFFECT OF ENTREPRENEURIAL ORIENTATION ON GROWTH OF SMALL AND MEDIUM SIZE ENTERPRISES IN NAROK TOWN

BY

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MASTER OF BUSINESS ADMINISTRATION (CORPORATE MANAGEMENT)

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A RESEARCH DISSERTATION SUBMITTED IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR AWARD OF MASTER OF BUSINESS ADMINISTRATION (CORPORATE MANAGEMENT) DEGREE IN THE SCHOOL OF BUSINESS AND PUBLIC MANAGEMENT AT KCA UNIVERSITY

OCTOBER, 2019

DECLARATION

This research dissertation is my original work and has not been presented to any institutions of higher learning for academic credit.

Signature …...

Date…...

Leboi Letim

Reg/05064

I confirm that this dissertation has been submitted for presentation to KCA University with my approval as the university supervisor.

Signature……

Date…….

Mr. Meso Moyi

DEDICATION

I would like to dedicate my dissertation first to the Almighty God for the gift of life. I also dedicate it to my dear family and friends.

ACKNOWLEDGMENT

I am grateful to the Almighty God for His guidance, protection, and strength during my study time at KCA University. I would also like to extend my special thanks to Mr. Moyi Meso for his tireless support in helping me compile my dissertation. To my dear friends and college students who have positively contributed to the fulfillment of this proposal may God Bless you all.

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LIST OF ACRONYMS AND ABBREVIATIONS

ANOVA	Analysis of Variance
EO	Entrepreneurial Orientation
GDP	Gross Domestic Product
GDP	Gross Domestic Product
ILO	International Labor Organization
OECD	Organization for Economic Co-operation and Development
PPP	Public-Private Partnership
RBV	Resource-based View
SMEs	Small and Medium Enterprises
SPSS	Statistical Packages for Social Sciences
VIF	Variance Inflation Factor

ABSTRACT

The main purpose of this study was to establish the effect of entrepreneurial orientation on growth of small and medium enterprises in Narok town. Specifically, the study sought to establish the influence of innovativeness, entrepreneurial pro-activeness, and risk taking on growth of small and medium enterprises. This study is justified on the basis that even though the present body of literature has delved into relationship between entrepreneurial orientation and organizational growth, there is limited research on how it affects growth of small and medium enterprises. The study adopted Schumpeter's innovation theory, resource-based theory, and theory of business strategy. Methodologically, the study adopted correlation research design, where the study targets 1,390 SMEs operating within Narok town. The sample size for this study comprised of 139 SMEs, which constitute of 10% of the target population. The study used random sampling owing to the homogeneity of the units of study. Data were collected by means of structured questionnaires. Statistical Packages for Social Sciences version 24 was used to run both descriptive and inferential statistics. Descriptive statistics were used to compute frequencies and to derive conclusions and generalizations regarding the population, while inferential statistics; multivariate linear regression analysis was being used to determine the association between the outcome and predictor variables. Valid and reliability tests were conducted and ascertained data measures were able to measure what they are supposed to measure (validity) and if data collection tools consistently measure phenomenon of interest. Data was presented in form of figures and tables. Analysis of data established existence of a significant ($p < .05$) and positive relationship between predictor variables (innovativeness, entrepreneurial proactiveness, and risk-taking) on enterprise growth for small and medium enterprises. The study recommends that that SMEs should leverage technological innovation as a basis of enhancing business processes, internal efficiency, and infusing new products and services. Moreover, SMEs should continuously monitor and asses their past and present processes with a view to predicting future trends and patterns in relation to anticipated consumer needs and consumption patterns and even though risk taking an important approach to business growth, there is need to incorporate risk management strategies to mitigate the effect of risks involved in borrowing.

CHAPTER ONE
INTRODUCTION

1.1 Background of the Study

Around the world, entrepreneurship stays documented by way of a vital constituent in the process of financial growth and expansion across all sectors in both developed and developing countries. It creates opportunities to over millions of jobs, bargains a variety of consumer goods and services and generally increases national affluence and competitiveness (Van Praag & Versloot, 2011). Various scholars such as Covin and Slevin 1999; Henderson 2002; Kreiser, Marino and Weaver 2002 have carried out multiple studies investigating the contribution of entrepreneurship to macroeconomic and business growth.

With the increasing competition, globalization and technological changes in the environment in which the firms operate in, firms have recognized entrepreneurship as a key tool towards the realization of their objectives (Rauch *et al*., 2012). To achieve these, Kuratko and Covin (2008) pointed out that Commercial Orientation is a key ingredient for decisive victory and foundation of competitive profit. Organizations that enjoy higher stages of entrepreneurial orientation (EO) performance boosted than those with lower levels of EO. Wiklund and Shepherd (2005) states that EO permits the organization to continue or uniform to outperform the players. According to Lumpkin and Dess (1996), Commercial orientation stays a method, exercise and policymaking style of the organization.

Schumpeter's innovation theory, resource-based theory, and theory of business strategy have been used in the study of organizations since they offer meaningful insights on how enterprises could leverage entrepreneurship, risk-taking, and innovations to enhance their

performance. According to the resource-based view, firms leverage organizational resources and dynamic capabilities as a basis of undertaking unique and imitable processes with a view to realizing competitive advantage. Schumpeter's innovation theory states that businesses must adopt to new models for them to be competitive, while theory of business strategy postulate that firms can augment their efficiency through pricing reduction improvement.

In Israel, Farja, Gimmon, and Greenberg (2016) focused on effects of entrepreneurial orientation on SMEs growth and export and found that entrepreneurial proactiveness strongly affect SME growth as well as firm expansion to international markets, signifying that lower level of proactiveness translated into low firm growth. In England, Simon, Stachel, and Covin (2011) found that EO and commitment to organizational objectives enhanced sales growth and determined that commitment to objectives was associated with greater increased sales growth of companies high in EO, as compared to those low in EO.In Norway, Grande, Madsen, and Borch (2011) found that firms get better performance in the long run as a result of engaging in entrepreneurial efforts and activities enabling firms to create, reconsider, and apply their resources in more efficient ways.

There is plethora of academic literature in Africa that has delved into EO and enterprise growth; In South Africa, Krauss, Frese, Friedrich, and Unger (2005) confirmed that, through the initiative to take action before an event takes place coupled with the ability to generate new ideas, the performance is greatly improved.

In Namibia, Frese, Brantjes, and Hoorn (2002) found that competitive aggressiveness and autonomy appear to hold no business performance value on firm growth. In Nigeria, Ogunsiji and Ladanu (2010) found that EO play an essential role in achieving SMESs' goals and increases innovation, knowledge, competition, and diversity in different sectors and organizations. In Egypt, Zeebaree and Siron (2017) stated that EO is important in developing strategies appropriate for improving the growth of firms.

In East Africa region, Eijdenberg, Paas, and Masurel (2015) investigated the effects of Enterprise Orietation on firm performance in Rwanda and stated that entrepreneurial orientation/motivation is positively correlated with positive firm performance. In Tanzania, Okangi (2019) focused on how critical EO is to firm profitability and stated that there is a positive relationship when innovativeness is related to firm growth of firms in Tanzania's construction firms. In Uganda, Lawgiving, Namatovu, and Dawa (2012) found that EO dimensions (innovativeness, pro-activeness, and risk taking) are positively correlated with firm performance.

A lot of focus in the area of social science has been directed towards entrepreneurship. The sub branches of entrepreneurship include management research, economic growth as well as resource allocation.

Due to the contribution of entrepreneurship towards economic growth, there is needed to bring out a clear understanding how entrepreneurship of small and micro firms add up to the economy wide results. (Shepherd, 2011)

From past research however, it is evident that there is very little that has been done to explain the sources of entrepreneurship and its benefits towards growing the economy. (Holcombe, 1998).One of the reasons for this is because of the complexity of the subject of entrepreneurship coupled with lack of adequate theories that support the concept of entrepreneurship.

Parker (2005) confirms that for economists, there interests in entrepreneurship has been existent in the past few decades and no practical evidence has been given and also the subject of entrepreneurship in other fields is also a recent concept.Further,he notes that the understanding of entrepreneurship is all about start-ups and self employment in small and micro firms. This is however contrary to the entrepreneurship understanding under management research which takes entrepreneurship in established firms.

It has been argued that growth is the backbone of entrepreneurship and that growth is very critical in defining entrepreneurship. The relationship between growth and entrepreneurship therefore becomes a relevant area for further research.(Davidsson, 2010)

One of the ways a separation has been made between firms that are entrepreneurial in nature and those that are not is by way of growth in turnover. According to Davidsson (1989), the independence of the owner of a firm in making decisions on growth is what differentiates an entrepreneurial firm from one that is not.

Davidsson, Delmar and Wiklund (2002) carried out a further research on the relationship between growth and entrepreneurship. They agreed that growth is when there is

evolvement of new firms. The problem with the new firms is that they are individual owned or remain micro for the long-term.

A part from the common understanding of growth as the change in amount in turnover, growth can be measured in different ways using different indicators including; turnover, rate of employment, market share, profitability as well as production (Freeman, 1998).These indicators however vary as the various industries vary for example an increase in the number of vehicles operating for a taxi business.

One of the agreed concepts among scholars is that the factors that lead to slow or no growth are common irrespective of the industry. Therefore it makes more sense to analyze the different indicators or hindrances of growth individually. (Delmar, 1997)

Despite there being different indicators for growth, it is argued that turnover is the most dominant indicator since the same indicator is more favorable with small firms and that the turnover acts as the lead indicator. This is because turnover is critical since firms would not survive without sales. Increase in sales also facilitates growth in assets and creates opportunities for employment, profits which consequently leads to increased market share. (Flamholtz, 1986)

Another indicator that is mostly used by scholars is increase in employment for small firms as a result of the desire to increase opportunities growth through entrepreneurship. However, it is believed that the indicator is likable due to availability of information. Growth in employees however is not regarded as important since it is believed that it is not related to growth (Gray, 1990)

The market share as an indicator for growth on the other hand is not popular since the understanding of market is varied among many scholars and may not be relevant for small firms and also it may be difficult to compare market shares for firms operating in different industries or segments. For assets as a determinant for growth, this may also proof difficult since the value placed on assets may differ in different industries based on the Capital requirement for different firms. Profitability may be a relevant indicator for growth which is acceptable across different industries since they are indication of the size of firm. (Davidsson, 2005).

In Kenya, several studies have focused on the interplay between entrepreneurial orientation and enterprise growth. For instance, while concentrating on the role of EO on growth of SMEs in Kerugoya, Mwangi and Ngugi (2014) found out that the individual dimensions of EO: firms' innovation; risk taking; pro-activeness; and entrepreneurial management competence have significant influence on growth of SMEs. Mwaura, Gathenya and Kihoro (2015) sought to examine the effect of Entrepreneurial Orientation on the performance SMEs majority of which were owned by women and exhibited that the relationship is both significant and positive when the two variables of Entrepreneurial Orientation and enterprises owned by women.

Otieno (2012) focused on the manufacturing firms in Kenya and how they leverage EO and stated that EO has a positive effect on manufacturing firms' financial performance.

Studies by Soleimani and Shahnazari (2013) and Kuratko et al. (2015) have investigated emerging issues in entrepreneurship orientation since entrepreneurship is recurring theme in management research. In fact, there are forms of entrepreneurship, such as social and corporate entrepreneurship, where the meaning of corporate entrepreneurship is taken to

mean the ability of an organization to expand through creating of additional units or promotes internal growth. While social entrepreneurship is referring to efforts towards social cause of ethical business practices (Dess et al., 2013). Other emerging issues under EO include environmental dynamism, strategic renewal, and technologies opportunities (Dess et al., 2003; Soleimani & Shahnazari 2013). Through strategic renewal, firms undertake continuous environmental scanning with a view to remaining dynamic and embrace technological opportunities for eventual competitive advantage (Kuratko, Hornsby, & Hayton, 2015).

This study is motivated by the fact that studies on effects of EO looking at the specific contexts of East Africa in particular Kenya are still lacking. Furthermore, this study is motivated on the basis that SMEs in Kenya and indeed in Narok town has been cited as the key enablers of economic growth since they are the cornerstone of self-employment. Given dearth literature on how SMEs can leverage dimensions of EO to achieve growth, this study seeks to undertake an in-depth research to bridge existing knowledge gap. Moreover, based on this empirical and contextual background, undertaking a study on the effects of EO on growth of Small, Micro and Macro enterprises in its own importance, and by its nature, this study will have practical and theoretical implication that had been on the top hierarchy of evidence.

1.4 Research Questions

The research responded to the following questions:

i. Does innovativeness have any effect on the growth of medium and small-sized enterprises in Narok town?

ii. What is effect of entrepreneurial pro-activeness regarding the development of medium and small enterprises in Narok town?

iii. What is the effect of risk-taking regarding the development of medium and small enterprises in Narok town?

1.1.1 Entrepreneurial Orientation

Across the global level, EO has been defined by various authors; For instance, in Poland, Krzakiewicz and Cyfert (2019) define entrepreneurial orientation as means through which organizations carry out and implement their strategies. One of the strategies developed include the analysis of the market and generating products that suit the already established market Organisations also take high risk activities with a focus to attaining a competitive advantage over its competitors.

Entrepreneurial orientation describes methods and operations in entrepreneurial actions and rules, therefore, it is known as an entrepreneurial strategy process employed by managers to keep objectives and set up excellence (Rauch et al., 2009).

The concept of EO has been well articulated in entrepreneurship literature. EO refers to the extent to which a firm is entrepreneurial (Davidson & Wiklund, 2001). Entrepreneurial firms pursue entrepreneurial activities by adapting structure, management, and process accordingly to gain the required agility, speed, creativity and drive to act profitably upon specific opportunities. Miller (1983) developed a framework of EO that has three constructs that is, innovation, risk-taking and proactively. Miller (1983) treated EO as a one-dimensional construct while others such as Kreiser, Louis and Weaver (2002) argued that each construct of EO ought to be taken as separate constructs.

Entrepreneurial orientation has been at the top of many researches done in the past few decades. (Rauch et al., 2009).The concept of Entrepreneurial orientation focuses on entrepreneurships for firms that already exist (Lumpkin and Dess, 1996).EO determines the culture of an organization and tends set a bench mark as to how organizations behave. (Covin & Wales, 2012)

Entrepreneurial orientation is therefore expressed as the defined or specific characteristics that define an organization that are exhibited through their activities, operational processes as well as laid down strategies. (Lumpkin and Dess, 1996).

Miller (1983) on the other hand considers an entrepreneurial firm that is forward looking in terms of its risk profile and ability to absorb risks, one that employs innovation in its operations and takes care of risks before they take place. Entrepreneurial orientation is also considered as a measure of the extent for which a organization takes entrepreneurial activities. (Covin and Wales, 2012).

According to Pearce, Fritz, and Davis (2010) considers entrepreneurial orientation as unique characteristics that constitute the ability to undertake risks, bring innovation and bring about competition among firms.(Covin & Wales, 2012).Is is said that strategic orientation is used by a company to adopt to new environments in order to obtain undue advantage against the competitors for sale of products. (Karacaoglu et al., 2012)

Starts up firms are normally faced with a challenge of inadequate resources and they consider this fact when setting up strategies for the company. (Li et al., 2009).Such firms look at the entrepreneurial perspective as a behavior of the organization instead of looking at it as a process by ensuring that the resources have proper values that are capable of capturing available market values.

Entrepreneurship process entails several activities that enable the innovation of strategies, identification of new opportunities, and allocation of resources and placement of value of these resources, identification of sources of required resources and also help reach targets for expected results. (Morris, Schindehutte, & LaForge, 2003)

According to Lumpkin & Dess (2001), taking proactive steps in identifying available market opportunities provides a unique undue advantage for a company since customers get immediate responses on any queries and consequently competitors are locked out. From these, a company derives several benefits including; ease of entry in new unidentified markets, introducing new product brands or being able to adopt newest technology.

Due to taking a proactive role, a company is able to introduce new products as well as services in the market which leads to increased expansion of the company.

One other aspect that can be compared to corporate entrepreneurship is the Orientation Entrepreneurship.(EO).This involves diverse activities that facilitate the growth of a firm. (Zahra, Jennings, & Kuratko, 1999).

For small and Micro businesses,EO includes activities carried out between the owners of these businesses and the business itself. It includes emotional attachments.Eve though EO is considered as one of the strategy adopted by organizations; it is helpful to an organization since it eradicates selfish personal interests of persons managing the organizations. (Lumpkin & Dess, 1996).EO therefore provides a clear understanding of the difference between the different aspects of entrepreneurship and also explains the impact to every member of the Organization. (Wales, Gupta, & Mousa, 2011).

1.1.2 Enterprise Growth

Enterprise growth has long been viewed as a strong success indicator. The literature on enterprise growth is however fragmented. Growth of small and entrepreneurial firms is of interest to policy makers and scholars around the globe because of their potential contribution to economic development and employment. For instance, micro, small and medium sized firms comprise 99% of enterprises in the OECD economies and create 50–75% of value added in these countries (OECD, 2010).

OECD considers small and micro enterprises as firms which are regarded as having not more than ten employees. It is said that while much research has been done, very little attention has been given to small and micro firms. (OECD, 2005).The concern is that there are no frequent studies on SMEs and this as a result of varied reasons including, failure to obtain adequate samples for study purposes, failure to obtain dependable sources of data as well as failure to achieve reliable responses from the samples.

There is evidence that SMEs have various different aspects from large organizations but it assumed that they face similar challenges as large firms.

The growth of SMEs may be measured specifically in-terms of financial or employees' numbers (Matthews & Human, 2000). Increase of sales, return on equity and accumulation of asserts all represent growth (Gatenya, 2012). Businesses with high EO can aim at market segments that are premium where they can charge higher prices by skimming the market ahead of competitors. High profit margins yield resources for further expansion (Zahra & Covin, 1995). A firms EO may have implications on how it pursues growth. Longitudinal research on high growth firms. Davison (1997) suggests

that the growth strategy or business growth relationship is influenced by the size or age of the business. Successfully managing growth requires more than an intellectual understanding of what to do. It demands that the manager develops a new concept of his role as well as skills and abilities to fulfill that role.

Small and middle enterprises have been recognized as a major source of income and employment avenues in many less developed as well as developing countries. The Inter-American Development Bank (1997) narrated that MEs make a major contribution to amass employment and national income. SMEs contributed significantly in employment of people in rural and sub-urban areas by producing common goods and services for the necessity of the growing population; amongst other hawkers' food, retail and sundries, tailoring and countless consumer products. SMEs is an important platform for low-income group to generate potential economic resources through productive business activities and plays an important role as a mean of eradicating poverty.

1.1.3 Theories of Small Firm growth.

Past scholars have many times raised concern that despite the large number of studies that have been conducted in recent years regarding small and medium enterprises, it is not possible to display a clear understanding of the phenomenon of small firm growth (Ardishvili, Cardozo, Harmon & Vadakath, 1998; Delmar, 1997; Storey, 1994; and Wiklund, 1998).

Many other studies have given various characteristics of small firm growth. (Wang and Yao, 2002; Biggs and Shah, 2006; Bhaumik and Estrin, 2007). Despite the many studies

done on this area, a big gap still exists since no single study has been able to explain all the approaches to small firm growth. This could be explained possibly by the heterogenic nature of small firms and the fact that growth is not easily measurable since it can be measured both objectively and subjectively. (Loi and Khan, 2012).

According to Davidsson, P., Achtenhagen, L., & Naldi, L. (2005), growth is measured by the quantity of output, sales and not as a result of a process pasey. Although most managers pursue value growth the main limits on the growth of SMEs are the intensity of competition arising from the inability or unwillingness of management to deal with the increasing administrative burden arising from expansion.

Due to a lack of a proper forum for discussing the correct indicator of growth in the various studies, several models have been put forward explaining small firm growth as explained by Kamshad, K. M. (1996); First is the **stochastic model** of small firm growth which suggests that firm size, which is often times determined by employment follows a random walk .This means that the probability of firm's growth is purely by chance and the size distribution of the small firms follows the stochastic process. This model agrees with the law of proportionate effects as proposed by Gibrat in 1931 which proposes that the expected rate at which a firm grows is dependent on its size at inception of the firm.

The second model of firm growth is the **human capital model** as proposed by Lucas (1978).The model puts forward the assumption that individual entrepreneurs possess specific management ability which determines their success in business. According to this model, skills vary among employees and consequently the size distribution of small firms is dependent on entrepreneurial skills of the employees. Human capital is considered relevant to internal environment.

Finally, the learning model proposed by Jovanic (1982) points out that there exists a variance in management entrepreneurs' ability. The fact about the difference in the ability however remains unknown among the business owners. Further various firms have various degrees or levels of performance and efficiency which are not directly observable and that a firm's performance can only be learnt gradually after which performance can be adjusted. This indicates that both size and age of a firm are important factors to growth of a business.

Broke and Evans(1989) conclude that the key indicators of growth is size and confirm that growth of a firm reduces as the size decrease if the firms are of the same age and growth also reduces as a firm continues to exist for firms of the same size.

1.1.4 Overview of Medium and Small Enterprises In Kenya.

The Medium and Small Enterprises (SMEs) Bill 2017 gives the definition of **Micro enterprises** to mean any organization that generates annual sales averaging more than a half Million. The firm could be offering sale of goods or services or be engaging in business activities and employing less than ten people. In regard to asset base or assets, Micro and Small firms are said to have a rich asset base and engage in financial investment while the minimum capital of the enterprises is usually less than Kes 10 million in the sector of manufacturing and less than Kes 5 million in the service industries as well as the agricultural sectors.

Small enterprises are firms that engage in business, provide various services, or engage in industry or financial activities that register annual sales ranging from a half a Million Shillings to about five million shillings. Additionally, these firms as many employees as

50 in number but would be less than 15 .For the industries investing in plant and machinery as well as manufacturing industry, they are expected to input investments ranging between Kshs 10M to 50M with registered capital ranging between 5M to 20M for farming and service sectors. (Finance Bill, 2017).

The profile of SMEs in Kenya is believed to have majority of the businesses falling under micro enterprises owned by individuals. These businesses are mostly not registered. They engage mostly in the food industry, hawking enterprises, hardware, artisans and so on. Those that are registered however have premises are licensed and have trading permits issued by the County Governments.

It is estimated that there were 1.3 million Micro and Small Enterprises country-wide by end of 1999.These were mainly found in rural areas and reflected a little increase in the number of commercial businesses, compared to the 1.2 million commercial businesses noted in the 1995 survey. By end of the year in2002, the SME sector comprised of 74.2% of total national employment. By 2003, SMEs employed about 4.6 million people in the construction, services, transport, manufacturing and communication. This was also an increase in contribution to employment from the early 2000s (CBS, K Rep and ICEG 1999).

Additionally, the National Bureau of Statistics survey (2018) revealed that; an estimated 2 Million were operating after obtaining a license under SMEs and while 5.85 Million operated without a license. Another survey also established that in 2016, the SMEs contributed 28.5% of the economy. This is an indication of the continuing growth of SMEs.SMEs comprise both formal and informal businesses. But majority of the MSEs operate informally. The Kenya Economic Report 2013 estimates that only over 35,000

SMEs are formal Mses. Currently, the number of informal groups is unknown given that SMEs are highly unregistered groups. According to the 1999 MSE Survey, 88.6 percent of MSEs operated informally.

SMEs are characterized by main features including but not limited to; they are mainly cash based businesses, there is ease of entry and exit, the nature of activities are highly small scale, it is self-employment with employees being relatives and friends, they have limitation as far as accessing formal credits is concerned, have limited level of education and business training, they have very high turnover rate, they are less concerned about value addition and they operated in unregulated markets.

Over the years, most of the developed and developing countries have recognized the vital role played by SMEs. Medium and Small Enterprises (SMEs) style substantial donations to commercial and social progress of some state (ILO, 2017). Therefore, the development of the SME part straight touches the routine of the state. In total markets, they constitute the enormous popularity of occupational formations, and they position usually accountably aimed at the popular of service opportunities designed which explanation for single third to double thirds of the income of the private sector (GEM Global Report, 2012). It is projected that SMEs donate 56 percent of remote segment engagement then 36% of the (GDP) internationally. In numerous countries, SMEs take a main engine of growing in service and production over ages. Cutting-edge emerging countries, they remain seen by way of a main ‘self-help’ gadget for deficiency eradication.

1.1.5 Narok Town

Narok is a town west of Nairobi that supports Kenya's economy in south-west of the country, along the Great Rift Valley. Narok is the district capital of the Narok County and stands as the major center of commerce in the district. Narok has a population of around 40,000 people, mostly Maasai. Narok County is found in Kenya and is said to have an estimated population of 1.2 Million people according to statistics provided by end of the year 2018.It is believed that the dominant community is the Maasai. The ratio of male and female is one to one. Its capital and largest town is Narok.

1.2 Statement of the Problem

Medium and Small Enterprises (SMEs) brand significant donations to the commercial and social progress of any nation. Consequently, the development of the SME segment straight touches the routine of the state. Conferring to the monetary study report (2016), in Kenya, the sector paid completed 50% of new occupations formed in the year 2014. According to KNBS (2013), the SME sector created 469,000 new employments in a 2010-2013 financial year, which stayed an upsurge of 5.7% from the preceding year. Despite their significant contribution in any country, Longenecker (2010) pointed that most of the SMEs' failure to prosper is due to shortage of preparation, inappropriate funding and deprived management (World Bank, 2014). For firms that mind for their future, need to embrace EO to realize immense growth in the market. According to Wiklund and Shepherd (2005), entrepreneurial orientation donates to the presentation of a creativity is not in doubt.

To overcome these challenges that SMEs face, managers are required to develop sound decision and policies that favor their business survival. A business orientation provides a device for SMEs growth, income increase, improved profitability and groundbreaking the expansion of new goods, services, and progressions that could vital to immense growth to SMEs (Baran & Velickaite, 2008). Likewise, most countries as are not making full utilization of their entrepreneurial potentials because of little support from the government. In addition, many of the small and medium sized enterprises consume very little differentiation in product and services they offer to make them survive on necessity driven as pointed out by (Bokea & Olawale, 2010).

Studies by Wales, Gupta, and Mousa (2011); Baran and Velickaite (2008); and Osoro (2012) stress that SMEs are face competition from established brands due to poor entrepreneurial, signifying that firms which embrace EO are at the top hierarchy of competition. There are studies that have delved into the interplay between EO and performance of SMEs; For instance, Haroon and Hafeez (2012) surveyed the outcome of commercial creativity scheduled firm performance. The learning findings indicated that creative innovation, branding had a positive correlation to firm performance. Fatoki (2014) did a study on the effect of commercial orientation of micro-initiatives in the retail part in South Africa; the study findings indicated that adeptness by micro enterprises at coming up with new products in the market and changing on the product lines was eminent in the SMEs.

Osoro (2012) did a study on assessing the effects of commercial alignment of presence in the manufacturing sector. Ngetich (2015) did a survey of the impact of tactical

arrangement on the introduction of great merchandising stores in Nairobi, the study findings indicated that strategic entrepreneurial alignment in the trade stores enabled large trade goods to introduce new products in the marketplace, adopt antagonistic boldness towards contestants and review invention development in line with the customer needs. In 2013, Soinine (2013) did a study on the entrepreneurial orientation and firms' growth in profitability, his study founding indicated that entrepreneurial orientation had a robust positive connection to the profitability of the firms. From the above analysis, it is evident that no single study has deeply looked at the way commercial orientation on influences growth of medium and small enterprises creativities.

Moreover, this study had been different from the existing studies since it will fill the contextual gap of Kenyan and international empirical studies that have not conducted research on the effect of EO on enterprise growth of SMEs. It is in contradiction of this realization that this study examined the effect of effect of EO on the growth of Medium and small enterprises through focus towards Narok Town.

1.3 Study Objectives.

1.3.1 Main objective of the study

The main goal for this research is to analyze how entrepreneurial orientation does influence the growth of medium and small enterprises with specific reference to Narok Town.

1.3.2 Specific Study Objectives

The following were the variable objectives of the study:

i. To examine the influence of innovativeness on the growth of medium and small-sized enterprises in Narok town.
ii. To find out the effect of entrepreneurial pro-activeness on the development of medium, small and Micro enterprises in Narok town.
iii. To analyze the effect of risk-taking on growth of medium and small-sized enterprises within Narok town.

1.5 Significance of the Study

1.5.1 Medium and Small-Scale Enterprises

This research will provide a foundational benchmark basis for comparisons to be used by the SMEs to comprehend the position of entrepreneurial alignment and the growth of the SMEs. SMEs managers had been able to understand how entrepreneurial orientation positively affects the performance of their businesses. The recommendations to be given will aid in decision-making.

1.5.2 Government of Kenya

The study had been of importance to the national government and the county government of Narok. This will provide information to help in decision making and provide ample business environment for the growth of small and medium enterprises.

1.5.2 Scholars and Researchers

The study on entrepreneurial alignment and growth of medium and small-scale enterprises will provide critical information to be used by future scholars when debating about entrepreneurial orientation.

1.6 Study Scope

This study aims to analyze the result of entrepreneurial alignment on the growth of Small Medium and Small Size firms in Narok Town. Data had been collected from the MSE in the stated area; the survey was conducted from January 2018 to July 2018.

1.8 Time Scope

The study was designed to cover the period from February 2019- Sep 2019, which will be seven months.

1.7 Basic Assumptions of the study

Determination of the study is carried out through the simple assumption that there is documented besides vibrant evidence on the operations of the SMEs in Narok town for over two years in service. In addition, it had been assumed that the SMEs owners will provide comprehensive information on the aspects of commercial orientation and growth of medium and small scale sized enterprises for the objective of the study to be conducted

CHAPTER TWO
LITERATURE REVIEW

2.1 Introduction

This introduction segment will mainly focus on previous studies and conducted by scholar and empirical literature relating to the influence of business alignment on the growth of medium and small enterprises. Specific areas dealt with include the theoretical framework, internal audit and corporate governance and the empirical studies.

2.2 Review Theoretical work

A conceptual framework is an edge of reference that forms the foundation for observations, meanings of ideas, research plans, presentation, and analysis, much as the casing that lays on an establishment characterizes the general outline of a house (LoBiondo & Haber, 1998).

2.2.1 Schumpeter's Innovation Theory

Schumpeter (1942) is the pioneer in innovation. He outlined the importance of change to entrepreneurial development. Schumpeter describes the process of change as creative destruction. Creative destruction happens when the market structures that are existing are disrupted when new services and goods are introduced to the marketplace and offered. The transfer of all available resources from the existing businesses to future ones results in wealth creation and business set up of the new firms. Schumpeter described innovation as the specific ingredient to the entrepreneurial instrument and thus through the business venture can use and change to create opportunities by offering different products and services. According to Schumpeter (1942), emphasized on the role of entrepreneurship as

the main agent carrying out creative destructions and stressed to the entrepreneurship as the need to look with determination for the success and as the source of innovation.

Schumpeterian vein of thinking has been widely carried forward by successive scholars and business researchers. According to Drucker (2005), an entrepreneur is always looking for a change and ways of increasing business opportunities; this comes in because of responding to the shift and exploiting on the new frontiers by appealing to the purposeful innovation. Lumpkin (1996) found out that the procedure of creative damage as stated by an entrepreneur makes innovation a significant achievement factor within the entrepreneurial orientation. In addition, the result supports the connection between the innovativeness and entrepreneurship. This is pinned on the fact that key innovation amongst the input motives to commence a business venture. The Schumpeterian theory supports the fact that technological development coming through innovation is propelled by a business-oriented individual to pursue profit. That is each innovation creates a new product and a process that provides the originator with a competitive edge in the marketplace over other business competitive. The innovation renders the previous product or service to be obsolete and would be done in the same in future by innovations. Innovation is very important to entrepreneurship as it is an element of economic growth in any country. The response towards different national development is anchored on a devotion and entrepreneur contact that involved processes which combine holistic energetic and essentially balance to businesses tenability and success.

This theory is relevant to the current study since it has established how firms should leverage strategic renewal approaches through innovation so that they remain competitive in the dynamic business world. Furthermore, the theory is applicable to the current study

since it has indicated how the growth of small and intermediate enterprises may be specifically measured by how innovative they are. Put differently, Schumpeter's Innovation Theory's tenets borders on how small and medium scale enterprises with a high level of entrepreneurial orientation have a chance to aim the market segments that are premium, where they can offer to charge on their goods and services by skimming the market ahead of competitors. One can argue that Schumpeter's Innovation Theory plays an important role in the acceleration of business growth through innovation.

2.2.2 Resource-Based Theory

This theory highlights the company's assets as a fundamental determinant of competitive benefit and performance. According to the RBV theory model, assets are specified the major part in helping businesses achieve higher organizational performance. There are both palpable and impalpable assets. This theory assumes two conventions for analyzing causes of competitive benefit; shoulders that firms inside a business may be varied with veneration to the package of assets that they regulate and it shoulders that the reserve heterogeneity may persevere over some time since resources, which are used to implement the company's plans, are not flawlessly mobile athwart firms.

Resource heterogeneity mainly is considered a necessity for a reserve bundle to donate to a modest advantage. Immobility and heterogeneity are not adequate conditions for a modest benefit. Conferring to Barney (1991) a secure resource additionally should be; valuable, infrequent, and improperly imitable. The firm should be organized to capture the worth in command to be a foundation of sustainable competitive benefit.

This theory had been important to the study as the dynamics in the business change over time. Increased competition and advancement, especially in information technology,

bring about improvement in the products that need to be offered. A firm's ability to compete may be determined by the resources that they have at their disposal. This study will use the RBV theory to analyze organizational performance and competitiveness in the market.

The resource-based view is applicable to the current since the theory details how firms, in this study, referring to SMEs, can focus on how to acquire valuable, rare, inimitable, and non-substitutable resources to realize growth through a pro-active approach. Moreover, the theory borders on the need for SMEs to be organized in such a manner that they can exploit the full potential of those resources if they were to attain a competitive advantage. Integrating the RBV theory with Entrepreneurial orientation can go a long way in optimizing business performances and pro-activeness. This would in effect enable small sized and medium sized enterprises to maintain competitive advantage over competitors in the market.

2.2.3 Theory of Business Strategy

Shapiro (1989) is the proponent of theory of business strategy, which emphasizes on the dynamics of strategic actions and in particular on the role of commitment and risk-taking in strategic settings. Under conditions of imperfect information, the focus is on information transmission and reception. The diversity of models of business strategy does not focus any failure of the new industrial organization; rather, it is delving on organizations application of appropriate technology.

The theory of business strategy has been critiqued on the basis that it argues that competitive strategy practice encompasses a wide variety of strategic and tactical

decision-making, from the pricing of products to investment in production and distribution facilities to contracting practices with customers and input suppliers to research and development expenditures.

Business strategy theory is applicable to this study because it talks about the conditions under which different outcomes occur and what factors are most critical in shaping behavior and performance in concentrated industries. Business strategy theory is well suited for this study because it details the happenings in SMEs, and how startup business can leverage business strategies, such as innovation, risk-taking and customer focus to realize enterprise growth.

2.3 Empirical Reviews

This section reviews the existing past studies on the influence of business alignment on the growth of medium and small scale businesses. Generally, entrepreneurial orientation (EO) is measured as a main element for the victory of a company. Entrepreneurial alignment has been accredited as a vital factor for a business's growth and success.

2.3.1 Entrepreneurial Pro-activeness and SMEs Growth

Entrepreneurial pro-activeness is defined as backing initiatives by forestalling and following new changes related to the upcoming demand and contributing to the emerging business markets. It is broadly categorized as an activity, which is distinctive and proceeds imminent expectation regarding products, customer demands, the market end technologies (Schillo, 2011). The skills involved, is to change current business status my predicting future business trends through the expectation of real opportunities (Boohene,

2012). Dess and Lumpkin (1996) claimed that pro-activeness might be vital to any entrepreneurial alignment as it proposes a progressive outlook that is escorted by groundbreaking and entrepreneurial action.

According to Alvearez and Barney (2012), entrepreneurial pro-activeness is the effort that a firm puts in place to ensure that its products and services get a new market, unutilized market or a new population that could use its products before the competitors identify these niches. It also involves identification of areas that offer low cost of production to take advantage of a better margin.

Agca, Topal& Kaya (2009), argues that when a firm is proactive, it gets a opportunity to identify potential threats and respond to any risks before they take a toll on the organization. These enable a company to capture new markets at the earliest opportunity.

According to Aloulou and Fayolle (2014), one of the existing challenges is in inability to confirm if the proactiveness is a homogenous norm across all firms irrespective of its size or nature.

The characteristics of a pro-active enterprise entails employing innovative ways against competitors in the same industry, firms of the same size and in doing so,an organization actively seeks to capture the newest markets and customers.

Adesoga, Olalekan, and Taiwo (2018) focused on effect of pro-activeness on growth of selected medium and small scale enterprises in Ogun State of Nigeria and stated that leadership in itself does not yield into entrepreneurial orientation. However, each type of leadership present behaviors that have been linked to the entrepreneurship and such include proactive personality, which is vital to the growth of any business venture. Meanwhile lack of entrepreneur's initiatives to take new opportunity and exploit it as a

pro-activeness variable had the greatest negative effect on SMEs growth. Methodology involved the use of Survey research design and structured questionnaire. Set of questionnaires on entrepreneurial pro-activeness and growth of SMEs were self-administered for the collection of the primary data. A group of 386 firms was analyzed. The findings of this study revealed that Pro-activeness has positive significant effect on growth.

According to Oyeku et al. (2014), pro-activeness relates to leadership and taking initiatives; the practical initiative has the result and the insight to seize fresh opportunities although it is not for all time to do so. The aspect of practice nurse in business brings in competition and aggressiveness when connecting to the new market opportunities in the entrepreneurship process. Thus, entrepreneurial pro-activeness is and acting about sizing initiatives and performing unscrupulously in command to figure the surroundings.

Pro-activeness relays to market chance in the free enterprise by grabbing any initiative and performing unscrupulously in command to shape the atmosphere, that is, to affect tendencies and even to generate demand. The features of a Pro-active initiative involve fierceness and eccentric tactics on the way to rival initiatives in a similar market segment. Such enterprises form their environments by actively looking for and using fresh opportunities. Pro-active companies introduce fresh products, expertise, administrative methods to shape their entire environment by not reacting to the environments (Callaghan, 2009).

Gao, Ge, Lang, and Xu (2018) studied the impacts of proactive orientation and entrepreneurial strategy on entrepreneurial performance using 235 start-ups in China. The

findings of the study revealed that when organizations lack competition, there seems to be a good relationship for proactive orientation and entrepreneurial performance. The moderating effect of moderate strategy and competitive strategy is also positive. On the contrary, the relationship between proactive orientation and entrepreneurial performance does not follow a linear relationship.

Altinay, Madanoglu, De Vita, Arasli, and Ekinci (2016) looked at the relationship between the learning capability, entrepreneurial Orientation and performance of small and micro business. Their findings revealed a positive relationship between EO, sales, and market share growth, but not between EO and employment growth. There is also a positive relationship between organizational learning capability and EO. This paper contributes to the small business management literature by providing a holistic analysis of the interface between organizational learning capability, EO, and growth.

Bouncken, Pluschke, Pesch, and Kraus (2016) clarified how a firm's entrepreneurial orientation (EO) combined efforts to generate new products follows a chain which in turn is affected by the many uncertainties in technology which compromises a company's position with the competitors. A study that focused on 171 firms in a manufacturing industry showed that the local firm's EO contributes positively through increased innovation, this increase however diminishes whenever there are uncertainities. Further, the increased knowledge about a competitor's product also has been known to increase the innovation. Therefore, this study's results contribute to research in the field of vertical alliances, EO, and the theoretical foundation of a dynamic capability perspective.

Brettel, Chomik, and Flatten (2015) focused on the influence of organizational culture on innovativeness, proactiveness, and risk□taking and fostering entrepreneurial orientation

in SMEs. The Competing Values Model was used to investigate the relationships between key dimensions of organizational culture (group, hierarchical, developmental, and rational) and three dimensions of EO in medium and small enterprises. An analysis of 298 enterprises showed that developmental, group, and rational culture had the expected impact on EO, whereas the impact of hierarchical culture is negative. Thus, our results highlight the importance of an external orientation of organizations to foster EO.

2.3.2 Innovativeness and SMEs Growth

According to OECD (2016), one of the major contributors to productivity and sustainable growth is innovation. For already existing SMEs, the innovation contributes positively through inclusive growth by ensuring that limitations that hinder productivity are eliminated. Further employee pay range between SMEs and large farms is greatly reduced. It is believed that in comparison with large firms, SMEs tend to have less innovative ideas. Other scholars have however argued that size does not matter since a few of the SMEs tend to be more innovative and their productivity surpasses those of large firms.

It is also argued that companies experience extreme growth where they lay down their strategies effectively. Such Companies benefit greatly since they receive a lot of attention and aid from the Government by ensuring that the environment within which business is conducted is viable.Further, the government ensures that there is a sound system within which SMEs are able to fulfill their internal strategies.

Welsch, Price, and Stoica (2013) state that in search of innovation, large firms are increasingly outsourcing a wide range of business activities, which can create new opportunities for SMEs. Larger firms rely on smaller firms for new ideas and

technologies, may acquire small companies with promising growth histories and/or partner to develop new products. Larger companies recognize the ability of smaller firms to capture innovation and will often tap the creativity of small growth-oriented firms to remain competitive. While many large firms that have survived and prospered over the long term, most have acknowledged that fostering innovation is very effective via linking to smaller entrepreneurial firms

Innovativeness has always been renowned as the constant theme in entrepreneurship literature. Dess and Lumpkin (1996) in their study showed Schumpeter among the initial to emphasize the character of novelty in the process of entrepreneurship, in the procedure of a course of creative devastation, by which prosperity was formed when prevailing market organizations were disturbed by the implementation of new services and goods reallocating assets from prevailing firms to fresh firms.

Bestowing Dess and Lumpkin (1996), innovation displays a propensity for an initiative to be involved in the implementation of new ideas, originality, research, and artistic processes, which may upshot in current services, products or technological progressions. Additionally, novelty is a vital resource of pursuing chances thus a critical constituent of any Entrepreneurial Orientation. Modernity represents a range from readiness to attempt innovations to a deep commitment to originality. Businesses that are extremely innovative will grow enormously. However, studies have stated that a groundbreaking strategy is fundamentally hypothetical, with revenues enigmatic in advance. Innovators ride the danger of misused resources if an asset does not yield the wanted results. Novelties that become fruitful also face a peril of mock (Callaghan, (2009).

However, Freel and Deakins, (2012) display alertness and speculation in fresh ways to generate and seizure value, which are the key physiognomies of commerce, that hunt for entrepreneurial strategy. Drucker, (2007) presented the idea of facts-based novelty as the "superstar" of any entrepreneurship. This kind of novelties could be technical, scientific or communal. Conferring to Callaghan, (2009), information-based novelty requires careful examination of all the essential issues and a strong emphasis on the planned situation, which involves developing schemes, market emphasis and inhabiting the predetermined position for actual business enactment.

In his clarification, the purest type of entrepreneur is one who limits himself might lead to the uniqueness of entrepreneurial function and carry out new combination by use of innovation. The innovativeness aspect replicates a propensity for an initiative to connect in and upkeep new thoughts, experimentation and fundamental processes that can end up resulting in new goods, services or expertise. Novelty is a vital method of chasing chances and thus an essential part of the entrepreneurial alignment.

Avlonitis and Salavou (2007) focused on orientation of entrepreneurs of SMEs, product creativity and good performance. Based upon a sample of 149 manufacturing companies, the made use of two clusters of entrepreneurs including active and less active entrepreneurs. The study confirmed that where there is joint innovation, customer satisfaction was improved leading to growth. The study supports evidence provided by other Greece scholars. This study also provided more light regarding small firms and large firms and the role played by innovation in both categories.

One of the ways the good approach is reflected by the active entrepreneurs is through generating of new products in the market which are reflective of their characteristic.

These characteristics are known to improve performance in the market for the introduced products.

Kreiser, Marino, Kuratko, and Weaver (2013) disaggregated entrepreneurial orientation by utilizing a sample consisting of 1,668 small-to-medium sized enterprises (SMEs) in nine countries across 13 different industries the aim was to provide evidence of the existing relationship between Entrepreneurial Orientation and performance. Three variables under consideration included; the ability to take action before the happening of an event, being able to generate new ideas and considered to be innovation and finally the ability to absorb risk based on the risk appetite. From the results, both ability to take actions before hand and innovation revealed a significant positive relationship with performance. For ability to absorb risk, the relationship was not seen as significant but was moderate. In summary, the results of the study reveal that differential relationships exist between three dimensions of EO and SME performance, with important theoretical implications for future EO research.

Pérez-Luño, Wiklund, and Cabrera (2011) analyzed two modes of innovation that differ in their scope of newness, innovation generation and adoption. Building a theoretical model based on the Entrepreneurial Orientation literature and utilizing a unique sample of innovating firms, found that 54% adopt innovations of other firms, 7% generate innovations internally whereas 39% combine the two. In addition, the study found that proactivity and risk-taking influence the number of innovations generated and the extent to which firms favor generation over adoption and that environmental dynamism moderates one of these relationships.

Baker and Sinkula (2009) delved into complementary effects of market orientation and entrepreneurial orientation on profitability in small businesses and stated that Market orientation (MO) and entrepreneurial orientation (EO) are correlated, but distinct constructs. MO reflects the degree to which firms' strategic market planning is driven by customer and competitor intelligence. Entrepreneurial orientation reflects the degree to which firms' growth objectives are driven by the identification and exploitation of untapped market opportunities. When modeled separately, research has reported direct effects of both constructs on firm profitability. When modeled simultaneously, however, the direct effect of EO has disappeared. This has led some scholars to postulate that EO is an antecedent of MO. The results of this study contradict this presumption and suggest that EO and MO complement one another, at least in small businesses, to boost profitability. The major difference between this and previous studies is the inclusion of innovation success, which captures an indirect effect of EO on profitability. At least in small firms, the results suggest that EO complements MO by instilling an opportunistic culture that affects the quality and quantity of firms' innovations.

Madhoushi et al. (2011) observes that organizations that employ new techniques tend to achieve more in terms of growth and also tend to benefit from the advantages of new environments. Such firms also get empowered to get excellent performance.

Past research have insisted that Entrepreneurial Orientation (EO) is critical for bringing about innovation. Specifically, this study attempts to expand on the importance of Knowledge Management (KM) in relation to Entrepreneurial Orientation (EO).The study focused on 164 SMEs in Iran and tested existing believes which included; first was testing how EO ,secondly was how influences knowledge management and eventually the

study wanted to find the effect of innovation on knowledge mgt.The results of the study showed a direct significant relationship.

2.3.3 Risk Taking and SMEs Growth

Kitigin (2017) looked at how risk-taking related to business performance among medium small enterprises with a focus to Eldoret town, where the study found that there is a strong link between risk-taking and business performance of SMEs in Eldoret town. Therefore, committing business resources to venture in uncertain and unfamiliar environments could result in increased returns and market share for the business.

Kljucnikov, Belas, and Smrcka (2016) delved into the ability to take risk and passive aggressiveness in management of SMEs and argue that ability to take risk and competitive aggressiveness, substantial elements of the entrepreneurial orientation of SMEs, have a significant impact on the management of SMEs. The aim of this contribution is to define the importance of these elements and to quantify the differences between entrepreneurs in terms of entrepreneur's gender and education, and company's age and size. According to our results since male and higher educated managers more intensively incline to initiative, to the realization of riskier projects and to aggressiveness against competitors, management of the entrepreneurially oriented companies should include these type of team members in order to formulate riskier and more competitively aggressive strategies. Companies which operate on the market for more than 10 years have a positive attitude and the "need" of risk and aggressive behavior towards its competitors.

Wanjau, Wambugu, and Mung'atu (2015) looked at the risk profile and appetite of SMEs with a focus in agro processing industry in Kenya. The findings of the study confirmed that performance is enhanced when more risks are undertaken by small firms since both performance and profitability of the Small and Medium firms trended to grow. The study advocated for adoption of ideas that promote entrepreneurship while at the same time the owners of the small firms be prepared to undertake risks for the sole purpose of promoting growth. By doing so they will be able to tap in new markets as well as new opportunities. It has therefore been proven that SMEs have the capacity to compete fairly and manage risks that they face in their operations.

Inclination Risk taking narrates to any commercial willingness to follow chances despite doubt around the ultimate achievement (Freel and Deakins, 2012). It involves acting confidently without knowing the penalties. On taking risks, it involves the business knowingly dedicating the funds to plans with odds of high revenues but may also involve an option of higher disappointment (Hanafi and Mahmoud, 2013). The psychosomatic theories of the locus of control and want for success, which involve a reasonable level of taking propensity risks (Freel and Deakins, 2012), have been related to an advanced performance by entities. Conferring to Callaghan (2009), this might forecast that a reasonable level of taking propensity risks would be compared to advanced ranks of performance.

Taking risks is commonly related to economic behavior, and the overall successful businesspersons are the highest risk takers (Hodgettes and Kuratko, 2009). Drucker also claimed that businesspersons are not classically risk hunters like any other lucid individuals, they follow planned steps to minimalize risks thus this may involve evolving

plans that require higher lenience for business jeopardy, but the control of risks. Every entrepreneur is a risk taker, the compensation for risk takings profit generated and business success story created. Under risk-taking (Miller and Friesen, 2008) defines taking risks as a grade to which bosses are eager to make big and risky business resource commitment. Those who have a sensible fortuitous of costly disappointments. Dess and Lumpkin (2006) confirmed this declaration by uttering that any entrepreneur leaning business pledges tremendous borrowed resources to seize an opportunity in the market that would earn higher returns by taking risks.

The management styles associated with risk-taking indicates and apron aural orientation. However, in a different dimension the effect of risk taking on a business of different types expected to differ. The propensity of taking risks is an interactive measurement of a business alignment alongside which chance is pursued. Different empirical studies conducted formerly on the association between taking risks on the growth of business had optimistic significant positive correlation according to psychological theories that mostly anchored on the fact that risk-taking has been found to be associated with an ephemeral inclination. Other studies have found out that is taking us an entrepreneurial future predict success only to some extent (Rauch & Frese, 2009). The author relationship between risk-taking entrepreneurship, and business success evidenced towards saving opportunities in anticipation of future growth in business.

Kreiser, Marino, Dickson, and Weaver (2010) utilized data from 1,048 firms in six countries to assess the impact of national culture and certain institutions that are representative of national culture on two key dimensions of entrepreneurial orientation: risk taking and proactiveness. Eight hypotheses are developed specifying the expected

relationships between four cultural dimensions and levels of risk taking and proactiveness within SMEs. Additionally, two hypotheses are developed to explore between–country differences in the relationship between risk taking and proactiveness and a range of institutional variables. Uncertainty avoidance and power distance are both found to have a significant negative influence on risk taking; uncertainty avoidance, individualism, and power distance are found to negatively influence proactive firm behaviors. A number of institutional factors are also found to be significantly linked to between–country differences in both risk taking and proactive behaviors. This research contributes to existing theories of national culture by suggesting that the various dimensions of cultural values and several of the institutions that are representative of national culture impact the willingness of entrepreneurial firms to display risk taking and proactive behaviors

Dai, Maksimov, Gilbert, and Fernhaber (2014) integrated the international business and entrepreneurship literatures by examining the independent influences of being innovative, taking actions before had and ability to take risk on the ability of a firm to broaden its scope across international markets. For each dimension of entrepreneurial orientation, a cost–benefit framework is applied to highlight the trade-offs associated with different levels in the internationalization context. Based on a unique dataset of 500 SMEs spanning 10 industries, the results reflect the consequences of being "stuck in the middle" with respect to their strategic posture on innovativeness and proactiveness but reveal a nuanced role for risk-taking behavior. The non-uniform and non-linear relationships from the findings contribute to a better understanding of when the individual dimensions of entrepreneurial orientation help or hinder entrepreneurial firms in the internationalization process. EO exerts multi-faceted impact on firm internationalization through its sub-

dimensions. Resource-limited firms do not need to achieve high levels on each sub-dimension in order to internationalize. Being moderate on innovativeness and proactiveness leads to lower international scope than adopting extreme positions. Moderate levels of risk-taking facilitate greater international scope than either low or high levels on this dimension. The relationship between EO and firm outcomes is more nuanced and non-linear in the internationalization context

2.4 Conceptual Framework

Mugenda (2008) defined a theoretical structure as a system of variables operationalized by the researcher in an attempt to realize the set objectives. The dependent variable of this study is the growth of SMEs while independent variables are entrepreneurial pro activeness, innovation, and risk-taking.

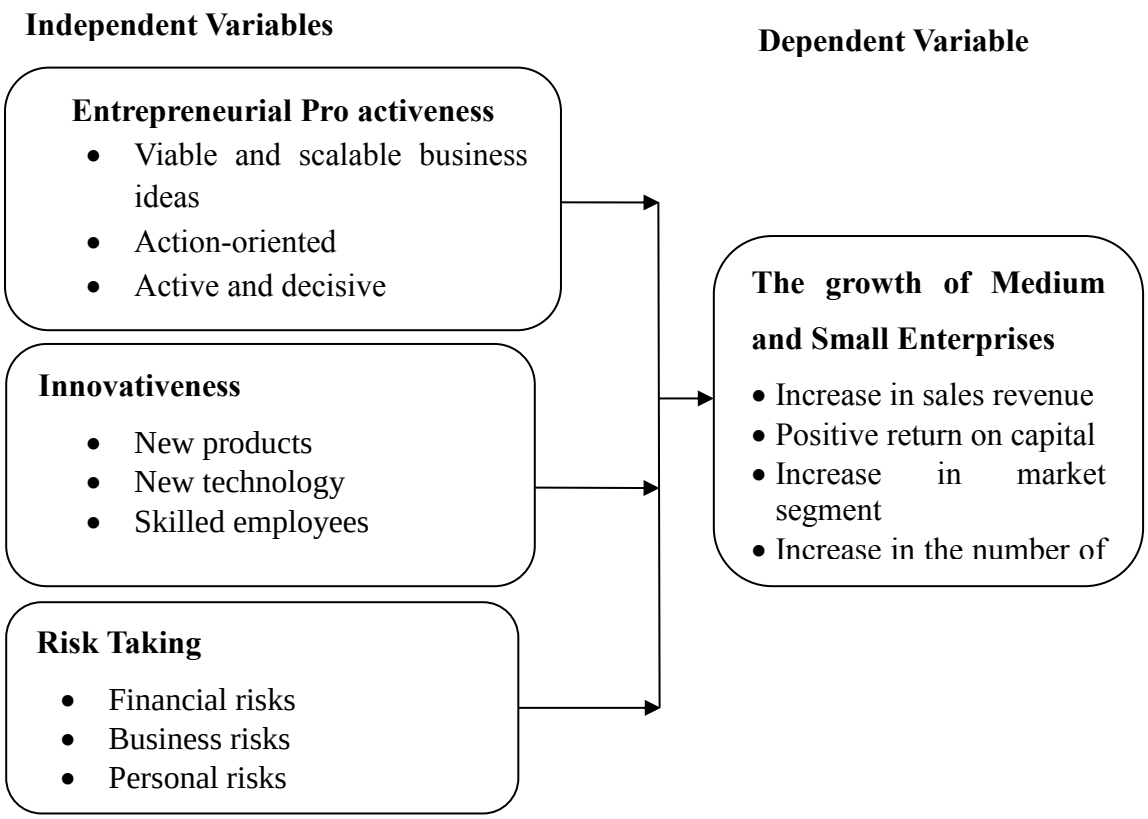

Figure 2.1 Conceptual Framework

Source (Author, 2019)

2.5 Research Gap

Small and Micro Enterprises (SMEs) show a significant financial role in most of the countries in the whole world. Their contribution to financial development, revenue generation, and insufficiency alleviation are extensively predictable (ILO, 2015). According to RoK (2014), MSEs contributed over 70% of GDP in 2013, in Singapore 47% (SMU, 2008), in Tanzania 33% (Madata, 2011). However, it is noted most SMEs are not making full use of their entrepreneurial potential and lack of ability to identify business opportunities (Ngugi, 2013). Likewise, most MSEs are commonly low verge and consume very slight difference and are endurance or need to be driven (Frank, Kessler & Fink, 2010).

Past studies done on this subject have concentrated on examining how entrepreneurial orientation affects growth of SMEs (Dess et al., 2013; Eijdenberg et al., 2015); however, there is no study that has focused on how components of EO (innovation, pro-activeness, and risk-taking) influence enterprise growth of SMEs. Moreover, there is no study that has been undertaken in Narok Town on the effect of EO on growth of SMEs. Accordingly, the current study seeks to bridge the contextual, empirical, and conceptual gap on the influence of EO on growth of SMEs. Over and above, this study is justified on the basis of existing research gap as the current body of literature tends to use selected measure of variables, which might inhibit generalizations.

Methodological approach in any given study determines the congruence of the research findings. In light of this, studies reviewed in this paper tend to have different independent variables compared to the present study, while other studies have the independent variable as a dependent variable. For instance, Kljucnikov et al. (2016) investigated the role of risk-taking and competitive aggressiveness in management of SMEs, while the current study aimed to determine the influence of EO as a specific variable on enterprise growth of SMEs (dependent variable). The study by Mwaura et al. (2015) and Simon et al. (2011) are narrow in scope since they fail to show how organizations can leverage EO with a view to realizing growth.

2.6 Operationalization of the Variables

The study operationalizes the result of business alignment on the progress of small and medium initiatives. The independent variables are pro-activeness, innovativeness and taking risks. The dependent variable is the development of small and medium enterprises. The following operation table provides the intuition on how the numerous variables had been restrained, examined and assumptions are drawn after.

Table 2.1: Operationalization of the Study Variables

Objective	**Variable**	**Indicators**	**Measurement scale**	**Question in Questionnaire**
To inspect the innovativeness	**Independent** Pro-activeness	• Viable and scalable	Nominal/ Ordinal	Part B Question 1-3

on the development of small and medium size initiatives		business ideas • Action-oriented • Active and decisive		
To establish the effect of commercial pro-activeness on the growth of small and medium size initiatives	**Independent** Innovativeness	• New products • New technology • Skilled employees	Nominal/ Ordinal	Part C Question1-2
To assess the influence of risk-taking on the development of small and medium size initiatives	**Independent** Risk-taking	• Financial risks • Business risks • Personal risks	Nominal/ Ordinal	Part D Question 1-3
The growth of Small and Medium Size Enterprises	**Dependent**	• Increase in sales revenue • Positive return on capital	Nominal/ Ordinal	

		• Increase in market share • Increase in the number of employees		

2.7 Research Hypothesis

The study wanted to confirm below hypothesis using regression model that had been used in data analysis.

$H0_1$ No significant relationship exists for innovativeness and growth of small and medium enterprises.

$H0_2$ There is no significant association between entrepreneurial pro-activeness and growth of small and medium size enterprises.

$H0_3$ There is no significant relationship between risk-taking and progress of small and medium size enterprises

CHAPTER THREE
RESEARCH METHODOLOGY

3.1 Introduction

The section shows the procedure, which stand utilized in the study. This chapter also shows the type and source of information that the study seeks and the targeted population and data sampling method that had been used. It additionally shows how information had been gathered and analysed. The appropriate philosophy cutting-edge this study illustrates the rules for information management and amassing.

3.2 Research Design

The study adopted a correlational research design. A correlational design refers to the examining of relationships among two or more variables without any attempt to influence them. In correlational study, a researcher investigates the possibility of relationships between two variables; however, there is no manipulation of variables in correlational research (Creswell & Creswell, 2017). The basis for the selection of this design is to enable the researcher to establish whether significant associations exist between independent variable and the dependent variable.

3.3 Population of the study.

The population to the elements around which data stays coveted. As per Kombo and Tromp (2006), a population is an especially described or group of people, firms, sections, social occasions of things or families that are being inspected entirety up to the results. The population of interest in this study had been 1,390 SMEs operating within Narok town (Narok County Integrated Development Plan, 2018-2022).

3.4 Sampling and Sample Procedure

Kothari (2004) observed that sampling is the process of acquiring data or information of a given group or population through the procedure of examining a certain percentage of the population. The study used random sampling owing to the homogeneity of the units of study. Mugenda (2003) states that for social sciences, 10-40% of the accessible population is deemed representative of the population where it is drawn from. Out of the 1390 SMEs, which represent the population of interest in this study, the study samples 139 SMEs (10 %) which falls within the limit of allowable sample representative size.

3.5 Instrumentation and Data Collection

Questionnaire study were employed to collect crucial data. Surveys are suitable for educations subsequently as they gather data that remains not straight evident when query the state of mind, inspirations, assertiveness, happenings as healthy as the skills of people. This inquiry form encompasses both exposed and the inquiries which are close ended. A researcher stated that surveys are useful in procurement of impartial information as contributors stand not deployed in rather means. Conferring to the researcher, surveys have all the additional benefit of becoming a lesser amount of pricey and consuming fewer period as an apparatus of statistics collection.

The information tool discoursed all the four study purposes whereas it endured divided into double sections. The primary segment of the research survey investigates the overall data approximately the defendants, whereas the succeeding sections will response the three objects, that is, entrepreneurial pro activeness, innovation, and risk-taking. The measurable segment of the device was employed using equally a Likert and nominal type gauge presentation to regulator to apiece of the variable. A five-point scale for Likert

widening from one to five stayed castoff as responses to reports like inquiries. This format type is always carefully chosen as the preparation produces equivalent - intermission statistics, an element that licenses for the usage of extra dominant arithmetic's for hypotheses testing.

The researcher involved three research assistants to aid in the delivery of surveys to the sampled respondents. The survey was directed through the dropping and picking later method. However, where the respondents had the time to fill out the questionnaire as the research assistant will wait and accorded any assistance and clarification to the respondents.

3.6 Pilot Testing

The purpose and aim of pilot testing were to institute the cogency and consistency of the study devices and henceforth improve face cogency. Pilot testing was steered using the survey to 5 business owners at Narok Town. The pilot group drive remains done random sampling. The testing piloting result were not included in the final study.

3.6.1 Validity

Conferring to Mugenda in 2003, cogency is the correctness and implication of extrapolations or inference, centered on the study outcomes. The research used equally expression and contented legitimacy to determine the cogency of the surveys. Content legitimacy appeals an implication from assessment marks to a big sphere of objects similar to all those undergoing a test. Content cogency is apprehensive by way of cluster population representation. The researcher also stated that the information and services

enclosed by the trial items should be descriptive of the superior sphere of truths and skills.

3.6.2 Reliability

Reliability is always apprehensive with the question of if the outcomes of a training remain redundant (Larsson, 2015). An example composite dependability coefficient of 0.6 or beyond, designed for entirely the paradigms, is deliberated to be satisfactory for this research. The conventional dependability coefficient is always 0.7 and above. Alpha resolution be cast-off to investigate the consistency of the exploration tool (Bonett, & Wright, 2015).

3.6 Data Analysis and Presentation

The researched produced both measurable and qualitative information. Measurable information had been implied and move into Arithmetic Parcels for Common Scientists and scrutinized by means of descriptive data. Qualitative information had been evaluated established on the information substantial of the replies. Replies with mutual melodies or designs had been assembled into comprehensible groups.

Evocative information will involve the procedure of total and comparative (percentages) occurrences, processes of dominant propensity and dispersal (medium and standard deviation). Measurable statistics had been offered in graphs and tables and justification had been present in style. The research resolves practice inferential figures towards establishing the effect of entrepreneurial orientation on the development of small and medium scale initiatives. The research will employ the following model to examine the affiliation between the variables.

The reversion equation is:

$$\mathbf{Y= \beta 0+ \beta_1 Ep_1+\beta_2 I_2+ \beta_3 Rt_3+ \varepsilon}$$

The symbols stand for:

Y is the reliant on variable (Growth of SMEs),

β0 - regression coefficient/Y-intercept/constant

β_1, β_2, and β_3– gradient of reversion equation,

$\mathbf{Ep_1}$ is Entrepreneurial Pro activeness

$\mathbf{I_2}$ is Innovativeness,

$\mathbf{Rt_3}$ is Risk Taking,

α is a mistake term usually dispersed about a medium of zero, and for calculation, the **α** is always presumed to be 0.

3.7 Diagnostic Tests

Key preliminary statistical tests were conducted before running regressions.

3.7.1 Normality test

For normality test, it is expected that variables will have a normal distribution. Jargue-Berra test was used to test for normality where null hypothesis test was carried out and compared to the alterative hypothesis for distributions that do not follow a normal curve. The JB statistic was expected to exhibit a normal distribution to have values less than zero. Ho: JB=0 (normally distributed) H1: JB=0 (not normally distributed).

By rejecting the null hypothesis it would mean that the variables were not normally distributed, and a logarithmic transformation was necessary.

3.7.2 Multicollinearity

Multicollinearity explains a condition where two or more independent variables in a case of multiple regression models tend to highly correlated. This condition might not be problematic; however, severe Multicollinearity is a problem because it can increase the variance of the coefficient estimates and makes the estimates very sensitive to minor changes in the model. The result is that the coefficient estimates are unstable and difficult to interpret. Pearson product-moment correlation coefficient is an indication of the linear correlation (dependence) between two variables X and Y, giving a value between +1 and −1 inclusive, where 1 is total positive correlation, 0 is no correlation, and −1 is total negative correlation. It is widely used in the sciences as a measure of the degree of linear dependence between two variables. Multicollinearity problem exists when Pearson correlation test is +0.8 or -0.8.

3.7.3 Heteroscedasticity test

This is a test carried out to determine the possibility of the variance of the error term remaining constant. When the Variance of the error term responds to the changes in the independent variables, it is assumed that heteroscedasticity is present. To test for heteroscedasticity, the sum of errors are regressed against independent variables .If the results of the coefficients are equal to zero, it is assumed that heteroscedasticity in the model is not present. ((Riman & Eyo, 2008).

3.7.4 Autocorrelation test

3.7.5 Test for Stationary

A unit root test is carried out that checks whether there is presence of stationary of the variables in the data. This test is necessary since it rules out cases of obtaining spurious results. This means that the results of the test may indicate existence of a significant

relationship between variables when in real sense no relationship exists. (Riman & Eyo, 2008).The study sought to use Augmented Dickey Fuller (ADF) and Kwiatkowski Phillips Schmidt-Shin (KPSS) tests procedure. In establishing the presence of a unit root as well as also to be able to get rid of low power against stationary during unit root test process. (Greene, 1989).

According to Gujarati (2003), a unit root test super cedes any other test since a distinction can be made between series data that exhibits presence of a unit root and the series which are not indicative as to whether unit root exists are the data is integrated.

CHAPTER FOUR
DATA PRESENTATION AND INTERPRETATION OF FINDINGS

4.1 Introduction

This chapter details analysis of data and research results on the influence of entrepreneurial orientation on the growth of medium and small enterprises with specific

reference to Narok Town, Kenya. The chapter is split into introduction of data analysis, the presentation of findings, the tests of hypotheses and discussion of results. The presentation of findings focuses on descriptive statistics. Tables are used in the presentation of data. The tests of hypotheses premise on inferential statistics and comprises of the effects of effect of innovativeness; entrepreneurial pro-activeness; and risk-taking on growth of medium and small-sized enterprises in Narok town. The interpretation of the analyzed data focuses on hypotheses, research questions, and objectives of the study.

4.1.1 Response Rate

There are 1390 SMEs in Narok town, while the study sample constituted of 10% of the SMEs. The sample size for the study constituted of 139 SMEs out of a target population. Respondents from 93 companies submitted their response to the researcher. The valid respondents were 93 SMEs, which represents 66.9% of the sampled SMEs in Narok Town. Various scholars have suggested acceptable response rate that can inform sound data analysis, where Kothari (2004) assertion that atleast 50% response is enough while a response rate greater than 70% is very good. Nachmias and Nachmis (2004) suggest that a response rate of 50% and above is satisfactory and represents a good basis for data analysis. Morris (2008) supports this argument that for a social study, responses bearing

over 60% response rate are enough for making adequate research conclusions. Thus, 66.9% response rate for the current study is deemed satisfactory and adequate to inform data analysis. Table **4.1 details the study findings.**

Table 4.1: Response Rate

Category	Frequency	Percent
Response	93	66.9
Non-Response	46	30.1
Total	**139**	**100.0**

The response rate realized in this study is considered reliable for data analysis 93% Mugenda and Mugenda (2003).

4.2 Demographic Characteristics

4.2.1 Organizational and Respondents' Demographics

The study collected both individual attributes of the respondents and organizational demographics where respondents worked. Respondents' socio-demographic information included year's level of education, whereas organizational demographics used for the study focused on the years of operation in Kenya.

4.2.1 Level of Education

The researcher chose to collect information pertaining to the level of education because of the anticipated a relationship between the level of education and understanding of entrepreneurship. Education has been found to moderate in many issues relating to enterprise/business growth. Specifically, the level of education has been found to be associated with better understanding of entrepreneurial orientation and how this effect on

general growth of SMEs. The study therefore tried to find out the level of education of the participants. The results are presented in table 4.2below

Table 4.*2*: Respondents' Education Level

Education Level		Frequency	Percent
	Primary	9	9.7
	Secondary	13	14.0
	College Diploma	27	29.0
	University	44	47.3
	Total	**93**	**100.0**

From table 4.2 above, majority (47.3%) of the persons who responded had university education followed by college diploma education who had a response rate of 29.0%, while 14.0% of the respondents had secondary education. Put together, majority of the participants at 87.1% had secondary education and above. This is not surprising as the secondary education is considered basic education and education policies, such as free secondary education, encourage school. On the other hand, 3.2% of the sampled respondents did not specify education level, while 9.7% of the respondents had primary education.

4.2.2 Years of Operation

The study sought to establish the years of operation for the small medium enterprises operating in Narok. Respondents were required to provide the range in years as indicated in table 4.3 below.

Table 4.3: Years of operation in Narok

Years of operation	Percent
1 - 5 years	37.6
6 - 10 years	22.6
11- 15 years	30.1
Over 16 years	9.7
Total	**100.0**

From table 4.7 above, majority (37.6%) of the SMEs have been operating in Kenya for the 1-5 years followed by 30.1%, which have operated for 11-15 years. On the other hand, 22.6% of the SMEs had operated for 11-15 years, while 9.7% have operated for over 16 years. This finding suggests that most SMEs in Narok town have experience on the operating environment and thus able to provide information on enterprise growth.

4.3: Descriptive Statistics

This division represents the descriptive outcomes Influence of Innovativeness, on Entrepreneurial pro-activeness on Influence of Risk taking and Enterprise Growth, the effect of entrepreneurial was undertaken in order to determine the extent to which it affects the growth of medium and small enterprises in Narok town in a five- point Likert scale. The range was ‘strongly disagree (1)’ to ‘agree’ (5). The scores of disagreeing have been taken to represent a variable, which had a mean score of less than 2.5 on the continuous Likert scale. The scores of ‘Neutral’ have been taken to represent a variable with a mean score of 2.5 to 3.4 on the continuous Likert scale while the score of both agree and strongly agree have been taken to represent a variable which had a mean score

of 3.5 to 5.0 on a continuous Likert scale. A standard deviation of > 0.9 implies a significant difference on the impact of the variable among respondents.

4.3.1: Entrepreneurial Pro activeness

To determine the effect of Entrepreneurial pro activeness on the growth of medium and small-sized enterprises in Narok town was the main objective of the study. The major objective of the study o. The respondents responded to statements on **Entrepreneurial Pro activeness** n. Rated on a five Likert scale, the responses were as obtainable in Table 4.6. The respondents agreed that I have incorporated creative business management different from competitors with mean score of 2.9462. The low standard deviation of 1.05671. Indicates that the variation among the respondents was low. The respondents were further in agreement that my venture seeks local and national business opportunities (mean=2.914); my business assesses the past, today and predict on the future demands for decision-making (mean=2.9032) and Entrepreneurial pro activeness is pegged on fulfilling the current and future needs of the client. (Mean=2.9032) and finally Being proactive in business leads to the growth of SMEs venture (mean=2.9032. The high standard deviation of 1.14269 indicates that there was high variation among the respondents.

Table 4 .6: Entrepreneurial pro-activeness

	N	Mean	Std. Deviation
Being proactive in business leads to the growth of SMEs venture.	93	2.5914	1.10568
Entrepreneurial pro activeness is pegged on fulfilling the current and future needs of the client.	93	2.8925	1.11767
My business assesses the past, today and predict on the future demands for decision making	93	2.9032	1.14269
My venture seeks local and national business opportunities.	93	2.914	1.02846
I have incorporated creative business management different from competitors.	93	2.9462	1.05671
Valid N (list wise)	93		

4.3.2: Innovation

To determine the effect of innovation on the growth of medium and small-sized enterprises in Narok town was the other objective of the study. The major objective of the study. The respondents responded to statements on innovation. Rated on a five Likert scale, the responses were as obtainable in Table 4.6 the respondents agreed that my business model is meant to encourage the developing new innovative technological processes with mean score of 3.1828? The low standard deviation of 1.1079 Indicates that the variation among the respondents was low, The respondents were further in

agreement Technological ideas in small medium enterprises have brought new products/ services in the market with mean score of 2.9785, Entrepreneurial innovation is key to business growth with mean score of 2.8925, Innovativeness has enabled market penetration of small, medium enterprises. With mean score of 2.7849 and finally Business, innovation generates significant new value for customers. With mean score of 2.7204, the high standard deviation of 1.22427 indicates that there was high variation among the respondents

Table 4. 7: innovations

	N	Mean	Std. Deviation
my business model is meant to encourage the developing new innovative technological processes	93	3.1828	1.22427
Technological ideas in small medium enterprises have brought new products/ services in the market	93	2.9785	1.17008
Entrepreneurial innovation is key to business growth	93	2.8925	1.1079
Innovativeness has enabled market penetration of small, medium enterprises.	93	2.7849	1.00919
Business innovation generates significant new value for customers.	93	2.7204	1.03594
Valid N (listwise)	93		

4.3.3: Risk Taking

To determine the effect of risk taking on the growth of medium and small-sized enterprises in Narok town was the other objective of the study. The major objective of the study. The respondents responded to statements on innovation. Rated on a five Likert scale, the responses were as obtainable in Table 4.6 the respondents agreed that I apply risk management strategies to mitigate the effect of risk with a mean score of 2.8817. The low standard deviation of 1.11169 Indicates that the variation among the respondents was low, the respondents were further in agreement Running SMEs involves borrowing which comes with many risks with a mean score of 2.8602, Balancing on the pro rata has enabled me to grow my business. with mean score of 2.7634 and Business risk is articulated on the return and growth in the SMEs with mean of score of 2.7527. The high standard deviation of 1.22427 indicates that there was high variation among the respondents

Table 4 .8:Risk Taking

	N	Mean	Std. Deviation
I apply risk management strategies to mitigate the effect of risk.	93	2.8817	1.11169
Running SMEs involves borrowing which comes with many risks.	93	2.8602	1.20318
Balancing on the pro rata has enabled me to grow my business.	93	2.7634	1.13634
Business risk is articulated on the return and growth in the SMEs	93	2.7527	1.26539

Valid N (listwise)	93		

4.4: Diagnostic tests

The study used Ordinary least square method for linear regression analyses and pre and post examination test were performed to examine LR model assumption.

4.4.1:Pre-estimation tests:

This is carried out to ensure normality and multicollinearity of results before fitting the model. This procedure is carried out using two tests, which are explained in detail below.

4.4.2: Schapiro Wilk test for normal data –

The Schapiro Wilk test results for normal data are presented in appendix 111:

The findings above indicate that all variables in the study had a p-value less than 0.05; hence, the study didn't follow a normal distribution making the (OLS) method unsuitable for analysis of the data however this did have severe implication on the analysis since the variable were significant for analysis

4.4.3: Pearson Correlation test for Multicollinearity

To avoid a high correlation of the variables used, multicollinearity test was carried out using the Pearson correlation techniques shown in table 4.9 below.

Table 4. 9: Pearson Correlation test for Multicollinearity

		Entrepreneurial proactive	Innovations	Risk taking
Entrepreneurial proactive	Pearson Correlation	1		
	Sig. (2-tailed)			
	N	93		
Innovations	Pearson Correlation	.786**	1	
	Sig. (2-tailed)	.000		
	N	93	93	
Risk-Taking	Pearson Correlation	.727**	.727**	1
	Sig. (2-tailed)	.000	.000	
	N	93	93	93
**. Correlation is significant at the 0.01 level (2-tailed).				

The three independent variables where are moderately correlated to each other, none had exceeded 0.8, and therefore the OLS technique was appropriate hence there were no presence of Multicollinearity among the independent variables

4.4.4: Post estimation tests:

Other assumptions can only be determined after running the regression of modal. These post estimation tests include Heteroscedasticity – (non-uniformity of errors) and the general characteristic behavior of residuals variables. These tests are crucial to ascertain that the data used in the study followed normal distribution or whether some transformation is required the running the regression in the final model. The following were the post estimation tests performed and the results thereof:

4.3.5: VIF test for multicollinearity

This test is carried out after regression to confirm the pretest indicated earlier on normality and multicollinearity of data as shown appendix IV

The results of the table above give a mean VIF of 2.83068, which is less than the set threshold of 10 when the variables are perfectly collinear. This therefore confirms that there is no multicollinearity in the data used in line with the pre-test done on the data.

4.4.6: Test for Heteroscedasticity

OLS results are rendered biased if the pattern of errors does not remain constant throughout the observations (Gujarat 2003). This is referred to Heteroscedasticity problem, and to minimize this the residuals were subjected to graphical and non-graphical Breusch-Pagan test after regression. The Breusch-Pagan test tests that the null

hypothesis that the error variances are constant throughout the observation unless the results prove otherwise. The results are presented below in appendix V

The results in the table above posted a p value of 0.4254 at 95% confidence level hence the study to reject the null hypothesis that the errors were homogeneous and therefore the study concluded that there was no presence of Heteroscedasticity in the model.

4.4.7: Histogram test for normality

This study checked for non-normality of residuals using the graphical technique where normality is confirmed when a superimposed curve covering the bar graphs is bell shaped. The histogram test results are presented in appendix VI, vii, vii figure below.

The histograms above reveal a bell shape superimposed on the bar of the histogram. This confirms the Shapiro Wilk pre-test that the data used in the study was distributed normally allowing the use of OLS technique for the data analysis

4.5: Regression Analysis

The results in table 4.12 represent the fitness of model used of the model regression in explaining the study phenomena. Coefficient of determination of the study explains the extent to which changes in the dependent variable can be explained by the change in the independent variables or the percentage of variation in the dependent variable (that is explained by all the three independent variables (Innovativeness, Entrepreneurial pro-activeness, Risk taking). The three independent variables studied explain only 58% of growth of small and medium size enterprises in Narok town this therefore implied that

other factors not studied in this research contribute 42% of the growth of small and medium size enterprises

Table 4.10: Model Fitness

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.761[a]	.580	.566	.65714

a. Predictors: (Constant), risktaking2, Entepreneurialproactive2, Innovations2

4.5.1 Analysis of Variance

Analysis of variance tests the p-value which in turn shows the level of interaction of the independent variable with the dependent variable. If the significance results show that they are less than the critical value expected, also known as the probability value (p) which is statistically set at 0.05, then the results would mean that the model is significant in explaining the relationship; otherwise it means that the model is not significant.

Table 4. 11: Analysis of Variance

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	53.018	3	17.673	40.925	.000[b]
	Residual	38.433	89	.432		
	Total	91.452	92			

a. Dependent Variable: growthofSMES2

b. Predictors: (Constant), risktaking2, Entepreneurialproactive2, Innovations2

Table 4.1

Table 4.11 shows the results of variance analysis (ANOVA). The results imply that the overall model is significant in explaining the relationship. Further, the results indicate that the independent variables are good predictors of growth of medium and small enterprises in Narok town. This was fully supported by an F statistic of 40.925 and the reported p value (0.000) which was less than the conventional probability of 0.05significance level.

4.5.2 Regression Coefficients

Regression of coefficients results in table 4.12. As regards, Entrepreneurial proactive, the results show that; T=1.589 and` p-value =0.116 since p>0.05 at the α=0.05 level of insignificant there exist enough evidence to conclude that the Entrepreneurial proactive is greater than 0.005, hence, that appreciating the study conclusion that is Entrepreneurial proactive useful as a predictor of growth of Medium and small size enterprises in Narok town

Innovations was equally tested and from these result T=2.034, p-value=0.000 atα =0.05 level of significant; there exist enough evidence to conclude that the Innovations is not zero and hence, that Innovations is useful as a predictor of growth of small and medium size enterprises in Narok town.

As regards, Risk taking, the results show that; T=3.719 and p-value =0.000 since p<0.05 at 0.05 level of significant there exist enough evidence to conclude that the Risk taking is

less than 0.005, hence, that appreciating the study conclude that risking taking is useful as a predictor of growth of small and medium size enterprises in Narok town .

Table 4. 12: Regression of Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	0.341	0.246		1.384	0.17
	Entrepreneurial proactive	0.205	0.129	0.19	1.589	0.116
	Innovations	0.279	0.137	0.243	2.034	0.045
	Risk taking	0.404	0.109	0.4	3.719	0

a. Dependent Variable: growth of MSEs.

From the data, the established regression equation was

$Y = 0.341 + 0.205x_1 + 0.279x_2 + 0.404x_3$

The model shows Entrepreneurial proactive as having a positive coefficient, which showed that they were directly proportional to growth of SMES. A mean that a unit increase in entrepreneurial proactive will increases the growth of SMES by 0.0205 unit and a unit increase in innovation will increase the growth of SMES by 0.279 and lastly a unit change in Risk taking will increase the growth of SMES by 0.404unit

The results obtained in table indicted that when all the variables are zero, that is entrepreneurial proactive =0, innovation =0 and risking taking =0 then SMES will grow will increase by unit.0.341

In conclusion, the inferential statistic showed that growth of SMES in Narok town was explained by independent variable; innovation and risk-taking c, therefore appreciating that innovation and risk taking are good predictor of growth of SMES in Narok town according to this study

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This study examined the effect of effect of entrepreneurial orientation to growth of medium and small enterprises in Narok town Therefore, this chapter presented the summary of results of the study, recommendations and conclusions in line with the objectives of the study. It also compared the results with existing literature. In addition, the chapter also presented policy implications and recommendations made to various stakeholders. Various limitations of the study were also highlighted and areas for further research were as well suggested.

5.2 Summary of Findings

5.2.1 To determine the effect of entrepreneurial proactive to the growth of medium and small-sized enterprises in Narok town

The study's regression results showed a coefficient of 0.0.205 for entrepreneurial proactive p s, with a p value of 0.116 therefore implying that there was a positive in significant relationship between the entrepreneurial proactive to the growth of growth of medium and small size enterprises in Narok town. The actors, which contributed this, were I have incorporated creative business management different from competitors, My venture seeks local and national business opportunities and My business assesses the past, today and predict on the future demands for decision making Furthermore, the study found that entrepreneurial pro-activeness is pegged on fulfilling the current and future needs of the client coupled with assessing the business predicts the future demands for decision making. Evidently, the study found that most of the SMEs have incorporated

creative business management different from competitors coupled with SMEs seeking local and national business opportunities. The findings were in agreement with Altinay, Madanoglu, De Vita, Arasli, and Ekinci (2016) delved into the interface between organizational learning capability, entrepreneurial orientation (EO), and small business performance. It reports on the findings from 350 medium and small enterprises in North Cyprus operating in the services and retailing sectors. The findings indicate a positive relationship between EO, sales, and market share growth, but not between EO and employment growth. There is also a positive relationship between organizational learning capability and EO. This paper contributes to the small business management literature by providing a holistic analysis of the interface between organizational learning capability, EO, and growth.

5.2.2 To determine the influence of innovativeness on the growth of medium and small-sized enterprises in Narok town

The study's regression results showed a coefficient of 0.279 for innovativeness, with a p value of 0.045 therefore implying that there was a positive significant relationship between the entrepreneurial proactive growth of medium and small size enterprises in Narok town. This finding was mainly contributed by business model is meant to encourage the developing new innovative technological processes, Technological ideas in medium and small enterprises have brought new products/ services in the market and Entrepreneurial innovation is key to business growth factors

Furthermore, the study found that entrepreneurial pro-activeness is pegged on fulfilling the current and future needs of the client coupled with assessing the business predicts the future demands for decision making. Evidently, the study found that most of the SMEs

have incorporated creative business management different from competitors coupled with SMEs seeking local and national business opportunities .This finding were supported by Kreiser, Marino, Kuratko, and Weaver (2013) disaggregated entrepreneurial orientation by utilizing a sample consisting of 1,668 small-to-medium sized enterprises (SMEs) in nine countries across 13 different industries to provide a finer-grained analysis of the EO-performance relationship. Specifically, we theorize and test a non-monotonic influence of innovativeness, proactiveness, and risk-taking on SME performance. Innovativeness and proactiveness displayed predominantly positive U-shaped relationships with SME performance. Risk-taking, however, displayed a predominantly negative U-shaped relationship with SME performance. Further, individualism was found to very well moderate the relationships between innovativeness-performance and proactiveness-performance. Taken together, these results suggest that differential relationships exist between three dimensions of EO and SME performance, with important theoretical implications for future EO research.

5.2.2 To look at the effect of risk takingto growth of medium and small-sized enterprises in Narok town

The study's regression results showed a coefficient of 0.404 for Risk taking, with a p value of 0.00 therefore implying that there was a positive significant relationship between the entrepreneurial proactive on the growth of growth of small and medium size enterprises in Narok town. The was influence by apply risk management strategies to mitigate the effect of risk, Running SMEs involves borrowing which comes with many risks and Balancing on the pro rata has enabled me to grow my business. In addition, the study established that running SMEs involves borrowing, which comes with many risks

coupled with the need to balance pro-rate to growing SMEs. Moreover, the study results reveal that application of risk management strategies to mitigate the effect of risk augments enterprise growth of SMEs this finding have been supported by Kitigin (2017) delved into relationship between risk-taking and business performance among small and medium enterprises in Eldoret town, where the study established that there is a strong positive correlation between risk-taking and business performance of SMEs in Eldoret town. Therefore, committing business resources to venture in uncertain and unfamiliar environments could result in increased returns and market share for the business and Wanjau, Samburu, and Mung'atu (2015) investigated the relationship between risk taking and performance of small and medium agro processing enterprises in Kenya, where the findings of this study show that risk taking has a great impact on firm performance of agro processing SMEs in Kenya. Specifically, risk taking has a significant positive effect on firm performance of agro processing SMEs in terms of growth and profitability. Owner/managers agro processing SMEs need to adopt an entrepreneurial mindset wherein at the heart lays the ability of the owner/managers to accept and manage risk. It is the primary way agro-processing SMEs can successfully seize profitable opportunities in the face of uncertainty. The findings demonstrate that the ability of SMEs to stay competitive is directly related to the intensity of taking risks

5.3 Study Conclusion.

From the study findings under the first objective of the study, the study concludes that there exist an insignificant ($p > .05$) relationship for innovativeness and enterprise growth for medium and small enterprises.

From the study findings under the second objective of the study, the study concludes that there exist a significant ($p < .05$) and positive relationship between entrepreneurial proactiveness and enterprise growth for medium and small enterprises.

Based on the study findings under the third objective of the study, the study concludes that there exist a significant ($p < .05$) and positive relationship between risk-taking and enterprise growth for medium and small enterprises

5.4 Recommendations

The study found that innovativeness as a dimension of entrepreneurial orientation has a positive and significant influence on the enterprise growth of small and medium enterprises. Accordingly, the study recommends that SMEs should leverage technological innovation as a basis of enhancing business processes, internal efficiency, and infusing new products and services.

The study established that entrepreneurial proactiveness is positively correlated with enterprise growth of SMEs. In light of this finding, the study recommends that medium and small enterprises should continuously monitor and asses their past and present processes with a view to predicting future trends and patterns in relation to anticipated consumer needs and consumption patterns.

The study established that risk-taking as a dimension of entrepreneurial orientation has a significant relationship with enterprise growth of SMEs. Accordingly, the study recommends that even though risk taking an important approach to business growth, there is need to incorporate risk management strategies to mitigate the effect of risks involved in borrowing.

5.5 Suggestions for further study

The study was limited to three variables of the study, which explained 21.7% of variance in on the enterprise growth of medium and small enterprises. The study recommends further study on growth strategies to ascertain the influence of other growth strategies not captured in the current study. Furthermore, the study was undertaken in SMEs, which necessitates the need to undertake a study on other sectors of the economy to establish whether the results had been consistent or incongruent.

5.6 Limitations of the study

The study faced the challenge of unresponsive of research participants, as some respondents were not willing to give information or provided inconsistent information because of confidentiality concerns. The study was restricted to only three variables, that is, Innovativeness, Proactiveness, Risk-Taking, which limited the scope of the study. To reduce the mentioned limitations, research was conducted over a large population. This aided in getting a varied sampling population and thus more accurate representation of the research participants.

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APPENDICES 1: LETTER OF INTRODUCTION

LETTER OF INTRODUCTION

LETIM LEBOI
P.O. BOX 301
NAROK , KENYA
Email: leboiletim@yahoo.com

TO THE RESPONDENTS

RE: RESEARCH ASSISTANCE.

I am a final year student at KCA University pursuing my Masters of Business Administration in Corporate Management and am carrying out a research study on **EFFECT OF ENTREPRENEURIAL ORIENTATION ON GROWTH OF SMALL AND MEDIUM SIZE ENTERPRISES IN NAROK TOWN**.

I kindly appeal for your generous participation in filling the attached questionnaires. The evidence gotten had been rigorously used for academic research. The respondents are guaranteed that the information provided had been treated as private and confidential.

Yours Sincerely

Leboi Letim

Sign…….

APPENDICES I1: RESEARCH QUESTIONNAIRES

RESEARCH QUESTIONNAIRES

This investigation is projected to find out the effect of entrepreneurial orientation on the growth of small and medium scale sized enterprises with a case study of Narok Town. The results are expected to assist the SMES, government, policymakers, industry stakeholders and academicians in understanding deeply about commercial positioning and growth of small and medium scale sized initiatives. This survey consists of six sections (Sections A to E). Kindly respond to all questions by stroking a tick (✓) in the box corresponding your reply or write your response in the space provided if it is not included in the choices. The data assumed here will only be used for purposes of academic study and had been preserved with utmost confidentiality. Your cooperation had been extremely appreciated.

SECTION A: BACKGROUND INFORMATION

Questionnaire No…….

Date……...

1. Level of education

Primary [] Secondary [ ] College Diploma [ ]University [ ]

2. How many years have you been running your business?

1 – 5 years	[ ]	6 – 10 years	[ ]
11- 15 years	[ ]	Over 16 years	[ ]

Section B: Entrepreneurial Pro activeness

8. To what degree do you agree with the succeeding statements about entrepreneurial pro activeness on the growth of small and medium-sized enterprises?

Use the following Likert scale: Strongly Disagree (1); Disagree (2); Neither Agree nor Disagree (3); Agree (4); strongly agree (5).

Please tick (✓) the numeric value corresponding to your personal opinion for each statement.

Statement relating to entrepreneurial pro activeness and its effect on the growth of small and medium-sized enterprises.	SA 5	A 4	N 3	D 2	SD 1
Being proactive in business leads to the growth of SMEs venture.					
Entrepreneurial pro activeness is pegged on fulfilling the current and future needs of the client.					
My business assesses the past, today and predict on the future demands for decision making					
I have incorporated creative business management different from competitors.					
My venture seeks local and national business opportunities.					

Section C: Innovation

9. To what extent do the following factors relating to innovation affect the growth of small and medium-sized enterprises?

Indicate your level of agreement with the following statements relating to innovation and the growth of small and medium-sized enterprises?

Use the following scale: Strongly Disagree (1); Disagree (2); Neither Agree nor Disagree (3); Agree (4); strongly agree (5)

Statements relating to innovation and the growth of small and medium-sized enterprises	SA 5	A 4	N 3	D 2	SD 1
Entrepreneurial innovation is key to business growth					
Innovativeness has enabled market penetration of small, medium enterprises.					
Technological ideas in small medium enterprises have brought new products/ services in the market					
my business model is meant to encourage the developing new innovative technological processes					
Business innovation generates significant new value for customers.					

Section D: Risk Taking

10. Indicate your level of agreement with the following statements relating to risk-taking and the growth of small and medium-sized enterprises.

Use the following scale: Strongly Disagree (1); Disagree (2); Neither Agree nor Disagree (3); Agree (4); strongly agree (5)

Statements relating to risk-taking and the growth of small and medium-sized enterprises.	SA 5	A 4	N 3	D 2	SD 1
Business risk is articulated on the return and growth in the SMEs					
Running SMEs involves borrowing which comes with many risks.					
Balancing on the pro rata has enabled me to grow my business.					
I apply risk management strategies to mitigate the effect of risk.					

Section F: Growth of Small and Medium Size Enterprises

11. The following statements seek to get information on the growth of your small and medium-sized enterprises

Kindly tick in each category the number estimating to the best of your knowledge how your small and medium-sized enterprises have grown from the time of operation.

Indicators	SA 5	A 4	N 3	D2	SD 1
The number of employees has increased					
Increase in sales revenue					
Growth in market share					
Increase in return on investment					

Thank You

APPENDICES III: Tests of Normality

	Kolmogorov-Smirnov[a]			Shapiro-Wilk		
	Statistic	df	Sig.	Statistic	df	Sig.
Entepreneurialproactive2	.093	93	.046	.977	93	.093
Innovations2	.100	93	.022	.960	93	.006
risktaking2	.107	93	.010	.967	93	.018

a. Lilliefors Significance Correction

APPENDICES IV: Tests OF Multicollinearity

Model		Collinearity Statistics	
		Tolerance	VIF
1	(Constant)		
	Entepreneurialproactive	.331	3.018
	Innovations	.331	3.019
	risktaking	.407	2.455

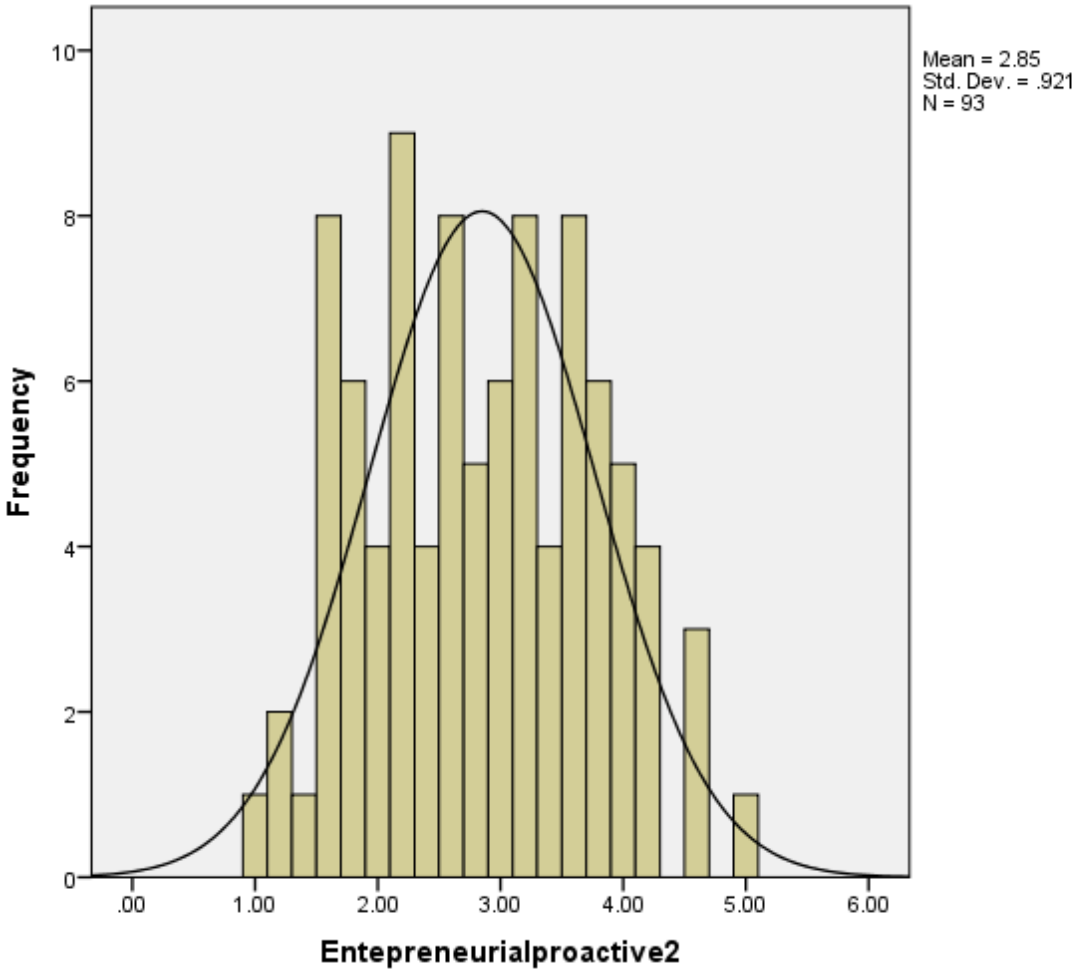
a. Dependent Variable: growthofSMES2

VIF MEAN 2.830687389

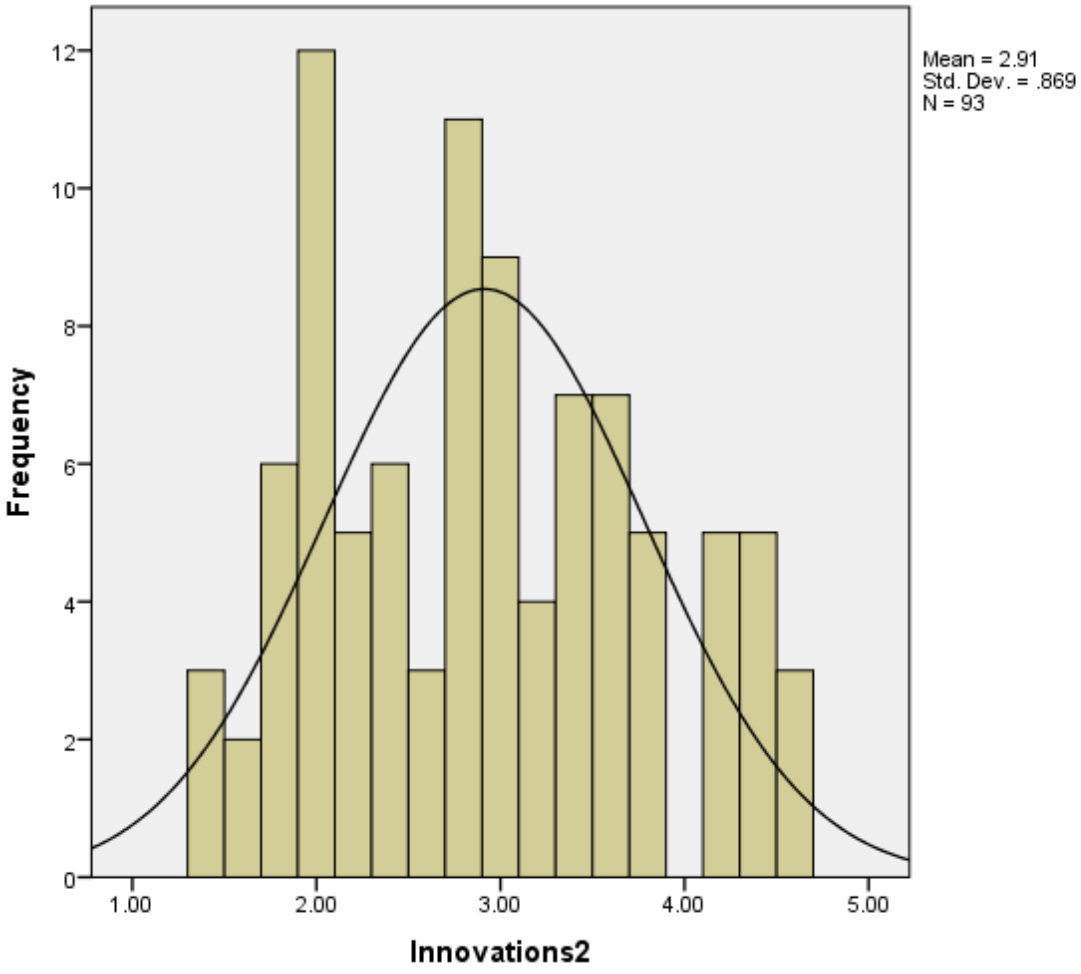
APPENDICES V: Tests OF Test for Heteroscedasticity

```
. estat hettest

Breusch-Pagan / Cook-Weisberg test for heteroskedasticity
         Ho: Constant variance
         Variables: fitted values of growthofsmes2

         chi2(1)      =    0.64
         Prob > chi2  =   0.4254
```

APPENDICES V1: Histogram test for Entrepreneurial proactive



APPENDICES V1: Histogram test for innovations



APPENDICES V1: Histogram test for Risk taking