

**EFFECT OF SOCIAL ENTREPRENEURSHIP
FACTORS ON FIRM PERFORMANCE OF
ENTERPRISE BASED PARASTATALS IN KENYA**

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**Effect of Social Entrepreneurship Factors on Firm Performance of
Enterprise Based Parastatals in Kenya**

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DECLARATION

This thesis is my original work and has not been presented for a degree in any other university.

Signed Date.....

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This thesis has been submitted for examination with our approval as the university supervisors.

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DEDICATION

This thesis is dedicated to family members namely my wife Clare Cherono and mother Susan Njoki Barua, my dear lovely children Barbara Wanjiru, Angela Muthoni and Joshua Barua in memory of my late wife Mercy Nyawira Njogu and late father Faustus Barua Njogu . May the Lord rest their souls in eternal peace.

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ABBREVIATIONS AND ACRONYMS

| | |
|--------------|--|
| ANOVA | Analysis of Variance |
| BE | Business Enterprise |
| CE | Corporate Entrepreneurship |
| CEO | Chief Executive Officer |
| CI | Confidence Interval |
| DF | Degrees of freedom |
| CSE | Corporate Social Entrepreneurship |
| Exp. | Exponent |
| GDP | Gross Domestic Product |
| ICT | Information Communication Technologies |
| KMO | Kaiser – Meyer – Olkin |
| MSA | Measure of Sampling Adequacy |
| PCA | Principal Component Analysis |
| PCM | Principal Component Method |
| SE | Social Entrepreneurship |
| SE | Standard Error |
| SIG | Significance |

SMEs

Small and Medium Enterprises

SPSS

Statistical Package for Social Sciences

DEFINITION OF TERMS

Entrepreneurship: The capacity and willingness to develop organize and manage a business venture along with any of its risks in order to make a profit. Entrepreneurial spirit is characterized by innovation and risk-taking. An essential part of a nation's ability to succeed in an ever changing and increasingly competitive global marketplace (Ankinun, 2011).

Social Entrepreneurship Factors: Social entrepreneurship aims to produce a significant and comprehensive transformation of the way organizations operate. Social entrepreneurship factors: individual factors, organizational factors, organizational resources and environmental factors are central to that transformation process.

Corporate Entrepreneurship: The concept of corporate entrepreneurship refers to the development of new ideas and opportunities within large or established businesses, directly leading to the improvement of firm profitability and an enhancement of a competitive position or strategic renewal of an existing business (Brooks, 2009).

Intrapreneurship: Intrapreneurship is the practice of entrepreneurship in an established firm. Intrapreneurship applies the 'start up' style of management (characterized by flexibility, innovation, and risk taking) to a secure and stable firm. The objective is to fast track product development (by

circumventing the bureaucracy) to take advantage of a new opportunity or to assess feasibility of a new process or design (Brooks, 2009).

Social Entrepreneurship: Social entrepreneurship involves the application of the mindset, processes, tools, and techniques of business entrepreneurship to the pursuit of a social and/or environmental mission. It embodies the enterprising spirit of the private sector and uses the power of economic markets to generate and deliver solutions to social problems (Jiao, 2011).

Social Entrepreneur: A social entrepreneur is someone who recognizes a social problem and uses entrepreneurial principles to organize, create, and manage a venture to make social change. Social entrepreneurship is the work of a social entrepreneur (Jiao, 2011).

Non-Profit Parastatal: A social organization performing social and commercial entrepreneurial activity to achieve self-sufficiency (Mair & Marti, 2009).

Enterprise Based Parastatal: A social-purpose business performing social and entrepreneurial activities simultaneously to achieve sustainability and investors can benefit from personal monetary gain (Katz & Page, 2010).

Firm Performance: In this study firm performance is a way to satisfy stakeholders and can be represented by increase in profits and sales value (Glick *et al.*, 2005).

ABSTRACT

The essence of this research was to examine the effect of SE factors on the performance of commercially oriented parastatals in Kenya. The study objectives were to: determine whether individual factors have an effect on the performance, establish the effect of organizational factors on the performance, establish the effect of organizational resources on the performance and determine the effect of environmental factors on the performance of enterprise based parastatals in Kenya.

The study adopted a survey design with mixed approaches: a systematic integration of quantitative and qualitative methods. The population of the study was 55 enterprise based parastatals with a population of 495 top managers. Using stratified and simple random methods, 270 respondents were randomly selected from amongst the 30 commercially oriented parastatals in Kenya. The respondents comprised of top managers from the 30 parastatals. The questionnaire was used to collect data. Secondary data was collected from financial and audited statements. Coefficients between independent variables (Individual factors, organizational factors, organizational resources and environmental factors) and dependent variable (firm performance) elements obtained from factor analysis were computed to explore possible strengths and direction of relationships. Binary logistic regression analysis was conducted and the results were used to make interpretations and conclusions. The results of findings showed that the correlation results indicated that there was: a positive and significant relationship between individual factors, organizational resources, and organizational factors, environmental factors on the performance of enterprise based parastatals. The study recommended that for the enterprise based parastatals to improve their performance, they should continuously improve personality traits and enhance firm attributes, strategies and firm specific resources. Further recommendations were exploitation of potential of individuals through motivation as well as recognition of personal backgrounds and fostering individual competencies, organizational factors and dynamic

capabilities. The study also recommended optimum use of human and physical resources as well as effective and efficient use of financial and experiential resources. Finally, it was also recommended that the enterprises should consider dynamic and hostile aspects of the environment planning and consider heterogeneity and competitive intensity in strategic planning. The implication of the study is that two similar studies can further be undertaken: one measuring the performance of enterprise based parastatals in terms of non-financial performance and the other to investigate the effect of the four independent variables on the performance of non-enterprise based parastatals in Kenya.

CHAPTER ONE

INTRODUCTION

1.1 Introduction

This introductory chapter presents the background to the study. The chapter also presents the problem the study intends to investigate, the objectives it hopes to achieve and the hypotheses it intends to test. A brief statement of the anticipated usefulness of the study, the limitations and scope that governed the study concludes the chapter.

1.2 Background to the Study

Social enterprises are those firms that produce and sell goods and services by putting the highest priority on social purposes such as the provision of social services and jobs to the marginalized members of the society, and the enhancement of the quality of life of communities. Social enterprises can be said to be in between profit organizations and non-profit organizations (Defourny & Nyssens, 2010).

Studies in America, Europe and Asia indicate that social enterprises have appeared to create self-reliance among lower-income groups and finances for operating nonprofit organization. Recent studies on social enterprises in Europe and Germany in particular show that most social entrepreneurs are engaged in the traditional welfare activities such as elderly care, child and youth care, in education, labor market integration, sustainable ecological development and ecological protection, economic regional development, fair trade and advocacy (Harbrecht, 2010). While the concept of social entrepreneurship is relatively new America, initiatives that employ entrepreneurial capacities to solve social problems are not. For instance, Kerlin (2010) sees social enterprise as a concept for organizations that fall within social engagement for non-profits activities.

The Global Entrepreneurship Monitor (GEM) Report based on Social Entrepreneurship activity (SEA) prevalence in 49 countries in Asia showed that Malaysia social entrepreneurship concept, would benefit about 40 per cent of Malaysian from the low-income group (Mok, Gan & Sanyal, 2007).

These studies indicate that the number of social enterprises in America, Europe and Asia though largely distributed in the private sector receive governments' positive support (Sciascia, Naldi & Hunter, 2006). Lee (2009) asserted that to create social value, social enterprises must have elements of entrepreneurship such as innovation, progressiveness and risk taking.

In today's business environment, where the life cycles of products and services are becoming shorter and the future profits are uncertain, it is very important for commercially oriented parastatals in Africa to take risks and to be progressive and innovative (Peredo & McLean, 2006). Social entrepreneurship and market orientation are the key success factors of today's enterprises as they make it possible for new enterprises to survive and endure (Sciascia *et al.*, 2006).

Kwangwoo (2008) asserted that entrepreneurship and social networking are important for the continued operation of social enterprises and for increasing their social performance. In addition, systematic research on social entrepreneurship is necessary for sustainability of social enterprises. Although extensive research is being conducted on social enterprises in both developed and developing countries, such research is lacking in terms of identifying the effects of social entrepreneurship factors on performance of enterprise based parastatals.

1.2.1 Enterprise Based Parastatals in Kenya

A Parastatal is a state corporations and agencies mainly established by a statute or an Act of Parliament in pursuance of Government policy (Handbook for Civil Service Staff,

2006). Parastatals were first established in Kenya by the colonial government to provide services that were not provided by the private sector (Wamalwa, 2003). Further, Wamalwa notes that all parastatals are public enterprises and are classified into three categories based on the revenue base, size and the ministry the parastatals falls under. In addition, parastatals are further classified in terms of whether they are financial sector, commercial/manufacturing sector, regulatory sector, public universities, training and research, service corporations, regional development authorities, and finally tertiary education and training (Handbook for Civil Service Staff, 2006). Currently there are 187 parastatals in Kenya (Presidential Taskforce on Parastatal Reforms Report, 2014).

Sessional Paper No.4 (GoK, 1991) on development and employment in Kenya contains information that while the creation of parastatals through which government participation in economic activities was promoted and was perhaps appropriate soon after independence, the objectives for and the circumstances under which most of the state enterprises were created have since changed.

The government has thus made progress in parastatals' reform through task forces.

The Presidential Taskforce on Parastatal Reforms Report (2014) which cites the State Corporations Act Cap. 446, Section 2, redefine parastatals as incorporated entities established by Government to undertake specific development and strategic activities on its behalf either on profit or non-profit basis. In addition, Atieno (2009) noted that Parastatals play a major role in most economies through the provision of public services such as transport and energy and established to foster wider developmental goals such as social amenities like schools and health services to communities.

According to Atieno (2009) and further documented in Presidential Taskforce on Parastatal Reforms Report (2014), within the parastatals in Kenya, there are 55 Enterprise Based Parastatals. Katz and Page (2010) define Enterprise Based Parastatals as

social-purpose business performing social and entrepreneurial activities simultaneously to achieve sustainability and investors can benefit from personal monetary gain. The enterprise based parastatals are classified according to the unique business they undertook and they are 14 sub-sectors in total which are: Manufacturing, Agriculture, Trade, Hospitality, Publishing, Finance, Housing, Energy, Water, Transport, Information, Insurance, Research and Maritime (Presidential Taskforce on Parastatal Reforms Report, 2014).

1.2.2 Social Entrepreneurship Factors and Performance of Enterprise based Parastatals in Kenya

As been mentioned in a section of this study, Enterprise Based Parastatals in Kenya today are saddled with a wide range of objectives (Mwaura, 2007). They perform diverse functions spanning manufacturing through service provision, environmental conservation to education and training as well as research and Maritime (Presidential Taskforce on Parastatal Reforms Report, 2014). As such, they are expected to serve the needs of industry; provide secure employment and boost citizen participation. However, Enterprise Based Parastatals performance has been mixed, characterized by notable successes, but also significant failures.

Despite these important socio-economic gains, most of the Enterprise Based Parastatals in Kenya are characterized by inefficiency losses and the provision of poor products and services (Mwaura, 2007). In the emerging environment, parastatals in Kenya need entrepreneurship aspects which are innovation, progressiveness and risk-taking to redistribute and to reconcile resources to create new values (Frishammar & Horte, 2007). Existing studies have restricted entrepreneurship to innovation, progressiveness and risk-taking (Gakure, 2003; Kibuka, 2011; Frishammar & Horte, 2007). In social enterprise, a social entrepreneur also needs the entrepreneurship qualities such as innovation, progressiveness and risk-taking propensity to create social values.

Unfortunately, Researches on the development of social entrepreneurship in Kenya are still rare (Defourny & Nyssens, 2004). However, according to Ochanda (2007) social entrepreneurship in Kenya has unequivocal application where non-government organizations initiatives are unable to satisfy the entire social deficit, where an effort on the reduction in dependency on social welfare is currently being instituted, and where the survival of many non-governmental organizations is at stake.

Although Ochanda (2007) noted that in non-governmental organizations, social entrepreneurs play the role of change agents by adopting a mission to create and sustain social value by recognizing and relentlessly pursuing new opportunities to serve that mission but occasionally they are characterized by massive inequalities in education, housing, the HIV/AIDS pandemic, and high unemployment and poverty rates (K'aol, 2002; Anheier, 2003).

A research by Mwaura (2007) on The Failure of Corporate Governance in State Owned Enterprises and the Need for Restructured Governance in Fully And Partially Privatized Enterprises in Kenya noted that Parastatals are deeply implicated in most fiscal problems because of their inefficiency, losses, budgetary burdens, and provision of poor products and services and which are used to justify their poor economic performance. Although Mwaura (2007) acknowledges the fact that social entrepreneurial process is often conceptualized as the result of a combination of various factors (Shane, Locke & Collins, 2003), the study only isolated economic factors as to influence performance of enterprise based parastatals in Kenya.

There is further overwhelming evidence revealing that due to the importance of social entrepreneurship as an element of the economic, social and economic contribution to the society, governments and researchers has developed particular interest to understand this phenomenon (Mwangi, 2015). Research by Mwangi (2015) on the Factors Influencing Sustainability of Social Entrepreneurship Projects ranked the factors that influence the

sustainability of social entrepreneurship projects as organizational policy, management capacity and financial returns. However, although he used a multiple regression model to establish the relationship between such factors and sustainability of social entrepreneurship projects in the Iko Toilet Project in Nairobi County, Kenya no attempt have been made to adopt the same model to establish the effects of social entrepreneurship factors on the performance of enterprise based parastals. Therefore, this study aims at determining the effects of social entrepreneurship factors on the performance of enterprise based parastatals in Kenya.

1.3 Statement of the Problem

Majority of the research studies on the effects of social entrepreneurship (S.E) have evolved within the domain of not-for-profit organization (Urbano, Toledano, & Soriano, 2010). Parastatal enterprises are an important job generator (Ferdinand, 2001) hence an insight into the factors of firm performance is important from a policy perspective. Over the last two decades, these factors have been studied in various disciplines, such as economics, strategy, psychology, network theory and innovation. Nevertheless, it is observed that knowledge of the relationship between social entrepreneurship and firm performance is still limited (Wiklund & Shep-herd, 2003) and the existing literature is highly fragmented. For instance, research from a psychological perspective focuses on the behavior of the entrepreneur (McMullen, 2011); research from a strategy point of view concentrates on the relationship between environment, business strategy and growth (Ogundele, 2007); while research from an economic point of view focuses on the relation between growth and firm size (Audretsch *et al.*, 2004). Thus, there exist diverse views, with none of them explaining the factors of firm performance in a holistic manner for parastatal enterprises.

Further, the literature on SE has tended to focus on renowned social entrepreneurs' experiences, personal characteristics, leadership and success factors (Christie & Honig,

2006). However, there is no solid evidence regarding studies on the effects on social entrepreneurship factors on the performance of parastatals (Urbano *et al.*, 2010). In this sense, an important number of both theoretical and case studies can be found (Bacq & Janssen, 2011; Dhesi, 2010; McMullen, 2011; Townsend & Hart, 2008; Weerawardena & Mort, 2006). Despite this, most studies deal with the issue in a fragmented and excessively descriptive way and most of the studies (McMullen, 2011 ; Dhesi, 2010) have also concentrated on the effects of SE on private sector enterprises.

Just like in most developed countries, information associating the effects of social entrepreneurship factors on performance of commercial oriented parastatals is scanty. A research undertaken in Kenya by Mokaya (2012) studied on factors that influence performance of private small, medium and large enterprises and ignoring the influence of such factors on commercial oriented parastatals. For example in their studies Zain and Hassan (2007) and Covin and Slevin (1986) found correlation coefficients of $r = 0.800$ and 0.390 ($P < 0.010$) respectively between SE and firm performance, indicating a positive relationship between SE and firm performance. Despite the success of SE dimensions in private firms in developed markets, little is known whether the SE dimensions have a positive or negative relationship with the performance of commercially oriented parastatals in a developing market such as Kenya.

Further, a research by Mwaura (2007) on The Failure of Corporate Governance in State Owned Enterprises and the Need for Restructured Governance in Fully and Partially Privatized Enterprises in Kenya identified problems inhibiting the performance of Parastatals as inefficiency, losses, budgetary burdens, and provision of poor products and services. In addition, Mwaura (2007) though noting that social entrepreneurial process is a combination of various factors only studied economic factors as to influence the performance of enterprise based parastatals in Kenya and ignoring the possible influence of other factors and whose interest forms the basis of the current study.

A Research by Mwangi (2015) on the Factors Influencing Sustainability of Social Entrepreneurship Projects ranked the factors that influence the sustainability of social entrepreneurship projects as organizational policy, management capacity and financial returns. Mwangi's study provoked interesting debate about the scope of social entrepreneurial factors and their effect on performance of enterprise based parastatals. It is in the light of this debate therefore, that this study aimed at determining the effects of social entrepreneurship factors on the performance of enterprise based parastatals in Kenya.

1.4 Objectives of the Study

1.4.1 General Objective

The main objective of this study was to determine the effects of social entrepreneurship factors on performance of enterprise based parastatals in Kenya.

1.4.2 Specific Objectives

1. To determine whether individual factors have an effect on the performance of enterprise based parastatals in Kenya.
2. To establish the effect of organizational factors on the performance of enterprise based parastatals in Kenya.
3. To establish the effect of organizational resources on the performance of enterprise based parastatals in Kenya.
4. To determine the effect of environmental factors on the performance of enterprise based parastatals in Kenya.

1.5 Hypotheses

The study was guided by the following four hypotheses:

Hypothesis 1 (H₁): Individual specific factors have positive significant effect on the performance of enterprise based parastatals in Kenya.

Hypothesis 2 (H₂): Organizational specific factors have positive significant effect on the performance of enterprise based parastatals in Kenya.

Hypothesis 3 (H₃): Organizational resources have positive significant effect on the performance of enterprise based parastatals in Kenya.

Hypothesis 4 (H₄): Environmental specific factors have positive significant effect on the performance of enterprise based parastatals in Kenya.

1.6 Significance of the Study

1.6.1 Parastatals

Enterprise based parastatals need to perform well in terms of sales, profits, assets and employment in Kenya which is an emerging market in Sub-Saharan Africa. One of the factors affecting this can be attributed to failure to identify the social entrepreneurship dimensions that affect their performance. First, there is very little information on how SE dimensions (individual factors, organizational factors, organizational resources and environmental factors) promotes the overall objective of performance of enterprise based parastatals in Kenya. This study examined the effect of SE dimensions on the performance of enterprise based parastatals in Kenya. This information will be useful in providing essential information for positive performance of enterprise based parastatals in terms of sales, profits and assets.

1.6.2 Policy makers

The study was aimed at establishing the effect of SE dimensions on performance of the enterprise based parastatals. This information on social entrepreneurship will enable policy makers in enterprise based parastatals in various ministries in Kenya and elsewhere to justify their funding for successful performance. In policy makers, government and other organizations involved in the enterprise based parastatals need to identify the role they play in economic development. Finally, policy makers, government officials and officials in non-governmental organizations will have the opportunity to base their future policies on social entrepreneurship from the findings of this research study.

1.6.3 Society

This study focused on a new and emerging area of research and will be beneficial to the society in a number of ways through the introduction of a new model based on the effect of social entrepreneurship factors on performance of enterprise based parastatals in Kenya. The study findings thus reveal insights into the usefulness and importance of social entrepreneurship. It is envisaged that the current study will benefit communities around enterprises based parastatals in Kenya by enhancing the performance of around enterprises based parastatals and consequently creating employment to the youth.

1.6.4 Managers

Managers in enterprise based parastatals will enjoy a set of criteria in which social entrepreneurship is based. In addition, managers will also have the information required to make informed decisions related to what social entrepreneurship is and can do to promote enterprise based parastatals. Such data will make the managers in enterprises more effective in discharging their duties, thereby maximizing benefits to the parastatals and other stakeholders.

1.6.5 Research

The study will add to the limited literature in Kenya on the effects of social entrepreneurship on the performance of enterprise based parastatals. Further, the study findings will provide researchers with information that can be useful for future research studies on social entrepreneurship.

Secondly, there are few theories and models on SE dimensions that have been developed by pro-SE scholars. The study adds value to the existing theories and models in the field of SE dimensions and performance of enterprise based parastatals by empirically examining their capability in Kenya

1.7 Scope of the Study

The study examined the effect of the SE factors on performance of enterprise based parastatals in Kenya. It involved 270 top managers from 30 enterprise based parastatals. It had earlier been observed in entrepreneurship that enterprise based parastatals depict same characteristics both in terms of profitability and sales (Durand, 2005; World Bank Institute, 2010). Variables examined are SE dimensions which include individual factors, organizational factors, organizational resources and environmental factors. The dependent variable was firm performance with sub variables being sales and profit.

1.8 Limitations of the Study

The study encountered two limitations. First, some institutions expressed reticence concerning financial matters and as such they found the study to be sensitive and expressed caution and were suspicious about the findings. To solve this problem, the researcher assured the respondents that the findings will only be used for the purpose that it was intended to. In addition, the respondents were assured that their responses will not only be confidential but also anonymous.

Secondly, parastatals heads took too long to respond to letters requesting permission to use their institutions for the current study, a threat to the response rate. This problem was overcome by the use of data quality control measures. Where possible, telephone verification was used to contact the selected respondents.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter reviews literature concerning the effects of social entrepreneurship factors on performance of enterprise based parastatals in Kenya. First, in section 2.2, a review of the Concept of Social Entrepreneurship is presented. In section 2.3, an overview of Theoretical Framework is also presented. A discussion of the various types of theories is made in subsections 2.3.1, 2.3.2, 2.3.3, 2.3.4 and 2.3.5. The conceptual framework showing the relationship between variables involved in the study is shown in section 2.4. The Empirical Review is covered in section 2.5. Critical literature reviews of the topics under consideration are further considered in section 2.6. Finally, a summary of the literature review and research gaps identified are discussed in section 2.7.

2.2 The Concept of Social Entrepreneurship

One major challenge in the field of social entrepreneurship is that researchers have not clearly defined what they mean by ‘social entrepreneurship and social entrepreneurs’ (Noruzi, Westover & Rahimi, 2010).

Noruzi, Westover and Rahimi (2010) pointed out that the definition of social entrepreneurship ranges from broad to narrow. In the broad definition, social entrepreneurship refers to an innovative activity with a social objective in the for-profit or in the non-profit sector. According to the narrow definition, it refers to the behavior of applying business capability and market-based techniques in the non-profit sector with a social objective. Nevertheless, all definitions support social value rather than personal and shareholder wealth, and focus on innovation and creation rather than simply practices.

Brooks (2009) described entrepreneurship as a process consisting of five parts namely opportunities recognition, concept development, resource determination and acquisition, launch and venture growth, and harvest of the venture. He also found the following attributes of SE among the variance in definitions: (1) social entrepreneurship addresses social problems which are not met by private markets or governments, (2) social entrepreneurship is motivated mostly by social benefit, or (3) social entrepreneurship generally works with—not against—market forces.

Jiao (2011) reviewed key studies in social entrepreneurship from 1985 to 2009 and classified the definition of social entrepreneurship into three groups: (1) definitions based on the mission focusing on the characteristic of the organization's mission, (2) definitions based on multiple dimensions such as innovativeness, risk management, pro-activeness, sustainability, and (3) definitions based on the operational processes or mechanisms. The focus of this study allows a definition of Social entrepreneurship in the context of the application of the mindset, processes, tools, and techniques of business entrepreneurship to the pursuit of a social mission that uses power of economic markets to generate and deliver solutions to social problems.

2.3 Theoretical Framework

From the preceding subsections ,social entrepreneurship have not evolved in a vacuum, but rather within a complex framework of institutional, political, economic, and social changes occurring at the global and local levels. Consequently, social entrepreneurship construct has been analyzed using diverse approaches (Harding, 2006; Johnson, 2000; Kramer, 2005).

The theories used and their linkages in the current study are discussed in the subsequent sections.

2.3.1 Agency Theory

Agency theory was developed by Jensen and Meckling (1976) and is defined as the relationship between the principals, such as shareholders and agents (social entrepreneurial company executives and managers). In this theory, shareholders who are the owners or principals of the companies hire the agents to perform work. Principals delegate the running of business to the directors or managers, who are the shareholder's agents. In the agency theory shareholders expect the agents to act and make decisions in the principal's interest. On the contrary, the agent may not necessarily make decisions in the best interests of the principals. In some instances the agents (managers) act opportunistically and pursue their own interests at the expense of principals (shareholders). Thus shareholders must accept the effects associated with individual factors, organizational factors, organizational resources and environmental factors in order to maintain SE performance and bonding managers in order to preserve their rights.

Calvo (2006) elaborated that the agency theory is concerned with resolving two SE problems that can occur in agency relationships. The first problem is the agency problem that arises when (a) the desires or goals of the principal and agent conflict and (b) it is difficult or expensive for the principal to verify what the agent is actually doing. The problem arises when the principal cannot verify that the agent has acted appropriately. The second is the problem of risk sharing that arises when the principal and agent have different attitudes towards risk. In this case the principal and the agent may prefer different actions because of different risk preferences. Coad (2009) posits that agency theory suggests two underlying strategies of control namely the behavior based and outcome based both of which rely upon performance evaluation. The key insights of agency theory are: (1) the role of uncertainty in the choice of effects individual, and (2) organizational and environmental SE factors on firm performance.

The agency theory provides a framework for deriving useful information for understanding organizational and environmental factors and their possible effect on performance among the enterprise based parastatals.

2.3.2 Stakeholder Theory

Stakeholders have been broadly defined as “any group or individual who can affect or is affected by the achievement of an organization’s objectives” (Freeman, 1984).The theory argues that SE organizations should serve all groups or individuals who have a stake in the organization, typically including employees, customers, suppliers, and local communities. This study makes no exception to this paradigm shift and attempted to approach social entrepreneurship from this theoretical perspective. While the shareholder theory espouses the “free market” doctrine, stakeholder theory argues that the problems of free rider, moral hazards and monopoly power inherent to the free market justify government intervention and corporate social responsibility. In the stakeholder view, organizations cannot maximize the shareholder interests at the expense of other stakeholders because doing so is neither moral nor economically efficient(Alkhafaji,1989).

According to Alkhafaji (1989) the “stakeholder model” proposes extending the focus of managers beyond the traditional individual and organizational factors in order to understand the needs, expectations, and values of groups previously perceived to be external to the company. In this sense, stakeholders of a firm can be defined as “individuals and constituencies that contribute, either voluntarily or involuntarily, to its wealth-creating capacity and activities, and who are therefore its potential beneficiaries and/or risk bearers” (Townsend & Hart, 2008). In this evolving literature, stakeholder theory has been presented in three broad ways namely descriptive, instrumental, and normative. Stakeholder theory has both normative (moral/ethical), descriptive and instrumental (profit/wealth-enhancing) implications, as dealing with stakeholders can be

regarded as a responsibility to meet the legitimate claims of all stakeholders and/or as a means to maximize firm wealth (Donaldson & Preston, 1995; Jones & Wicks, 1999). Understanding the constructs in stakeholder's theory is critical to understanding the activities of social entrepreneurs as agents of change in enterprise based parastatals as addressed in this study.

2.3.3 Resource Dependency Theory

The resource dependency theory concentrates on the role of board of directors in providing access to resources needed by the firm. Hillman, Cannella and Paetzold (2000) contended that resource dependency theory focuses on the role that directors play in providing or securing essential resources to an SE organization through their linkages to the external environment. Indeed, Ongore and K'obonyo (2011) concur that resource dependency theorists provide focus on the appointment of representatives of independent organizations as a means for gaining access in resources critical to firm performance. For example, outside directors who are partners to a law firm provide legal advice, either in board meetings or in private communication with the firm executives that may otherwise be more costly for the firm to secure.

The provision of resources enhances SE firm functioning, firm's performance and its survival (Defourny & Nyssens, 2010). According to Hillman *et al.* (2000) directors bring resources to the firm, such as information, skills, access to key constituents such as suppliers, buyers, public policy makers, social groups as well as legitimacy. Directors can be classified into four categories namely insiders, business experts, support specialists and community influential. First, the insiders are current and former executives of the firm and they provide expertise in specific areas such as finance and law to the firm itself as well as general strategy and direction. Second, the business experts are current, former senior executives and directors of other large for-profit firms and they provide expertise on business strategy, decision making and problem solving.

Third, the support specialists are the lawyers, bankers, insurance company representatives and public relations experts who provide support in their individual specialized field. Finally, the communities influential are the political leaders, universities, members of clergy, and leaders of social or community organizations (Coad, 2009). Drawing from Resource Dependency Theory, this study has confirmed that organizational resources as a key social entrepreneurship factor has a positive significant effect on the performance of enterprise based parastatals.

2.3.4 Social Contract Theory

Among the other theories reviewed in SE literature, social contract theory sees society as a series of social contracts between members of society and society itself (Gray, Owen & Adams, 1996). There is a school of thought which sees SE as a contractual obligation the firm owes to society. Integrated social contract theory was developed by Martin and Osberg (2007) as a way for managers to make ethical decisions which refers to macro-social and micro-social contracts. The former refers to the communities and the expectation from the business to provide support to the local community. The latter refers to a specific form of involvement. Based on the views of the Social Contract Theory discussed above, the current study sees a direct connection between enterprise-based parastatals and the society that it is meant to serve. The concern here is that Social entrepreneurship process combines the passion of a social mission with an image of business-like discipline and innovation.

2.3.5 Social Entrepreneurship Model

In order to examine social entrepreneurship factors and contribute to knowledge, this study combines all the aforementioned theories into a single model named as Social Entrepreneurship Model.

This model uses a multivariate multiple regression to predict the possible effect of individual factors, organizational factors, organizational resources and environmental factors on firm performance as indicated by the regression model equation:

$$Fp = 0.700 + 0.144IF + 0.143OF + 0.146OR + 0.355EF$$

Using a grounded theory method, Weerawardena and Mort (2006) developed a multidimensional model of social entrepreneurship. Their model portrays social entrepreneurship as holistic comprising of individual factors, organizational factors, organizational resources and environmental factors within the constraints of the social mission, sustainability and performance as shown in Figure 2.1. They found out that progressively these factors are important determinants of firm performance.

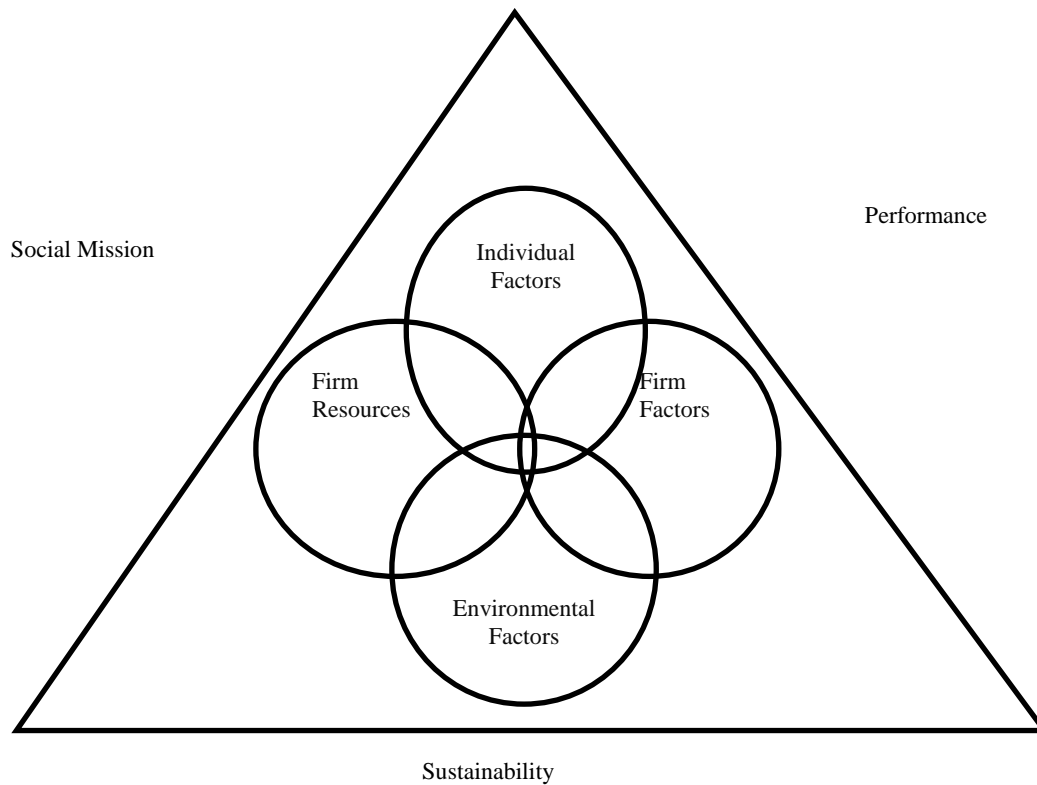


Figure 2.1: Bounded Multidimensional Model of Social Entrepreneurship

Source: Weerawardena and Mort (2006).

Ankinun (2011) proposed an integrated framework for earned income opportunity adoption by nonprofit social entrepreneurship organizations by studying multiple cases in Thailand. The framework shows that there were various factors that influence how nonprofit organizations adopt the way to earn income opportunities, such as perceived social legitimacy, the degree of interconnectedness, financial constraints, and firm context.

As derived from the literature, and specifically from the social entrepreneurship theories and models, this study conceives firm performance as the dependent construct.

Concerning the independent variable, literature review identified individual factors, organizational factors, organizational resources and environmental factors predictor variables. These variables guided in the developed of the conceptual framework presented in the ensuing section.

2.4 Conceptual Framework

A conceptual framework is a diagrammatic representation of variables and illustrates the relationship between the independent and dependent variables. In the current study, the relationship between dependent variable – performance of enterprise based parastatals and the independent variables – social entrepreneurship factors were investigated. The independent variables influencing the performance of enterprise based parastatals which are involved in this study are: individual factors (personality traits, motivation, individual competencies, personal background), organizational factors (firm attributes and strategies, firm specific resources, organizational structure), organizational resources (human resources, physical resources, financial resources, experiential resources) and environmental factors (dynamic environment , hostile environment, heterogeneity, competitive intensity).

The dependent variable – the performance of enterprise based parastatals was measured by firm sales and profitability. This study assumed that there were no moderating variables and this assumption was essential in the sense that it allowed us to apply binomial logistic regression analysis. Binomial logistic regression was applicable in this study since it predicts the probability that an observation falls into one of two categories of a dichotomous dependent variable based on one or more independent variables that are continuous or categorical. The dichotomous dependent variable was performance status that was classified as either ‘with performance’ or ‘no performance’. The schematic representation of the variables is shown in Figure 2.2.

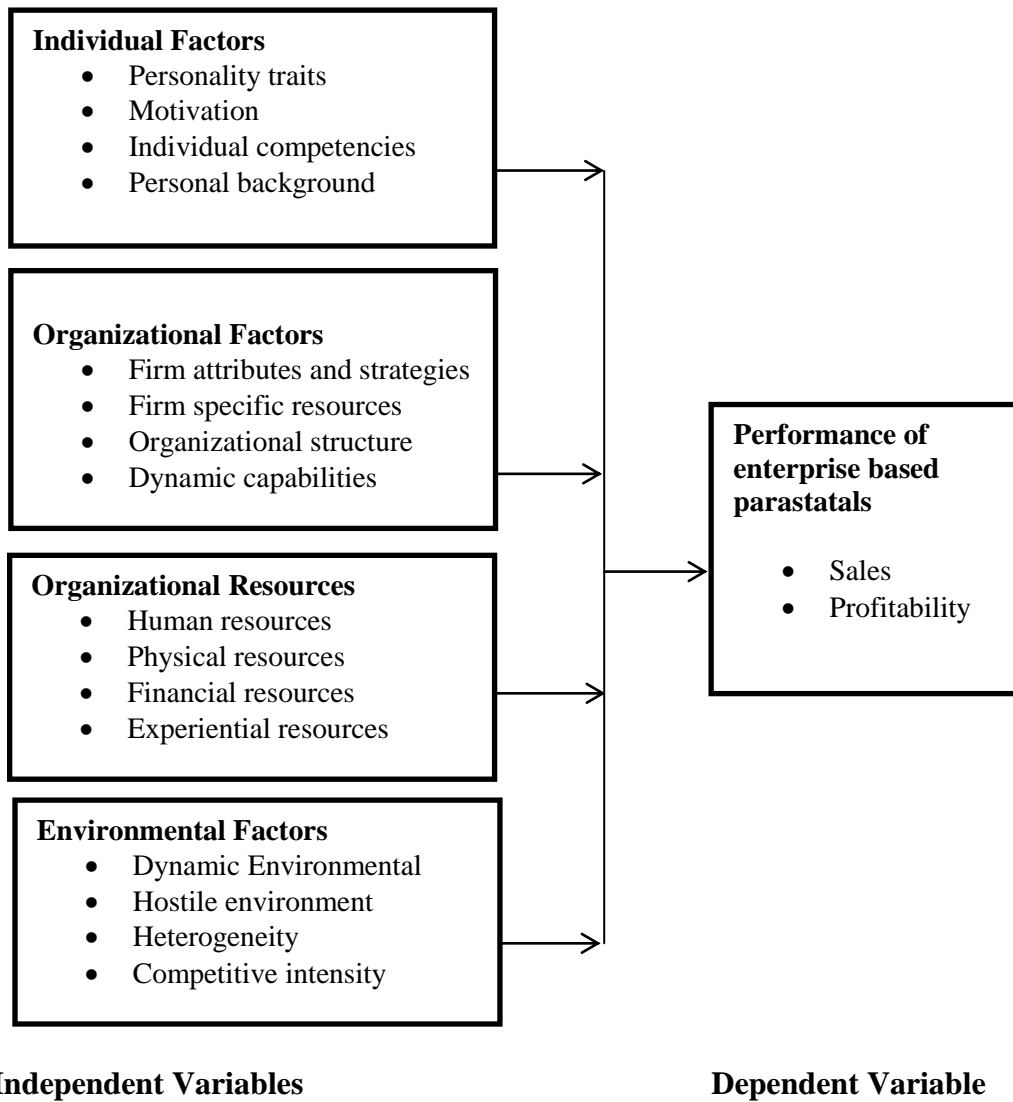


Figure 2.2: Conceptual Framework

Social entrepreneurship aims to produce a significant and comprehensive transformation of the way organizations operate. The following factors as depicted in the conceptual framework are central to that process: individual factors, organizational factors, organizational resources and environmental factors.

2.4.1 Individual Factors

The growth of a firm is to a certain extent a matter of decisions made by an individual entrepreneur. Studies undertaken by Noruzi *et al.* (2010) and Perrini and Vurro (2006) found that entrepreneur's personality traits, growth motivation, individual competencies and personal background are the most important factors that determine the performance of a firm. These factors are detailed in the following sub-sections.

a) Personality traits

According to Mokaya (2012) and McMullen (2011) the key personal entrepreneurial traits that influence the performance of a firm include the need for achievement, need for cognition and internal locus of control. A study by Mazzarol *et al.* (2009) revealed that the need for achievement need for cognition and internal locus of control of the owner/managers correlate with a high level of sales turnover. The cognitive ability of managers adds much to their performance and behaviour. Managers are more likely to be innovative, effective, and efficient if they have a higher internal locus of control (Panagiotou, 2006). A positive relationship has been found between the need for achievement, need for cognition and internal locus of control on firm performance (Di Zhang & Bruning, 2011).

b) Motivation

It has been argued that personality traits contribute more to the performance motivation (Mazzarol *et al.*, 2009). Intrinsic motivation plays a rather important role in an entrepreneur's behaviour which in turn contributes to the actual performance (Di Zhang & Bruning, 2011). Intrinsic motivation implies that performance is highly determined by personal values and interests of the entrepreneur. Personal values can be defined as a generalized and organized conception of an entrepreneur, which influence the behaviour and motivation of entrepreneurs and are determined by personality traits. Bryman (2012) argues that an entrepreneur who has greater intrinsic motivation, who experienced

performance before or who is more innovative, is more likely to be ambitious towards firm performance and is more likely to engage into further growth.

Several studies across various countries (Tanveer *et al.*, 2013; Zeffane, 2012) also demonstrate that most business founders have modest growth aspirations, which in turn have a direct effect on firm performance. Therefore, incorporating the intrinsic growth motivation of an entrepreneur is crucial in determining firm performance.

c) Individual competencies

Individual competencies are defined as an underlying characteristic of a person that could be a motive, trait, skill, aspect of one's self-image, social role, or a body of knowledge which the person uses. These characteristics are revealed in observable and identifiable patterns of behavior related to job performance and usually include knowledge, skill and abilities. Individual competencies are also specified as a means of 'being able to perform a role to a defined standard with reference to real working environments (Boyatzis, 2008).

Studies undertaken by Qiao and Wang (2009) indicate that individual competencies such as team-building, communication, coordination, execution and continual learning have a positive impact on individual performance. In addition, studies undertaken by Anwar *et al.* (2012) and Pereira and Gomes (2012) have also shown a positive relationship between individual competencies and firm performance.

d) Personal background

Personal background includes general information of an individual such as age, gender, education and experience. According to Tanveer *et al.* (2013), age is positively related to the performance of a firm. Studies undertaken by Shinnar *et al.* (2012) and Zeffane (2012) identified that male entrepreneurs have higher growth ambitions when compared to female entrepreneurs. Shane and Delmar (2004) found that entrepreneurial experience

and level education have positive impact on the performance of the firm as education and previous experience provide facet knowledge of organization and skills needed to enhance firm performance.

2.4.2 Organizational Factors

a) Firm attributes and strategies

The classical firm attributes refer to firm age and size. The discussion on the relationship between age and or size of a firm and firm performance has its origin in Gibrat's Law (Audretsch *et al.*, 2004) which states that the performance rate of a firm is independent of its initial size and that there is no difference between firms in the probability of a given performance rate during a specific time interval within the same industry. However, several studies show that younger firms show higher performance rates than firms that have existed for many years. The negative effect of age on firm performance is consistent even among various countries and industries (Geroski & Gugler, 2004; Reichstein & Dahl, 2004; Yasuda, 2005).

The stylized fact of firm size has been found in the industrial economic literature. Small firms grow relatively fast since they have to achieve a minimum efficient size (Audretsch *et al.*, 2004). Similarly, Yasuda (2005) finds a negative effect of firm size on firm performance in the case of Japanese manufacturing firms. Other studies which incorporated different countries and industries also indicate a negative effect of size on firm performance (Calvo, 2006). Furthermore, researchers who studied firm performance in different size groups suggest that Gibrat's Law of size independence only holds for firms above a certain size threshold, for instance relatively large size firms with over 400 employees (Bigsten & Gebreeyesus, 2007). Firms which can sustain or enhance their entrepreneurial orientation over a period can achieve better results than their competitors and may experience high performance rates (Madsen, 2007).

b) Firm specific resources

Based on a resource-based view, financial resources and human capital are the most important resources for firm performance. Securing financial resources might be particularly important in promoting firm performance because financial resources can relatively easily be converted into other types of resources (Wiklund *et al.*, 2003). Coad (2009) argues that financial performance can be expected to correspond to firm performance given the principle of ‘growth of the fitter’ from evolutionary theory. Following this logic, only firms with superior financial performance can grow.

Human capital represents knowledge, skills and experience. On a firm level, human capital of the total workforce plays a more determined role when compared to the entrepreneur alone (Bottazzi & Secchi, 2005). Rauch, Frese and Utsch (2005) conducted an empirical analysis based on longitudinal data from 119 German business owners and found that human resource is the most important factor for predicting firm performance.

c) Organizational structure

Organizational structure, which concerns the distribution of tasks among labor units and the coordination mechanism between the units, is relevant to the firm’s growth. Though different dimensions are used by various authors to describe distribution of tasks, centralization, formalization and departmentalization are the commonly agreed dimensions (Meijaard *et al.*, 2005). Centralization represents the degree to which authorities of decision making are delegated throughout an organization. It is the opposite of decentralization. Formalization refers to the extent to which firm rules, procedures, authority relationship, communication, and norms are defined. Formalization along with standardization and coordination are utilized to control and optimize firm procedures. Departmentalization is normally measured by the number of departments involved in firm activities or by the number of managerial levels (Brand & Mosselman, 2005).

Adopting from previous concepts, Meijaard *et al.* (2005) and Brand and Mosselman (2005) examined the relationship between five structural dimensions, namely departmentalization, specialization, decentralization, coordination, and formalization, and performance of firms. They found that to a certain extent, formalization and standardization overlapped in their data set while specialization derives two dimensions in terms of task and skill. Firms with a decentralized structure generally perform well regardless of their size, but to their surprise centralized structure also turned to be performing equally well. Although the effect of organizational structure on firm performance is rather complex due to the dependencies on other factors such as firm size, sector and firm configuration, it is suggested that including them in studies could give a better understanding of the factors of firm performance.

d) Dynamic capability

Dynamic capability is defined as strategic routines (for example, research and development and new product development) and strategic decision making (for example, entering into a new market) which aims at achieving new resource combinations to yield firm performance (Eisenhardt & Martin, 2000). Dynamic capability is crucial for small firms to successfully exploit and create new opportunities (Zahra, Sapienza & Davidson, 2006). Firm learning serves similar aim of knowledge creation as does research and development. While research and development brings in or creates explicit and technical knowledge within firms, firm learning externalizes the tacit knowledge embedded into individuals and specific groups to firm knowledge. Knowledge is a key source of a firm's competitive advantage and it is especially crucial for innovation (Townsend et al., 2008). An effective business model involves a firm's ability to recombine its resources, structure and strategy to yield valuable firm outcomes (Teece, 2007).

2.3.3 Organizational Resources

The resource-based view of the firm predicts that certain types of resources owned and controlled by firms have the potential and promise to generate competitive advantage, which eventually leads to superior firm performance (King, 2007). Rose *et al.* (2007) examined resources and categorized them as tangible resources namely human, physical, organizational and financial, and intangible resources namely reputational, regulatory, positional, functional, social and cultural.

Out of the categories of resources cited by Rose *et al.* (2007), human resources and intangible resources are deemed to be the more important and critical ones in attaining and sustaining a competitive advantage position because of their nature, because they are not only valuable but also hard to copy relative to the other types of tangible resources (namely physical and financial). In short, conceptually and empirically, resources are the foundation for attaining and sustaining competitive advantage and eventually superior firm performance (Felin & Hesterly, 2007).

Morgan *et al.* (2004) predicts that certain types of resources a firm owns and controls have the potential and promise to generate competitive advantage which eventually leads to superior firm performance. Physical resources such as the plant, machinery, equipment, production technology and capacity contribute positively towards organizational competitive advantage and eventually result in superior firm performance. In addition, financial resources such as cash-in-hand, bank deposits and/or savings and financial capital (e.g., stocks and shares) also help explain the level of organizational competitive advantage and performance (Morgan *et al.*, 2004; Ainuddin *et al.*, 2007). Human resources such as top and middle management, and administrative and production employees were also able to elucidate the extent of organizational competitive advantage and the resulting firm performance (Datta *et al.*, 2005). Furthermore, experiential resources such as product reputation, manufacturing

experience and brand name can account for the variation in organizational competitive advantage and performance (Ainuddin *et al.*, 2007). In short, organizational resources are the foundation for attaining and sustaining competitive advantage.

2.4.4 Environmental Factors

The effects of business environment factors on firm performance have been discussed in several theoretical contributions and empirical studies. Yoengtaak *et al.* (2009) in the study on the effects of environmental factors on firm performance identified that the performance of firms is positively influenced by dynamic environment, heterogeneity and competitive aggressiveness.

a) Dynamic environment

Khandwalla (1977) highlights that a dynamic environment may provide more entrepreneurial opportunities for the SE firms. Dynamism refers to the perceived instability of a firm's market because of continuity changes. Opportunities emerge from dynamism of an industry where social, political, technological and economic changes bring about new developments that can enrich a firm's niche. Dynamic environments are likely to provide many aspects such as changing conditions that displace bases for competitive advantage and provoke new explorations of sources of advantage.

Stable environments however tend to reinforce existing sources of competitive advantage, providing only few opportunities (Martin & Osberg, 2007). SE helps to respond to these new competitive forces either through innovations or imitating competitor's practices. As a result firms that view their environments as dynamic emphasized SE dimensions to improve financial performance of the manufacturing firms.

b) Hostile environment

A hostile environment creates threats to a firm's mission through increasing rivalry in the industry or depressing demand for firm's commodities, thereby threatening the very survival of the firm. Environmental hostility is also expected to stimulate to pursuit of SE (Jones *et al.*, 1999). Faced with unfavorable environmental conditions, a firm may opt to differentiate its commodities through intensive marketing advertising activities segments. And if hostility continues to intensify, the firms may consider novel business ideas to replace or supplement their additional business core through internal development, internal joint venturing or diversification; hence better performances (Katz, 2010).

c) Environmental heterogeneity

Environment heterogeneity is where there is existence of multiple segments, with varied characteristics and needs that are being served by the firm (Zahra *et al.*, 2006). This factor refers to the number of different firmly relevant attributes or components of the environment. For instance, two firms may compete in the same industry and serve the same customer groups that will perceive the environment quite differently. One firm may perceive the environment as manageable (simple) while the others may view it as complex and uncontrollable. These perceptual differences arise from the experiences of firms with external environment. According to Zahra *et al.* (2009), increased environment heterogeneity is predicted to be associated with greater use of SE.

d) Competitive aggressiveness

Firms which do not take a new position against the increased intensity of the competition and/or become late to enter into the growing markets compute the opportunity costs and try to make alternative strategies to survive or remain in competition (Birkinshaw, Hood & Young, 2005). Firms which decide to gain share from those markets adopt competitive aggressive behaviors by employing marketing strategies such as competing on price variation promotion and/or competing for the

distribution channels or imitating the competitors' actions and/or products (Dess, Lumpkin & Eisner, 2007).

By acting aggressive via marketing tools, firms force relatively stronger competition to make entry barriers for the current markets from the two points of view – either new entrants or existing firms. The purpose of these bold and aggressive behaviors is initially to remain in competition and then to make profits by fulfilling the needs of the market (Noruzi *et al.*, 2010).

2.4.5 Performance of enterprise based parastatals

Social enterprises have a different nature of characteristics from general profit organization and differ mainly in their goal and values. For-profit organizations are focused on profit maximization while the operational goal of social enterprises is to maximize social-oriented profits (Yang *et al.*, 2014). Austin *et al.* (2006) found that social enterprises do not use only non-financial aspect to determine the success of the organization, but also financial view which is a crucial aspect required in measurement of performance. Davies *et al.* (2010) points out that the mostly used measures of organization performance have been profitability, sales growth, return on investment and employment. Brooks (2009) describes social entrepreneurship as a process that provides added value and novelty to the enterprise, its suppliers and customers through the development of new procedures, solutions, products and services as well as methods of commercialization. He asserts that organizations institute social entrepreneurship as a process that infiltrates and spreads throughout the entire organization and tends to achieve positive results overtime in the sense of improved profitability, sales growth, return on investment and employment.

There have been no studies that link social entrepreneurship to an organizations performance in terms of profitability, sales growth, return on investment and employment. Antonic and Hisrich (2004) demonstrated that social entrepreneurship

makes a difference on the organizations performance, observed by growth, profitability and new wealth creation. Other studies undertaken by Trott (2010) and Zhao *et al.* (2011) also found that there was a positive relationship between social entrepreneurship and organizations performance with regard to sales growth and return on investment.

2.5 Domains of Social Entrepreneurship

Social Entrepreneurship emerges from and builds on three other conceptual frameworks namely entrepreneurship, corporate entrepreneurship and corporate social entrepreneurship. Martin and Osberg (2007) provided a different definition of entrepreneurship as “the pursuit of opportunity through innovative leverage of resources that for the most part are not controlled internally.” Schumpeter (1934) had projected that the engines of entrepreneurship would shift from individuals to corporations with their greater resources for research and development which did happen. However, over time corporate bureaucracy was seen as stifling innovation. To remedy this, a focus on Corporate Entrepreneurship within companies emerged with Covin and Miles (1999) defining it as “the presence of innovation with the objective of rejuvenating or redefining organizations, markets, or industries in order to create or sustain competitive superiority.”

Corporate Social Entrepreneurship (CSE) integrates and builds on the foregoing concepts and has been defined by Austin et al. (2006) as “the process of extending the firm’s domain of competence and corresponding opportunity set through innovative leveraging of resources, both within and outside its direct control, aimed at the simultaneous creation of economic and social value.” The fundamental purpose of CSE is to accelerate firm transformation into more powerful generators of societal betterment. Dees (1998) defined it as “innovative activity with a social purpose in either the for-profit or non-profit sector, or across both.” Others have offered conceptual refinements (Bornstein, 2004; Nicholls, 2006; Martin & Osberg, 2007;

Light, 2007; Elkington & Hartigan, 2008; Ashoka, 2009). Building on studies by Defourny and Nyssens (2010) social entrepreneurs operates within the boundaries of non-profits and for profits strategies as illustrated in Figure 2.3.

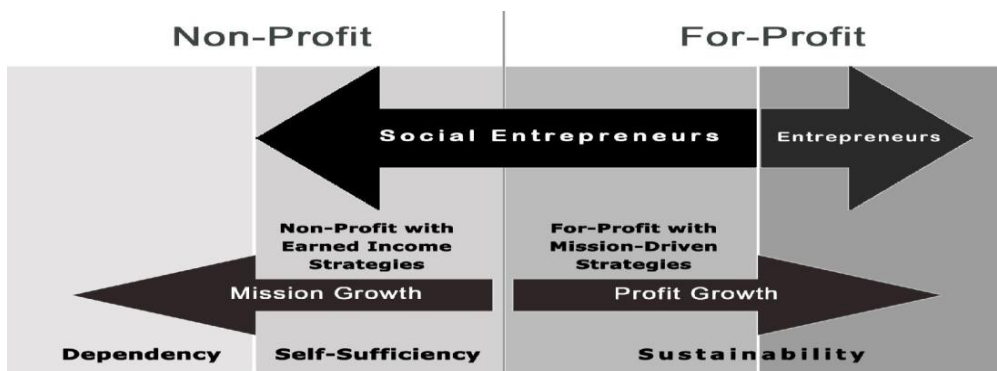


Figure 2.3: Boundaries of Social Entrepreneurship

a) Non-profit with earned income strategies: This is a social enterprise performing hybrid social and commercial entrepreneurial activity to achieve self-sufficiency. In this scenario, a social entrepreneur operates an organization that is both social and commercial. Revenues and profits generated are used only to further improve the delivery of social values (Defourny & Nyssens, 2010).

b) For-profit with mission-driven strategies: This is a social-purpose business performing social and commercial entrepreneurial activities simultaneously to achieve sustainability. In this scenario, a social entrepreneur operates an organization that is both social and commercial. The organization is financially independent and the founders and investors can benefit from personal monetary gain mainly through the profits generated while the organization achieves sustainability (Defourny & Nyssens, 2010).

2.6 Empirical Review

A number of empirical studies have been undertaken on social entrepreneurship factors and the performance of enterprises. Yoengtaak *et al.* (2009) in the study on the effects of environmental factors on firm performance identified that the performance of firms is positively affected by dynamic environment, heterogeneity and competitive aggressiveness. However, his study did not establish whether such factors had any effect on the performance on enterprise based parastatals. A study by Hoogendoorn, Zwan and Thurik (2011) investigated in what ways social entrepreneurs hampered in turning their efforts into sustainable organizations. Using binary logit regression, and unique data containing 26,000 individual-level data points for 36 countries, this study assessed the influence of perceived environmental barriers, risk variables and socio-demographic variables on the probability of being social entrepreneur versus commercial entrepreneur.

Although the findings confirmed that socially motivated entrepreneurs are likely to be females and highly educated, no attempt was made to establish the influence of social entrepreneurship factors on the performance of enterprise based parastatals. The above study by Hoogendoorn *et al.* (2011) was considered relevant to the current study since it attempted to explore factors that influence social entrepreneurship and commercial enterprise. However, the study ignored the influences of such factors on performance of enterprises. This remained the focus of the current study.

Despite numerous kinds of studies on the issues of social entrepreneurship, study on corporate entrepreneurship dimensions in emerging countries is still new and lacking (Aktan and Bulut, 2008). However, Aktan and Bulut (2008) concluded that the emergence of SE in the manufacturing firms needs to improve individual factors for enhancing firm performance.

Another study by Parker (2008) also investigated the influence of socio-demographic variables such as age and educational attainment in social entrepreneurship. By investigating the age distribution of social entrepreneurs, this study allowed for a direct test of the hypothesized distinction between two dominant types of individuals who are engaged in social entrepreneurship. Even though this study provides useful insights for the current study, the present study attempted to understand if and what ways social entrepreneurship factors influence the performance of enterprise based parastatals.

In a study to investigate the macro-level determinants that impede the emergence of social entrepreneurship by Harding (2006), a multiple regression was used to test socio-political determinants of social entrepreneurship activity (Johnson, 2000; Kramer, 2005). The study found out that socio-political variables accounted for 76 percent of the variance in social entrepreneurship activity. However, the current research attempted to establish the effects of a group of variables namely individual factors, organizational factors, organizational resources and environmental factors on the performance of enterprise based parastatals.

A small number of empirical studies looking at social entrepreneurship in non-profit agencies and performance has displayed mixed results. Coombes, Morris, Schindehutte and Allen (2011) found no significant relationship between social entrepreneurship behavior and performance measured as growth in church attendance and donations by church members. However, Anderson (2003) examined 140 non-profit organizations and concluded that social entrepreneurial behaviors were positively related to social performance. These findings by Anderson also concur with those of King (2007) who coined the resource-based view of the firm predicts that certain types of resources owned and controlled by firms have the potential and promise to generate competitive advantage, which eventually leads to superior firm performance.

The contradictions in these studies were minimized in the current study by trying to study a range of social entrepreneurship factors and their possible effects on the performance of enterprise based parastatals.

Previous studies have raised doubt that adoption of social entrepreneurship like practices would result in a positive performance growth. For instance, a study by Schwartz and Austin (2009) found out much concern about social entrepreneurship in terms of negatively affecting donor revenues and compromising the organizations original mission and intent (Guo, 2006). Unfortunately, hard data supporting such claims are greatly lacking (Harris *et al.*, 2001).

Studies on entrepreneurship in Sub-Saharan Countries have indicated an influx of women venturing in the field of entrepreneurship in recent years. Part of the reason found in these studies have is that entrepreneurial development have been a panacea for poverty alleviation among the fastest growing economies of developing countries (United Nation, 2006). However, women-owned enterprises in Africa continue to record poor performances compared to those owned by male counterparts (Gikonyo, Zainalaludin & Masud, 2006). A study on the performance of women-led social entrepreneurship enterprises investigated selected factors perceived to influence the performance of women-owned small enterprises in Kenya. The factors studied included credits and credit accessed from table banking groups, entrepreneurs experience and income of women entrepreneurs. Using cross –sectional survey design and women entrepreneurs who participate in Village Saving and Credit Association from Nakuru, the study found that the all the factors under considerations were positively correlated with the performance the enterprises. This implied that the selected factors of the respondents influenced a positive change in the net profits and capital of micro and small enterprises.

The study by Gikonyo *et al.* (2006) thus found that certain critical success factors define the success and performance of enterprises. This research laid an important foundation for the current study to establish whether the same and other social entrepreneurship factors can affect the performance in enterprise based parastatals.

Teasdale (2009) studied four social enterprises in order to establish the challenges facing social enterprises. Findings of the study showed that the common challenges responsible for enterprise failure is the double bottom-line of having social and financial priorities, mission drift, lack of business acumen and unrealistic business expectations. Unfortunately, the study did not explore social entrepreneurship factors and their influences on performance of enterprises.

2.7 Critique of Existing Literature

A review of the literature concerning social entrepreneurship shows conflicting perspectives on the performance of enterprises. However, review of the literature relevant to the current study shows that a number of studies though few on social entrepreneurship factors and their effects on performance of enterprises have been undertaken. The review shows that some enterprises especially the micro and small enterprises experience many challenges in their day to day operations (Teasdale, 2009). However, this study did not attempt to establish whether such challenges affect the performance of enterprise-based parastatals.

In addition, most of the studies that have been done, have concentrated greatly on social entrepreneurship in the context of private social enterprises. For instance, a study by Hoogendoorn, Zwan and Thurik (2011) investigated ways social entrepreneurs hampered in turning their efforts into sustainable micro and small enterprises. However, most of these studies have greatly ignored the role of social entrepreneurship in the context of public social enterprises.

And to compound this problem further, none of the studies reviewed have attempted to establish the effect of social entrepreneurship factors on the performance of enterprise based parastatals.

A study by Parker (2008) studied the influence of demographic factors on social entrepreneurship. The study found out that socio-political variables accounted for 76 percent of the variance in social entrepreneurship activity. A more robust study was required to establish whether other social entrepreneurship variables such as sources, environmental factors combined with social demographic variables together affect the performance of enterprise based parastatals.

In developing countries and in particular Kenya, a study by Gikonyo *et al.* (2006) on the performance of women-led social entrepreneurship enterprises investigated selected factors perceived to affect the performance of women-owned small enterprises in Nakuru, Kenya. As indicated earlier in a section of this study, most of these studies have been carried out on privately owned enterprises and ignoring the social entrepreneurship factors and their possible effects on the performance of enterprise based parastatals.

2.8 Summary of Literature and Research Gaps

The current study explored literature relevant to the study both in developed and developing countries and identified a number of research gaps. One of the research gaps isolated from the critical review of the relevant literature concerns the factors that affect the performance of social enterprises. The body of literature reviewed shows that the numerous studies carried out have been skewed towards the role of social entrepreneurship on private based enterprises such as micro and small enterprises (Hoogendoorn *et al.*, 2011) and ignoring studies on the behavior of social entrepreneurship on public owned institutions such as enterprises based parastatals.

In particular, a study by Teasdale (2009) explored challenges facing social micro and small enterprises. However, an attempt has not been made to establish whether those challenges and others not documented could affect the performance of social entrepreneurship enterprises and more so enterprise-based parastatals.

Another research gap concerns the factors that were believed to affect social entrepreneurship. Most studies identified in the literature review have only established the relationship between demographic factors and social entrepreneurship in privately owned institutions. In addition, no hard data has been documented to associate social entrepreneurship variables on the performance of state owned institutions such as enterprise based parastatals.

Finally, although many variables are believed to affect performance of public enterprise based institutions, prior studies have only associated the performance of enterprise based institutions with a single factor (Gikonyo *et al.*, 2006). To close this gap, the current study used a binomial logistic regression to establish the relationship between a group social entrepreneurship factors and the performance of enterprise based parastatals.

As shown by the reviewed literature, most past studies have used quantitative method of data collection (Parker, 2008). This method collects information from respondents by use of questionnaires. This study therefore used mixed methods where the researcher is able to collect both quantitative and qualitative data by use of both open and closed ended questionnaires.

Literature considered relevant to the current study has been extensively reviewed. The study has been guided a number of theories. The Theoretical Framework identified four classical theories: Agency Theory, Stakeholder Theory, Resource Dependency Theory

and Social Contract Theory. In addition, the study adopted the Social Entrepreneurship Model. The factors that were fitted in the model included individual factors, organizational factors, organizational resources and environmental factors and performance variables.

Concepts relating to social entrepreneurship and performance of enterprises were reviewed. The relationships between the dependent and the independent variables were presented using a conceptual framework. This diagrammatical representation of variables was used to formulate the study objectives that guided the current study. In addition, a review of literature involving these variables was undertaken. Specifically, the dependent variable was performance of enterprise based parastatals and the independent variables were: individual social entrepreneurship factors, organizational social entrepreneurship factors, organizational resources and environmental social entrepreneurship factors. Review of literature under empirical review brought evidence of studies previously undertaken and supports the current study. A critique of the existing literature relevant to the study was carried out and this served as the process of evaluating research studies and results reported. Finally, research gaps were identified.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter focuses on data collection, processing and analysis methods. Section 3.2 presents the discussion on research design and the justification for its application. Section 3.3 describes the target population. Section 3.4 presents the sampling frame. Sample size and sampling procedures are discussed under section 3.5. Section 3.6 discusses the tools of data collection procedures. Section 3.7 presents information on data collection procedure. Section 3.8 describes how the instruments were piloted including a brief description of how to test the validity and reliability of research instruments. Finally, methods of data analysis and presentation were discussed under section 3.9 and this closes this chapter.

3.2 Research Design

Research design is an overall framework or plan for investigation and logical model of proof that guides the researcher in the various stages of research (Kothari, 2004). It is the conceptual structure within which the research is conducted. Research design constitutes the blue print for the collection, measurement and analysis of data (Sekaran, 2005). This study used survey design with mixed approaches. According to Bazeley (2006) a mixed method research is a systematic integration of quantitative and qualitative methods in a single study for purposes of obtaining a fuller and deeper understanding of a phenomenon. Quantitative approach is most preferred because as noted in Kothari (2004), empirical research provides strong evidence for explaining phenomenon, enabling researcher to address the questions ‘how much’ or how many’. More appropriately, this kind of research enables the researcher to establish which variables are significant, and to what extent, in a statistical way, thus allowing the objective

assertions about the sample and by inference the population to be achieved (Creswell, 2003). Quantitative approaches utilize techniques such as closed ended questionnaires to collect data. The research adopted quantitative approach because the information collected through questionnaires was analyzable using statistical tools such as measures of central tendency and measures of dispersion. Qualitative approach was applied to supplement and strengthen the quantitative aspect and to try and unearth answers to 'how' and 'why' questions on social entrepreneurial behavior. Qualitative approach was most preferred in the current study because it provided information about the phenomenon being studied and established patterns, trends and relationships from the responses given. The survey design was also desirable since it enabled the researcher to use open and closed ended questionnaires (Lee *et al.*, 2011).

According to Sekaran (2005) a research design is the “arrangement of conditions for collection and analysis of data in a manner that aims to combine relevance to the research purpose with economy in procedure”. Research design is the conceptual structure within which research is conducted. It constitutes the blue print for the collection, measurements and analysis of data. The study adopted descriptive research design to support and meet its objectives.

Grohaug and Ghauri (2005) assert that in survey design the problem is structured and well understood. Mugenda and Mugenda (2003) agree that survey design is most preferred because it gives a report on things as they actually are. Descriptive survey design is flexible and responsive enough to various field challenges that could arise during administration of questionnaires and data interpretation (Lee *et al.*, 2011). The descriptive survey design was used to describe characteristics of independent variables. This was appropriate to obtain information concerning the current status of phenomenon that describes the current situation as it is with respect to the variables of the study.

3.3 Target Population

Target population is the larger population to which the researcher would wish to generalize the results of the study (Berg, 2001) and to which research focuses on (Kothari, 2004). The target population of this study involved 55 enterprise based-parastatals and classified into 14 sub-sectors. The study also comprised of a quantitative study of top managers in the enterprise based-parastatals. 495 top managers constituted the population of subjects in the quantitative study. The aim of the study was to establish the effect of social entrepreneurship factors on performance of enterprise based-parastatals. In this regard the unit of observation for the current study was the individual top managers from whom data was collected. The appropriate unit of analysis (major entity that is being analyzed) was the enterprise based-parastatals with the survey enquiring whether social entrepreneurship factors could affect the performance of the enterprise based-parastatals. Because of the multi-organizational nature of the enterprise based-parastatals in Kenya, within this unit of analysis, there exist embedded units with their own behaviors. To ensure therefore that the survey captured behaviour of enterprise based-parastatals and not the embedded units, the questionnaire was developed with specific emphasis on the general characteristics enterprises based-parastatals.

3.4 Sampling Frame

A sampling frame is a list of all items or elements from which a sample is drawn and may include individuals, households or institutions (Marshall & Rossman, 2011; Creswell, 2003). In the current study, the sampling frame involved a list of all corporations classified as enterprise based parastatals in Kenya. This includes enterprise based-parastatals in all the 14 sub-sectors. These sub-sectors are: Manufacturing, Agriculture, Trade, Hospitality, Publishing, Finance, Housing, Energy, Water, Transport, Information, Insurance, Research and Maritime. The sampling frame was obtained from the Presidential Taskforce on Parastatal Reforms Report (2014).

3.5 Sample and Sampling Technique

Mugenda and Mugenda (2003) assert that sampling is that part of the statistical practice concerned with the selection of individuals or observations intended to yield some knowledge about a population of concern especially for the purpose of statistical inferences. This study used stratified random sampling procedure to select a sample that was representative to the entire population. According to Kothari (2004), a stratified random sample is used when the population is not homogeneous, making it the most appropriate sampling technique. And to pick respondents from each stratum, simple random sampling procedure was applied.

The enterprise based parastatals were stratified according to the unique business they undertook. The strata included enterprise based parastatals - 14 sub-sectors in total which are: Manufacturing, Agriculture, Trade, Hospitality, Publishing, Finance, Housing, Energy, Water, Transport, Information, Insurance, Research and Maritime.

The sample size was categorized according to sub-sectors and also according to the type of respondents. From the population of 55 enterprise based-parastatals, the study randomly selected 30 enterprise based-parastatals which constituted 54% of the targeted population (55 enterprise based parastatals) which is above the Mugenda and Mugenda (2003) recommended minimum sample size of 30% of the population.

In principle, the study survey could have covered all the enterprise based-parastatals in the population. In addition, if all the respondents in the population were involved in the study, they could have provided perfect answers that could measure all variables with complete accuracy. However, involving all the enterprise based-parastatals and all the top managers would have been time-consuming, expensive and wasteful. It was therefore necessary to select a sample of these enterprise based-parastatals and top managers to obtain estimates of the study variables. Incidentally, the sampling error that may have been caused by the involvement of a sample and not the entire population in

the study was minimized by taking certain precautions: Choosing a sample of top managers in an unbiased way and selecting a large enough sample for the study estimates to be precise. According to Mugenda and Mugenda (2003) a sample size equal or greater than 30% of the population is a large enough sample. This is the reason why the current study selected 54 % of the population.

The 30 enterprise based-parastatals were selected on the basis of sectoral representation as shown in Table 3.1.

Table 3.1: Sector categories of the sample size

| | SECTOR | NO. CORPORATIONS | OF SAMPLE SIZE 54% OF POPULATION |
|-----|---------------|-------------------------|---|
| 1. | Manufacturing | 13 | 7 |
| 2. | Agriculture | 2 | 1 |
| 3. | Trade | 8 | 4 |
| 4. | Hospitality | 6 | 3 |
| 5. | Publishing | 3 | 2 |
| 6. | Finance | 5 | 2 |
| 7. | Housing | 1 | 1 |
| 8. | Energy | 6 | 3 |
| 9. | Water | 1 | 1 |
| 10. | Transport | 3 | 2 |
| 11. | Information | 2 | 1 |
| 12. | Insurance | 2 | 1 |
| 13. | Research | 2 | 1 |
| 14. | Maritime | 1 | 1 |
| | TOTAL | 55 | 30 |

The top managers from each of the enterprise based parastatals were also selected for the study. Table 3.2 provides a summary of the sample for top managers from the 30 the enterprise based parastatals.

Table 3.2: Categories of Respondents

| Management Position | Target Population | Sample |
|---------------------------------|--------------------------|---------------|
| 1. Chief Executive Officers | 55 | 30 |
| 2. Finance Managers | 55 | 30 |
| 3. Human Resource Managers | 55 | 30 |
| 4. Procurement Managers | 55 | 30 |
| 5. Ict Managers | 55 | 30 |
| 6. Public Relations Managers | 55 | 30 |
| 7. Sales And Marketing Managers | 55 | 30 |
| 8. Production Managers | 55 | 30 |
| 9. Internal Audit Managers | 55 | 30 |
| TOTAL | 495 | 270 |

Ankinun (2011) and Jiao (2011) contend that it is advisable to involve top managers within a target organization in order to achieve an integrated and balanced perception on social entrepreneurship. The top managers have a prominent role in the performance of the enterprise based parastatals and are also better suited to provide social entrepreneurial orientation of the parastatals. In addition, they have a better control of personal variations arising from experience and education (Brooks, 2009).

3.6 Data Collection Instruments

The current study utilized a questionnaire to gather data from top managers in the enterprise based parastatals. The instrument was developed by exploring the study objectives, research questions and the corresponding hypotheses. This study specifically used a top manager's questionnaire.

3.6.1 Top Manager's Questionnaire

A questionnaire is a research tool through which subjects are asked to respond to similar questions in a predetermined order (Gay, 1992). According to McMillan and Schumacher (2001), a questionnaire is relatively economical, has standardized questions, can ensure anonymity, and questions can be written for specific purpose. In this study, a questionnaire was used because it reduced possible bias that might result from the personal characteristics of the interviewer. There is greater anonymity which is associated with the absence of the interviewer.

The top manager's questionnaire was divided into seven sections, namely; A-G. Section A sought information on the top managers' demographic data. Section B was used to seek information on the profile of the enterprise based parastatals. Section C-F contained Likert Rating Scale with items ranging from strongly disagree to strongly agree. Section C was used to gather information on social entrepreneurship individual factors. Section D gathered data on social entrepreneurship organizational factors. Section E focused on social entrepreneurship organizational resources while section F elicited information on social entrepreneurship environmental factors. Finally, Section G was used to collect information concerning the performance enterprises based parastatals. Secondary data was collected through evaluation of reports such as the Presidential Taskforce on Parastatal Reforms Report (2014), parastatal records, publications and review of literature relevant to the current study.

3.7 Data Collection Procedure

The study used a questionnaire to collect information. Since the 55 enterprise based parastatals were sparsely distributed, collection of data required the participation of research assistants. In this regard, two research assistants who had experience in working for state corporations and had research experience were selected by the researcher. Training of research assistants was aimed at ensuring reliability of results of the study. The training began by explaining to the research assistants the purpose of the research and also ethical considerations. The research assistants were trained on how to administer the questionnaires.

The researcher sought permission from the Government after having been granted an introductory letter from Jomo Kenyatta University College of Agriculture to conduct the research. After obtaining the permit, the researcher wrote to the parastatals selected for the study to be allowed to collect data from top managers in those institutions. After obtaining the permission from the institutions, questionnaires were hand delivered to the respondents in the respective institutions by the help of research assistants. The respondents were asked to fill the questionnaires and after one week, the researcher and the research assistants collected the filled questionnaires.

3.8 Pilot Testing

A pilot study was conducted in the current study as an essential component of survey research. One of the critical uses of a pilot testing is the expectation that the research instruments (questionnaire) will improve (Murray, 2003). The purpose of the pilot study was to test data collection instructions, eliminate ambiguous items and establish the feasibility of the study and to test whether the collected data answered the research questions. Thus the pilot testing helped to perfect the questionnaire so that respondents in the main study experienced no ambiguities when completing it. For this to be possible, respondents of the pilot study respondents were asked to report on the clarity of

instructions and the relevance on the items in the questionnaires. Finally, the pilot was carried on 17% of the sample which translated to five enterprise based parastatals. The sample for the pilot study was drawn from five enterprise based parastatals viz. manufacturing with 13 corporations, trade (8), Hospitality (6) and finance (8). The rest eight enterprises based parastatal were excluded from the pilot study since they had very few corporations and their inclusion could have denied them a chance to participate in the final study.

3.8.1 Validity of the Instrument

Validity is the degree to which results obtained from the analysis of the data actually represent the phenomenon under study. Validity also refers to the degree to which an instrument measures what it purports to measure (Mugenda, 2008; Bryman, 2012). Validity therefore is concerned with the meaningfulness of research components. Existing literature indicates that there are two broad types of validity, that is, internal validity and external validity (Dröst, 2011).

A research study has internal validity if the outcome was dependent upon the variables specifically under study (Trochim, 2006). According to Trochim, (2006) there are many forms of internal validity, namely; face, content, construct and criterion. In this study, face and content validity were addressed during the questionnaire development phase and more so during the pilot study. During questionnaire development, a lot of assistance was sought from the supervisors in order to ensure that the instruments, in terms of the statements, questions or indicators, represented the aspects being measured. According to Gay (1992), content validity is established by an expert. Construct validity in this study was addressed through factor analysis presented in chapter four. Construct validity refers to how well a concept, idea or behaviour (a construct) is translated or preformed into a functioning and operating reality in other words operationalization

(Trochim, 2006). Abbott and McKinney (2013) state that construct validity checks whether a measure of a concept relates strongly with another measure.

In this study, external validity was also addressed. According to Orodho (2004), a study has external validity if the findings can be generalized to other situations, settings and subjects (population) beyond those that were studied. In this study, the researcher was interested in population validity. According to Abbott and McKinney (2013), population validity is the extent to which the researcher studied a sample of subjects with the objective of generalizing from the sample to the population from which the sample is drawn.

3.8.2 Reliability of the Instrument

The researcher used the internal consistency method to determine the reliability of the questionnaires. Reliability was ensured by use of Cronbach Alpha Test. Dröst (2011) states that reliability is the extent to which a given measuring instrument produces the same result each time it is used. Brooks (2009) used Cronbach Alpha Test to check the reliability of data collection instruments in their study on operations and strategy on the effects of social entrepreneurship on firm performance. Cronbach's alpha reliability coefficient normally ranges between 0 and 1. However, the closer Cronbach's alpha coefficient is to 1.0, the greater the internal consistency of the items in the scale.

Brooks (2009) provide the following rules of the thumb:

| Cronbach's Alpha Coefficient | Decision |
|-------------------------------------|-----------------|
| >.9 | Excellent |
| >.8 | Good |
| >.7 | Acceptable |
| >.6 | Questionable |
| >.5 | Poor |
| <.5 | Unacceptable |

For internal consistency Bryman (2012) opines that where Cronbach's Alpha Test is used in reliability testing, as a rule of thumb, the value should not be lower than 0.8.

3.9 Data Analysis and Presentation

3.9.1 Data Analysis

Sekaran (2005) asserts that there are three objectives of data analysis namely getting a feel for the data, testing the goodness of data, and answering the research questions. He notes that establishing the goodness of data lends credibility to all subsequent analysis and findings because it measures the reliability and the validity of the measures used in the study.

The data collected was checked and examined comprehensively, summarized, coded and tabulated. Descriptive statistics namely frequency distribution and means were used to analyze the data. Data was coded and entered into the Statistical Package for Social Sciences (SPSS) for analysis.

A factor analysis on both the dependent and independent variable items was conducted upon which reliability analysis for the retained items was computed. Secondly, correlation coefficients between independent variables (individual factors, organizational factors, organizational resources and environmental factors) and dependent variable (parastatal performance) elements obtained from factor analysis were computed to explore possible strengths and directions of relationships. A binomial logistic regression analysis (simply referred to as logit in this study) was conducted to establish the influence of social entrepreneurship factors on the performance of enterprise based parastatals and was used to complement the testing of hypotheses used in correlation analysis. In testing hypotheses, the convention used was that results must be equal or less than 5 % to chance. That is p must be smaller or equal to .05 in order to claim the relationship to be truly significant. Finally, multiple regression analysis was conducted to give various outputs which were used for the model summary and coefficient results which were used to make interpretations and discussion of the study and upon which conclusions were drawn. To establish the overall relationship between the independent and dependent variables in the conceptual framework, the following model was used.

$$Y = B_0 + B_1X_1 + B_2X_2 + B_3X_3 + B_4X_4 + e$$

Where Y = Parastatal performance

B_0 = constant

B_i = Beta coefficient of variable of the study ($i = 1, 2, 3, 4$)

X_1 = Vector of individual factors

X_2 = Vector of organizational factors

X_3 = Vector of organizational resources

X_4 = Vector of environmental factors

e = error term

3.9.2 Data Presentation

Data was presented in various forms. A frequency distribution table was used to summarize categorical or numerical data. A frequency table is a table showing how often each value of the variable occurs in a data set (Orodho, 2004). Frequencies and percentages were also used to present the data. Frequency distribution tables are the devices that are used to present the data in a simple form. The tables were numbered and a title given to every table. Other methods used to present the data are bar charts and pie charts

CHAPTER FOUR

RESULTS AND DISCUSSION

4.1 Introduction

This chapter presents the data of both the pilot study and the research as received from respondents, analysis and interpretations thereafter. For all the four independent variables and the dependent variables results of the reliability tests, sample adequacy, factor analysis and descriptive analysis are presented, interpreted and recommendations are made. The Statistical Package for Social Sciences (SPSS) was used for data analysis.

4.2 Response Rate

A total of 270 questionnaires were issued out to respondents out of which 223 representing 83% of the total target sample size were returned and analysed. Based on the recommendations by Mugenda and Mugenda (2003) the response rate of 83% is very good as it is above 70%. Among specific categories of the respondents the breakdown was as follows: Chief Executive Officers (93.3%), Finance Managers (83.3%), Human Resource Development Managers (86.7%), Procurement Managers (90%), ICT Managers (76.7%), Public Relations Managers (86.7%), Sales and Marketing Managers (86.7%), Production Managers (73.3%) and Internal Audit Managers (66.7%).

4.3 Results of Pilot Study

The aim of the pilot study in this research was to verify the validity of the research design and instrumentation.

4.3.1 Reliability Analysis

A pilot study was conducted to detect any weaknesses in design, instrumentation and to provide proxy data for selection of a probability sample. The procedures used in pre-testing the questionnaire were identical to those that were used during the actual study. The pilot was carried on 17% of the sample which translated to five enterprise based parastatals respondents. Reliability analysis was done using the Cronbach's Alpha Test (Cronbach, 1951). Dröst (2011) suggests that estimates of reliability should be based on the average intercorrelations among all the single items within a test. For internal consistency Bryman (2012) opines that where Cronbach's Alpha Test is used in reliability testing, as a rule of thumb, the value should not be lower than 0.8.

The Cronbach Alpha Values obtained for the four independent variables ranged from 0.833 to 0.893 meaning that they were above the critical value of 0.8 and hence all questions were retained in the study. Specifically the average values obtained for each of the variables were 0.878 for individual factors, 0.896 for organizational factors, 0.835 for organizational resources and 0.891 for environmental factors.

4.3.2 Validity of Data Collection Instruments

Factor analysis was used to test the validity of the data collecting instruments. Bhattacharya and Dunson (2011) recommends that factor loading values greater than 0.3 in absolute value are considered to be significant while Montgomery, Peck and Vining (2001) indicate that a factor loading of 0.40 should be used when factor analysis is used to measure construct validity and hence this study used a threshold factor loading of 0.4 to assess validity of the variable constructs. The aim of the factor analysis in the pilot study was to remove those items that had factor loadings of less than the significant value of 0.4. The range of factor loading values obtained for the four variables were individual factors (0.470 – 0.876), organizational factors (0.698 – 0.805), organizational resources (0.638 – 0.805) and environmental factors (0.628 – 0.961) which were all

above the significant value of 0.4. On the dependent variable the test results of sales and profit sub-variables on firm performance had a range of 0.628 – 0.961 while those relating to employment had a range of 0.325 – 0.371. As a result sales and profit sub-variables were retained in the study while employment sub-variable was dropped.

4.4 Demographic Information

The study looked into two key demographic factors mainly gender and level of education among individual respondents. Also investigated were the sizes of respective enterprise based organizations which formed the sample in terms of their number of employees and the length of service of individual respondents in the organizations. This data was useful in analyzing the necessary information about respondents in the study. The results of findings are presented in the ensuing sub-sections.

4.4.1 Gender of the Respondents

Out of the 223 respondents, 45 of them constituting 20% of the sample were female and 178 of them constituting 80% of the sample were male. It was therefore concluded that there is no gender balance among employees of enterprise based parastatals in Kenya and that the male gender heavily outnumber the female gender among top management of the organizations. This information is presented in Figure 4.1.

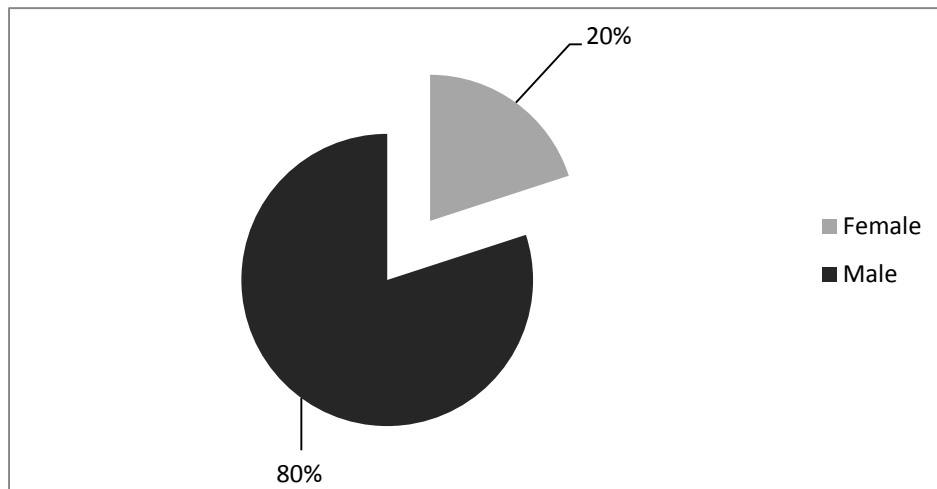


Figure 4.1: Distribution of Respondents by Gender

Although gender issues were not the focus of the current study, however, the trend of non-participation of women in enterprises is generally observed in most African countries and Kenya in particular. According to Ngcuka (2015) the empowerment of women and girls is a crucial element in Africa's quest for inclusive, sustainable growth and development. In Kenya, Gakure (2003) observed that women form the majority of the population, yet they are not equitably represented in economic activities, either as employees or managers of businesses. For instance, according to Economic Survey of 2005, men accounted for 70% of the wage employment in Kenya. This is above the maximum threshold of two thirds of any gender as stipulated by the constitution of Kenya. The non-participation of women in enterprise based parastatals in Kenya is partly attributed to factors such as inadequate and inappropriate training (Gakure, 2003).

4.4.2 Level of Education

In terms of the level of education all employees at managerial levels had at least a first university degree with 198 of them (89%) having postgraduate education. The study therefore observed that enterprise based parastatals in Kenya placed high emphasis on

education and training as a strategy for improving firm performance and effectiveness. This information is presented in Table 4.1.

Table 4.1: Distribution of Respondents by Level of Education

| Level of Education | Frequency | Percentage (%) |
|-----------------------------|------------------|-----------------------|
| First Degree Holders | 25 | 11 |
| Postgraduate Degree Holders | 198 | 89 |
| Total | 223 | 100 |

According to Sianesi and Van Reenen (2003) the evidence that human capital investment increases performance is compelling. A one-year increase in average education is found to raise the level of output per capita by between three and six percent (Lazear, 2005).

4.4.3 Years Worked in the Organization

The questionnaire utilized by top managers sought information about their duration of employment in the specific enterprise based parastatals in Kenya. This item was intended to enquire about job experience as measured through the number of years worked and to establish whether the gained experience could affect the performance of enterprise based parastatals in Kenya. This information is presented in Table 4.2.

Table 4.2: Years Worked in the Organization

| Years worked | Frequency | Percentage (%) |
|---------------------|------------------|-----------------------|
| Less than 2 years | 15 | 6.7 |
| 3-5 years | 94 | 42.2 |
| 6 years and above | 114 | 51.1 |
| Total | 223 | 100 |

Table 4.2 shows that a majority of employees (93.3%) in the enterprise based firms in Kenya had worked in the organization for more than three years. Only 6.7% of the respondents had worked for less than two years in the firms. These results imply that majority of top managers had worked for long periods of time, thus gaining the necessary experience required to propel the enterprise based firms in Kenya into greater height of growth performance.

4.4.4 Size of Organization

The size of the organization was measured by the number of employees engaged in each category of sub-sectors. The size of the organization was classified as small, medium or large. The results of findings are shown in Table 4.3.

Table 4.3: Distribution of Respondents based on Firm Size

| Size of the Organization | Frequency | Percentage (%) |
|---------------------------------|------------------|-----------------------|
| Small (1 – 29 employees) | 98 | 44 |
| Medium (250 – 499 employees) | 16 | 7 |
| Large (Over 500 employees) | 109 | 49 |
| Total | 223 | 100 |

Based on the results contained in Table 4.3, the majority of respondents (49%) were drawn from the large firms. Only seven percent of the respondents were from medium sized firms. The inclusion of questions seeking size of the firm was essential in this study because one crucial indicator of positive performance of enterprises is defined in terms of the number of employees. Most studies (Davidsson *et al.*, 2002; Oliveira & Fortunato, 2006) found a significant relationship between firm size and performance. Yasuda (2005) investigated the relationship between firm size and firm performance. The results show that the growth rate which is a measure of firm performance is positively related to the firm size as measured by the number of employees.

4.4.5 Years of the Firm's Existence

The research instruments used in the current study sought to gather the age of the firms that were selected for the current study. This was measured by the number of years the firm has been in operation in Kenya. This information is shown in Table 4.4.

Table 4.4: Distribution of Respondents based on Firm Age

| Years of the firm`s existence | Frequency Respondents | of Percentage |
|--------------------------------------|------------------------------|----------------------|
| Up to 10 years | 29 | 13.3 |
| 11-15 years | 45 | 20.0 |
| 16 and above years | 149 | 66.7 |
| Total | 223 | 100 |

Based on the results contained in Table 4.4 above the majority (86.7%) of respondents were from enterprise based parastatals which have been in existence for more than 11 years with only 29 (13.3%) having been in existence for less than ten years.

4.4.6 Sales Trends

The frequency distribution of annual sales for the Enterprise Based Parastatals showed that approximately half of them (49.5% for 2013 and 51.1% for 2014) are in the category of those with annual turn-overs of up to Kenya Shillings 100 million. Based on this turn-over these parastatals can be classified as being in the category of medium and small enterprises.

Table 4.5: Frequency Distribution of Annual Sales in Kenya Shillings of Enterprise Based Parastatals Surveyed

| Sales in Kenya Shillings | 2013 | 2014 |
|---------------------------|--------------|--------------|
| | Percentage | Percentage |
| Less than 100 million | 49.5 | 51.1 |
| 100 million – 200 million | 12.9 | 14.0 |
| 200 million – 300 million | 8.0 | 8.6 |
| 300 million – 400 million | 5.4 | 5.9 |
| Above 400 million | 19.9 | 20.4 |
| Not applicable | 4.3 | 0.0 |
| | 100.0 | 100.0 |
| Observation (N) | | 223 |

4.4.7 Profit Trends

The results of profit trends for the parastatals involved in the study showed that all of them were profit making. Those making profits in Kenya Shillings of up to 100 million (53.2% - 57.0%); 100 million – 200 million (13.4% - 16.1%) and those making over 200 million (24.2% - 26.9%). These results are as shown in Table 4.6.

Table 4.6: Frequency Distribution of Profit in Kenya Shillings of Enterprise Based Parastatals surveyed

| Profit in Kenya Shillings | 2013 | 2014 |
|----------------------------------|-------------------|-------------------|
| | Percentage | Percentage |
| Less than 100 million | 53.2 | 57.0 |
| 100 million – 200 million | 13.4 | 16.1 |
| Above 200 million | 24.2 | 26.9 |
| Not applicable | 9.2 | 0.0 |
| | 100.0 | 100.0 |
| Observation (N) | | 223 |

4.5 Descriptive Analysis

The main objective of this study was to determine the effects of social entrepreneurship factors on performance of enterprise based parastatals in Kenya. The study analyzed descriptive statistics involving the following variables: individual social entrepreneurship factors and the performance of enterprise based parastatals, organizational social entrepreneurship factors and the performance of enterprise based parastatals, organizational resources and the performance of enterprise based parastatals and environmental social entrepreneurship factors and the performance of enterprise based parastatals in Kenya. In this study, a mixture of nominal, ordinal, interval and ratio scale data were collected from the questionnaire. As noted earlier, a variety of statistical tools

were as a result used in the analyses of the data beginning with simple descriptive statistics to complex analysis such as the correlations between the independent and dependent variable, followed by factor analysis and finally binomial logistic regression. The descriptive analyses involved frequency distribution measures, measures of central tendency such as means and measures of dispersion such as standard deviation. Where possible, tests such as Chi-square were used to test the significance of findings. The chi-square test is a non-parametric statistic that tabulates a variable into categories and computes a chi-square statistic to test the hypothesis that the observed frequency do not differ from their expected values.

4.5.1 Individual Social Entrepreneurship Factors and Performance

a) Reliability Test

Cronbach's Alpha is a measure of internal consistency, that is, how closely related a set of items are as a group. It is considered to be a measure of scale reliability. As stipulated by Dröst (2011) the reliability of the estimates is based on the average intercorrelation among all the single items within a test. This notion is supported by Bryman (2012) where he asserts that where Cronbach's Alpha is used for reliability test, as a rule of thumb, the value should not be lower than 0.8. Using Cronbach's Coefficient Alpha Test on individual factors and firm performance, a coefficient of 0.874 was found (Table 4.7). These results corroborate findings by Saunders, Lewis and Thornhill (2009) who stated that scales of 0.7 and above indicate satisfactory reliability. These results also are in line with the study undertaken by Yoon-Joo *et al.* (2012) on the effects of entrepreneurship and market orientation on social performance of social enterprise who found that the concept reliability was over 0.7, exceeding the base value, and the average exceeded 0.5 was reliable and valid.

Table 4.7: Reliability Test for Individual Factors

| Statement | Corrected Item-Total Correlation | Cronbach's Alpha if Item Deleted |
|---|---|---|
| 1. Personal traits (need for achievement, risk taking propensity, internal locus of control and self-efficacy) affects enterprise based parastatals performance | 0.744 | 0.841 |
| 2. Growth motivation affects enterprise based parastatals performance | 0.802 | 0.830 |
| 3. Individual competencies (technical, managerial and entrepreneurial skills) affects enterprise based parastatal performance | 0.768 | 0.839 |
| 4. Personal Background (individual age, gender, education and experience) affects enterprise based parastatal performance | 0.739 | 0.845 |
| 5. The enterprise based parastatals continuously improve personality traits for enhancing performance | 0.576 | 0.871 |
| 6. The enterprise based parastatals always foresee potential in motivating individual for enhancing performance | 0.493 | 0.887 |
| 7. The enterprise based parastatals always fosters individual competencies and personal background for enhancing performance | 0.834 | 0.890 |
| Number of items | 7 | |
| Observation (N) | 223 | |
| Cronbach's Alpha | 0.874 | |

Based on the Saunders et al. (2009) and Christensen *et al.* (2011) recommendations, the statements under the individual factors variable of this study were found to have adequate internal consistency, therefore reliable for further analysis and generalization of the population.

b) Sampling Adequacy

To examine whether the data collected was adequate and appropriate for inferential statistical tests such as the factor analysis, regression analysis and other statistical tests, two main tests were performed namely; Kaiser-Meyer-Olkin (KMO) Measure of Sampling Adequacy and Barlett's Test of Sphericity. Henry Kaiser (1970) introduced a Measure of Sampling Adequacy (MSA) of factor analytic data matrices later modified by Kaiser and Rice (1974). This is a function of the squared elements of the 'image' matrix compared to the squares of the original correlations. The overall MSA as well as estimates for each item are found. The index is known as the Kaiser-Meyer-Olkin (KMO) index. Interpretive adjectives for the Kaiser-Meyer-Olkin Measure of Sampling Adequacy are defined as follows: in the 0.90's as marvelous, in the 0.80's as meritorious, in the 0.70's as middling, in the 0.60's as mediocre, in the 0.50's as miserable, and below 0.50 as unacceptable. Findings in Table 4.8 showed that the KMO statistic was 0.731 which was significantly high; that is greater than the critical level of significance of the test which was set at 0.5 (Field, 2000).

Bartlett's test (Snedecor & Cochran, 1989) is used to test if k samples have equal variances. Equal variances across samples are called homogeneity of variances. Some statistical tests, for example the analysis of variance, assume that variances are equal across groups or samples. The Bartlett test can be used to verify that assumption.

In addition to the KMO test, the Barlett's Test of Sphericity was also highly significant (Chi-square = 320.067 with 21 degrees of freedom, at $p < 0.05$). The results of the KMO and Barlett's Test are summarized in Table 4.8. These results provide an excellent justification for further statistical analysis to be conducted.

Table 4.8: Individual Factors KMO Sampling Adequacy and Bartlett's Sphericity Tests

| | |
|----------------------------|---------|
| Kaiser-Meyer-Olkin Measure | 0.731 |
| Bartlett's Chi- Square | 320.067 |
| Bartlett's df | 21 |
| Bartlett's Sig. | 000.0 |

From the output presented in Table 4.8, it can be seen from both counts that data is suitable for factor analysis.

c) Factor Analysis

Factor analysis is a statistical method used to describe variability among observed, correlated variables in terms of a potentially lower number of unobserved variables called factors. Factor analysis was conducted using Principal Components Method (PCM) approach. Principal Component Analysis (PCA) is a statistical procedure that uses an orthogonal transformation to convert a set of observations of possibly correlated variables into a set of values of linearly uncorrelated variables called principal components. The extraction of the factors followed the Kaiser Criterion where an eigenvalue of one (1) or more indicates a unique factor.

Total variance analysis indicates that the seven (7) statements on individual factors and firm performance can be factored into one (1) factor. The total variance explained by the extracted factor is 68.59% of the total variance which is greater than the threshold of 50% as is shown in Table 4.9.

Table 4.9: Individual Factors Total Variance

| Component | Initial values | | Eigen of Cumulative % | Extraction Sums of Squared Loadings | | |
|-----------|----------------|--------|-----------------------|-------------------------------------|-------|-----------------|
| | Total Variance | % | | Total Variance | % | of Cumulative % |
| 1. | 4.801 | 68.59 | 68.59 | 4.80 | 68.59 | 68.59 |
| 2. | 1.033 | 14.762 | 83.351 | 1 | | |
| 3. | 0.597 | 8.53 | 91.882 | | | |
| 4. | 0.03 | 0.435 | 100 | | | |
| 5. | 0.184 | 2.63 | 98.278 | | | |
| 6. | 0.09 | 1.288 | 99.565 | | | |
| 7. | 0.03 | 0.435 | 100 | | | |

Extraction Method: Principal Component Analysis.

Factor loading is the correlation between the observed score and the latent score. Generally, the higher the better since the square of factor loading can be directly translated as item reliability. Table 4.10 shows the factor loadings for sub-constructs of individual factors. All the statements attracted coefficients of more than 0.4 hence all the statements were retained for analysis. According to Rahn (2010) and Zandi et al. (2006) a factor loading equal to or greater than 0.4 is considered adequate. The factor loading

for the sub-variables of individual factors ranges from 0.861 - 0.923 which is above the Rahn (2010) and Zandi *et al.* (2006) minimum recommended threshold of 0.4.

Table 4.10: Factor Loading for Individual Factors

| Item | Factor loading |
|--|-----------------------|
| 1. Personal traits affect enterprise based parastatals performance | 0.923 |
| 2. Growth motivation affects enterprise based parastatals performance | 0.909 |
| 3. Individual competencies (technical, managerial and entrepreneurial skills) affects enterprise based parastatals performance | 0.899 |
| 4. Personal Background (individual age, gender, education and experience) affects enterprise based parastatals performance | 0.892 |
| 5. The enterprise based parastatals continuously improve personality traits for enhancing performance | 0.884 |
| 6. The enterprise based parastatals always foresee potential in motivating individuals for enhancing performance | 0.881 |
| 7. The enterprise based parastatals always fosters individual competencies and personal background for enhancing performance | 0.861 |
| Number of items | 7 |
| Observation (N) | 223 |

d) Descriptive Statistics on Individual Social Entrepreneurship Factors

The top managers in enterprise based parastatals in Kenya were asked to indicate whether individual social entrepreneurship factors affect the performance of enterprise based parastatals in Kenya. The responses were measured on a Likert Rating Scale with responses ranging from strongly Disagree to Strongly Agree. The results of findings are presented in Table 4.11.

Table 4.11: Individual Factors and Performance Descriptive Analysis

| Statement | SD | D | N | Agree | SA | Mean | STD |
|---------------------------------------|-------------|--------------|--------------|--------------|--------------|-------------|---------------|
| 1. Personal traits | 4.4% | 24.4% | 4.4% | 60.0% | 6.7% | 3.4 | 1.074 |
| 2. Growth motivation | 11.1% | 4.4% | 26.7% | 51.1% | 6.7% | 3.38 | 1.072 |
| 3. Individual competencies | 0.0% | 11.1% | 13.3% | 48.9% | 26.7% | 3.91 | 0.925 |
| 4. Personal Background | 4.4% | 11.1% | 13.3% | 42.2% | 28.9% | 3.8 | 1.12 |
| 5. Improvement of personality | 0.0% | 11.1% | 6.7% | 46.7% | 35.6% | 4.07 | 0.939 |
| 6. potential in motivating individual | 4.4% | 11.1% | 33.3% | 51.1% | 0.0% | 3.31 | 0.848 |
| Average | 3.5% | 12.0% | 18.4% | 47.9% | 18.1% | 3.65 | 0.9896 |

Key: 1. Strongly Disagree 2. Disagree 3. Neutral 4. Agree 5. Strongly Agree

Table 4.11 shows that 66.7% of the respondents agreed that personality affects performance, 57.8% agreed that growth motivation enables the firm to be ahead of other competitors in introducing novel ideas or products and 75.6% agreed that individual competencies also had an effect on firm performance. In addition, 71.1% agreed that their personal backgrounds shape the environment by introducing new products, technologies, administrative techniques than merely react. 82.3% agreed that their companies continuously improve personality traits and 51.1% agreed that their

companies always foresee potential environmental changes ahead of the competitors. The mean score for responses for this section was 3.65 which indicate the majority of the respondents agreed that individual factors were key drivers of firm performance. These findings concur with Studies undertaken by Noruzi *et al.* (2010), Perrini and Vurro (2006) who found that entrepreneur's personality traits, growth motivation, individual competencies and personal background are the most important factors that determine the performance of a firm.

The mean for the six (6) elements ranged from 3.31 to 4.07 with an average mean of 3.65. Means greater than 2.5 and less than 3.5 implies that individual factors affected performance to a moderate extent. Means greater than 3.5 and less than 4.5 implies that individual factors affected performance to a very great extent. This implies that potential in motivating individuals (3.31), growth motivation (3.38) and personal traits (3.40) have a moderate effect on performance of enterprise based parastatals. Conversely, personal background (3.80), individual competencies (3.91) and continuous improvement of personality traits (4.07) affect performance to a very great extent. According to Mokaya (2012) and McMullen (2011) the key personal entrepreneurial traits that affect the performance of a firm include the need for achievement, need for cognition and internal locus of control.

The standard deviation describes the distribution of the responses in relation to the mean. It is an indication of how far the individual responses to each factor vary from the mean. The standard deviation ranged from 0.848 to 1.12 with an average of 0.9896. A standard deviation of more than one (1) indicates that the responses are moderately distributed, while less than one (1) indicates there is no consensus on the responses obtained. This implies that growth motivation (SD = 1.072), personal traits (SD = 1.074) and personal background (SD = 1.12) have a standard deviation of more than one (1) indicating that they are moderately distributed. Individual competencies with a standard deviation of 0.925 were below the threshold of one (1). However, an average of 0.9896

for all statements on individual factors indicates that the responses are moderately distributed. These findings were also supported by Wang (2008) who posited that an entrepreneurial firm instills flexibility and grants individuals and teams the freedom to exercise their creativity to champion new ideas. In addition, Mokaya (2012) and McMullen (2011) also said that the key personal entrepreneurial traits that affect the performance of a firm include the need for achievement, need for cognition and internal locus of control.

e) Relationship between Individual Social Entrepreneurship Factors and Firm Performance

To assess the nature of inter-relationships between the individual social entrepreneurship factors and firm performance, Pearson correlation was performed. Pearson correlation coefficient was preferred because the variables, though at ordinal level, have been given scores. The correlation matrix produced is shown in Table 4.12.

Table 4.12: Relationship between Individual Factors and Firm Performance

| Variable | | Firm Performance | Individual Factors |
|--------------------|------------------------|------------------|--------------------|
| Firm performance | Pearson Correlation | 1 | |
| | Sig. (2-tailed) | | |
| Individual Factors | Pearson Correlation | 0.509 | 1 |
| | Sig. (2-tailed) | 0.000 | |

Table 4.12 shows the correlation results which indicate that there was a positive and significant relationship between individual factors and firm performance. This was evidenced by the p value of 0.000 obtained which is less than that of critical value of 0.05.

The positive association between individual factors and firm performance measures implies that individual factors such as personal traits can affect positive performance. These findings are consistent with (Mazzarol *et al.*, 2009) who argued that personality traits contribute more to the performance. Such factors as intrinsic motivation play a rather important role in an entrepreneur's behaviour which in turn contributes to the actual performance (Di Zhang & Bruning, 2011).

Binary logistic regression estimates the probability that a characteristic is present (e.g. estimate probability of "success") given the values of explanatory variables. Binary logistic regression was used to model relationship between individual factors and firm performance.

Table 4.13: Logistic Regression for Individual Factors

| Variable | Beta | S.E | Wald | Df | Sig. | Exp (B) | 95% C.I for EXP (B) | |
|-----------------------|--------|-------|-------|----|-------|------------|------------------------|-------|
| | | | | | | | Lower | Upper |
| Individual Factors | 1.868 | 0.607 | 9.478 | 1 | 0.002 | 6.476 | 1.971 | 21.27 |
| Constant | -6.414 | 2.273 | 7.962 | 1 | 0.005 | 0.002 | | |

Table 4.13 shows that individual factors were statistically associated with firm performance ($p < 0.002$). An enhancement in individual factors increases the probability of having high firm performance by 6.476 times. The findings imply that those firms with high individual factors have higher chances of realizing higher firm performance as compared to those without or with low individual factors.

4.5.2 Organizational Social Entrepreneurship Factors and Performance

a) Reliability Tests

Using Cronbach's Coefficient Alpha Test on organizational factors and firm performance, a coefficient of 0.913 was found (Table 4.14). These results corroborate findings by Saunders *et al.* (2009) who stated that scales of 0.7 and above indicate satisfactory reliability.

Table 4.14: Reliability Test for Organizational Factors

| | Corrected Item-Total Correlation | Cronbach's Alpha if Item Deleted |
|--|--|--|
| 1. Firm attributes (parastatal age and size) and strategies (market orientation and entrepreneurial orientation) affect enterprise based parastatal performance | 0.655 | 0.91 |
| 2. Firm specific resources (financial capital availability, human resource development and finance performance) affects enterprise based parastatal performance | 0.847 | 0.888 |
| 3. Organizational structure (centralization, decentralization, formalization, standardization, specialization and departmentalization) affects enterprise based parastatal performance | 0.334 | 0.908 |
| 4. Dynamic capabilities (firm learning and preparedness to grow) affects enterprise based parastatal performance | 0.801 | 0.893 |
| 5. The enterprise based parastatals continuously enhance firm attributes and strategies and firm specific resources for enhancing performance | 0.863 | 0.887 |
| 6. The enterprise based parastatals always foster firm structure and dynamic capabilities for enhancing performance | 0.882 | 0.888 |
| Number of items | 6 | |
| Observation (N) | | 223 |
| Cronbach's Alpha | 0.913 | |

Based on the Christensen *et al.* (2011) recommendations, the statements under the organizational factors variable of this study were found to have adequate internal consistency, therefore reliable for further analysis and generalization of the population.

b) Sampling Adequacy

The KMO and Barlett’s Tests of Sphericity were used to determine the organizational factors sampling adequacy. The results of the KMO and Barlett’s Tests are summarized in Table 4.15 which show that the KMO statistic is 0.732 which is significantly high and is greater than the critical level of significance of the test set at 0.5 (Field, 2000). In addition to the KMO test, the Barlett’s Test of Sphericity was also highly significant (Chi-square = 206.343 with 15 degree of freedom, at $p < 0.05$). These results provide an excellent justification for further statistical analysis to be conducted.

Table 4.15: Organizational Factors KMO Sampling Adequacy and Bartlett's

Sphericity Tests

| | |
|----------------------------|---------|
| Kaiser-Meyer-Olkin Measure | 0.732 |
| Bartlett's Chi- Square | 206.343 |
| Bartlett's df | 15 |
| Bartlett's Sig. | .000 |

The results shown in Table 4.15 qualify the data for factor analysis.

c) Factor Analysis

Factor analysis is a statistical method used to describe variability among observed correlated variables in terms of a potentially lower number of unobserved variables called factors. Factor analysis was conducted using the Principal Components Method

(PCM) approach. The extraction of the factors followed the Kaiser Criterion where an eigenvalue of one (1) or more indicates a unique factor. Total variance analysis indicates that the four (4) statements on organizational factors and firm performance can be factored into one (1) factor. The total variance explained by the extracted factor is 63.622% as is shown in Table 4.16.

Table 4.16: Organizational Factors Total Variance

| Component | Initial Eigenvalues | | | Extraction Sums of Squared Loadings | | |
|-----------|---------------------|---------------|--------------|-------------------------------------|---------------|--------------|
| | Total | % of Variance | Cumulative % | Total | % of Variance | Cumulative % |
| 1. | 3.817 | 63.622 | 63.622 | 3.817 | 63.622 | 63.622 |
| 2. | 1.2 | 19.995 | 83.617 | | | |
| 3. | 0.45 | 7.506 | 91.123 | | | |
| 4. | 0.058 | 0.962 | 100 | | | |

Extraction Method: Principal Component Analysis.

Table 4.17 shows the factor loadings for sub-constructs of organizational factors.

All the statements attracted coefficients of more than 0.4 hence they were all retained for analysis. This is corroborated by findings of Rahn (2010) and Zandi et al. (2006) who assert that a factor loading of 0.4 has good factor stability and deemed to lead to desirable and acceptable solutions. The factor loading for the sub-variables of organizational factors ranges from 0.813 - 0.928 which is above the Rahn (2010) and Zandi et al. (2006) minimum recommended threshold of 0.4.

Table 4.17: Factor Loading for Organizational Factors

| Item | Factor loading |
|--|-----------------------|
| 1. Firm attributes (parastatal age and size) and strategies (market orientation and entrepreneurial orientation) affect enterprise based parastatal performance | 0.928 |
| 2. Firm specific resources (financial capital availability, human resource development and finance performance) affects enterprise based parastatal performance | 0.92 |
| 3. Organizational structure (centralization, decentralization, formalization, standardization, specialization and departmentalization) affects enterprise based parastatal performance | 0.877 |
| 4. Dynamic capabilities (firm learning and preparedness to grow) affects enterprise based parastatal performance | 0.859 |
| 5. The enterprise based parastatals continuously enhance firm attributes and strategies and firm specific resources for enhancing performance | 0.813 |
| 6. The enterprise based parastatals always foster organizational structure and dynamic capabilities for enhancing performance | 0.813 |
| Number of Items | 6 |
| Observation (N) | 223 |

d) Descriptive Statistics on Organizational Social Entrepreneurship Factors

The top managers in enterprise based parastatals were asked to indicate whether organizational social entrepreneurship factors affect the performance of enterprise based parastatals in Kenya. The responses were measured on a Likert Rating Scale with responses ranging from strongly Disagree to Strongly Agree. The results of finding are shown in Table 4.18.

Table 4.18: Organizational Factors and Performance Descriptive Analysis

| Statement | SD | D | N | A | SA | Mean | STD |
|--------------------------------------|------|-------|-------|-------|-------|------|-------|
| 1. Firm attributes | 4.4% | 13.3% | 13.3% | 55.6% | 13.3% | 3.60 | 1.031 |
| 2. Firm specific resources | 4.4% | 17.8% | 13.3% | 51.1% | 13.3% | 3.51 | 1.079 |
| 3. Organizational structure | 4.4% | 17.8% | 24.4% | 51.1% | 2.2% | 3.29 | 0.944 |
| 4. Dynamic capabilities | 4.4% | 24.4% | 42.2% | 26.7% | 2.2% | 2.98 | 0.892 |
| 5. Firm attributes and strategies | 8.9% | 22.2% | 26.7% | 35.6% | 6.7% | 3.09 | 1.104 |
| 6. Foster firm structure and dynamic | 6.7% | 26.7% | 20.0% | 37.8% | 8.9% | 3.16 | 1.127 |
| Average | 5.5% | 20.4% | 23.3% | 43.0% | 7.8% | 3.27 | 1.030 |

Key: 1. Strongly Disagree 2. Disagree 3. Neutral 4. Agree 5. Strongly Agree

Table 4.18 shows that 68.9% of the respondents agreed that firm attributes and strategies affect performance, 64.4% agreed that firm specific resources enables the firm to be ahead of other competitors in introducing novel idea or products and 53.5% agreed that organizational structure also had an effect on firm performance. In addition, 28.9% agreed that dynamic capabilities shapes the environment by introducing new products, technologies, administrative techniques than merely react, 42.3% agreed that their company continuously improves firm attributes and strategies and firm specific resources and 46.7% agreed that their company always fosters organizational structure and dynamic capabilities. The mean score for responses for this section was 3.25 which indicated the majority of the respondents agreed that organizational factors were a key driver of firm performance. The discussion on the relationship between organizational

factors and firm performance has its origin in Gibrat's Law (Audretsch *et al.*, 2004) which states that the performance rate of a firm is dependent of its size but however, there is no difference between firms in the probability of a given performance rate during a specific time interval within the same industry.

The mean for the six (6) elements ranges from 2.98 to 3.60 with an average mean of 3.25. Means greater than 2.5 and less than 3.5 imply that organizational factors affect performance to a moderate extent. Means greater than 3.5 and less than 4.5 imply that individual factors affected performance to a very great extent. This implies that dynamic capabilities (2.98), continuous improvement of firm attribute and strategies and firm specific resources (3.09) foster of organizational structure and dynamic capabilities (3.16) and firm structure (3.29) have a moderate effect on performance of enterprise based parastatals. Though different dimensions are used by various authors to describe distribution of tasks, centralization, formalization and departmentalization are the commonly agreed dimensions (Meijaard *et al.*, 2005). Conversely, Firm specific resources (3.51) and firm attributes and strategies (3.60) affect performance to a very great extent.

The standard deviation describes the distribution of the response in relation to the mean. It is an indication of how far the individual responses to each factor vary from the mean. The standard deviation ranges from 0.892 to 1.127 with an average of 1.030. A standard deviation of more than one (1) indicates that the responses are moderately distributed, while less than one (1) indicates there is no consensus on the responses obtained. This implies that firm attributes and strategies (SD = 1.031) and firm specific resources (SD = 1.079) have a standard deviation of more than one (1) indicating that they are moderately distributed. Dynamic capabilities (SD = 0.892) and organizational structure (SD = 0.944) are below the threshold of one (1). However, an average of 1.030 for all statements on organizational factors indicates that the responses are in the overall moderately distributed. Although the effect of factors such as firm size, sector, and firm

configuration is rather complex, it is suggested that including them in studies could give a better understanding of the factors of firm performance (Meijaard *et al.*, 2005; Brand & Mosselman, 2005).

e) Relationship between Organizational Factors and Firm Performance

Correlation results indicate that there was a positive and significant relationship between organizational factors and firm performance are shown in Table 4.19.

Table 4.19: Relationship between Organizational Factors and Firm Performance

| Variable | | Firm performance | Organizational Factors |
|------------------------|------------------------|------------------|------------------------|
| Firm performance | Pearson Correlation | 1 | |
| | Sig. (2-tailed) | | |
| Organizational Factors | Pearson Correlation | 0.476 | 1 |
| | Sig. (2-tailed) | 0.001 | |

This was evidenced by the p value of 0.001 which is less than the critical value of 0.05. This implies that an enhancement in organizational factors leads to increased sales and profit margin. The positive and significant association between individual organizational factors and firm performance measures implies firm attributes and strategies can stimulate performance. Rauch, Frese and Utsch (2005) conducted an empirical analysis based on longitudinal data from 119 German business owners and found that factors such as organizational structures are the most important factors for predicting firm performance.

Binary logistic regression was used to model relationship between organizational factors and firm performance. This information is presented in Table 4.20.

Table 4.20: Logistic Regression for Organizational Factors

| Variable | Beta | S.E. | Wal d | df | Sig. | Exp(B) | 95% C.I. for EXP(B) | |
|---------------------------|--------|-------|----------|----|-------|--------|------------------------|-------|
| | | | | | | | Lower | Upper |
| Organizational Factors | 1.252 | 0.527 | 5.645 | 1 | 0.018 | 3.496 | 1.245 | 9.817 |
| Constant | -3.771 | 1.804 | 4.368 | 1 | 0.037 | 0.023 | | |

Table 4.20 shows that organizational factors were statistically associated with firm performance ($p < 0.018$). An increase in organizational factors increases the probability of having high firm performance by 3.496 times. This implies that firms with high organizational factors have higher chances of attaining higher firm performance in comparison to those with low organizational factors.

4.5.3 Organizational Resources and Performance

a) Reliability Tests

As stipulated by Dröst (2011) the reliability test and Cronbach's Coefficient Alpha value should not be lower than 0.8. Using Cronbach's Coefficient Alpha test on organizational resources and firm performance, a coefficient of 0.844 was found. The results are contained in Table 4.21.

Table 4.21: Reliability Test for Organizational Resources

| Statement | Corrected Item-Total Correlation | Cronbach's Alpha if Item Deleted |
|--|---|---|
| 1. Human resource such as top and middle management and administrative functions affects enterprise based parastatals performance | 0.319 | 0.816 |
| 2. Physical resources such as the plant, machinery, equipment, production technology and capacity contribute positively towards the performance of enterprise based parastatals | 0.718 | 0.799 |
| 3. Financial resources such as cash-in-hand, bank deposits and/or savings and financial capital (e.g., stocks and shares) also help in improving the performance of enterprise based parastatals | 0.538 | 0.836 |
| 4. Experiential resources such as product reputation, manufacturing experience and brand name account for the performance of enterprise based parastatals | 0.718 | 0.8 |
| 5. The enterprise based parastatals continuously utilize human and physical resources for improving performance | 0.886 | 0.762 |
| 6. The enterprise based parastatals always make effective and efficient use of financial and experiential resources for enhancing performance | 0.567 | 0.83 |
| Number of items | 6 | |
| Observation (N) | | 223 |
| Cronbach's Alpha | 0.844 | |

As shown in Table 4.21, the statements under the organizational resources factors variable of this study were found to have adequate internal consistency, therefore reliable for further analysis and generalization of the population.

b) Sampling Adequacy

These results of the KMO and Bartlett's Test of Sphericity from this analysis of 0.660 and Chi-square = 93.273 with 15 degrees of freedom, at $p < 0.05$ respectively justify further statistical analysis to be conducted on organizational resources variable. These findings are contained in Table 4.22 and provide an excellent justification for further statistical analysis to be conducted.

Table 4.22: Organizational Resources KMO Sampling Adequacy and

Bartlett's Sphericity Tests

| | |
|----------------------------|--------|
| Kaiser-Meyer-Olkin Measure | 0.660 |
| Bartlett's Chi- Square | 93.273 |
| Bartlett's df | 15 |
| Bartlett's Sig. | .000 |

The KMO measure of sampling adequacy was beyond the minimum threshold indicating that the sample size was adequate for factor analysis to continue.

c) Factor Analysis

Factor analysis was conducted using Principal Components Method (PCM) approach and the extraction of the factors followed the Kaiser Criterion where an eigenvalue of one (1) or more indicates a unique factor. Total variance analysis indicates that the six (6) statements on organizational resources and firm performance can be factored into one (1) factor. The total variance explained by the extracted factor is 50.352% as is shown in Table 4.23.

Table 4.23: Organizational Resources Total Variance

| Component | Initial | Eigen | Extraction Sums of Squared | | | |
|-----------|---------|----------|----------------------------|-------|----------|-----------------|
| | values | | Loadings | | | |
| | Total | % | of Cumulative | Tota | % | of Cumulative % |
| | | Variance | % | l | Variance | |
| 1 | 3.021 | 50.352 | 50.352 | 3.021 | 50.352 | 50.352 |
| 2 | 1.113 | 18.557 | 68.909 | | | |
| 3 | 0.701 | 11.676 | 80.585 | | | |
| 4 | 0.223 | 3.721 | 100 | | | |
| 5 | 0.215 | 3.59 | 99.038 | | | |
| 6 | 0.058 | 0.962 | 100 | | | |

Extraction Method: Principal Component Analysis.

Factor loading is the correlation between the observed score and the latent score. Generally, the higher the better since the square of factor loading can be directly translated as item reliability.

Table 4.24 shows the factor loadings for sub-constructs of organizational resources. All the statements attracted coefficients of more than 0.4 hence they were all retained for analysis. According to Rahn (2010) and Zandi *et al.* (2006) a factor loading equal to or greater than 0.4 is considered adequate. The factor loading for the sub-variables of organizational resources ranges from 0.82 - 0.936 which is above the Rahn (2010) and Zandi *et al.* (2006) minimum recommended threshold of 0.4.

Table 4.24: Factor Loading for Organizational Resources

| Item | Factor loading |
|--|-----------------------|
| 1. Human resource such as top and middle management and administrative functions affect enterprise based parastatals performance | 0.936 |
| 2. Physical resources such as the plant, machinery, equipment, production technology and capacity contribute positively towards the performance of enterprise based parastatals | 0.932 |
| 3. Financial resources such as cash-in-hand, bank deposits and/or savings and financial capital (e.g., stocks and shares) also help in improving the performance of enterprise based parastatals | 0.912 |
| 4. Experiential resources such as product reputation, manufacturing experience and brand name account for the performance of enterprise based parastatals | 0.897 |
| 5. The enterprise based parastatals continuously utilize human and physical resources for improving performance | 0.897 |
| 6. The enterprise based parastatals always make effective and efficient use of financial and experiential resources for enhancing performance | 0.82 |
| Number of Items | 6 |
| Observation (N) | 223 |

d) Descriptive statistics on Organizational Resources Social Entrepreneurship Factors

The top managers in enterprise based parastatals in Kenya were asked to indicate whether organizational resources social entrepreneurship factors affect the performance of enterprise based parastatals in Kenya. The responses were measured on a Likert Rating Scale with responses ranging from strongly Disagree to Strongly Agree. The results of findings are presented in Table 4.25.

Table 4.25: Organizational Resources and Firm Performance

| Statement | SD | D | N | A | SA | Mean | STD |
|--|------|-------|-------|-------|-------|------|-------|
| 1. Human resource | 0.0% | 17.8% | 11.1% | 57.8% | 13.3% | 3.67 | 0.929 |
| 2. Physical resources | 4.4% | 11.1% | 20.0% | 51.1% | 13.3% | 3.58 | 1.011 |
| 3. Financial resources | 0.0% | 13.3% | 13.3% | 66.7% | 6.7% | 3.67 | 0.798 |
| 4. Experiential resources | 0.0% | 20.0% | 26.7% | 46.7% | 6.7% | 3.4 | 0.889 |
| 5. utilization human and physical resources | 4.4% | 6.7% | 37.8% | 40.0% | 11.1% | 3.47 | 0.944 |
| 6. effective and efficient use of financial and experiential resources | 0.0% | 20.0% | 22.2% | 44.4% | 13.3% | 3.51 | 0.968 |
| Average | 1.5% | 14.8% | 21.9% | 51.1% | 10.7% | 3.55 | 0.923 |

Key: 1. Strongly Disagree 2. Disagree 3. Neutral 4. Agree 5. Strongly Agree

Table 4.22 shows that 71.1% of the respondents agreed that human resource affects performance, 64.4% agreed that physical resources enables the firm to be ahead of other competitors in introducing novel ideas or products and 73.4% agreed that financial

resources also had an effect on firm performance. In addition, 53.4% agreed that experiential resources shape the environment by introducing new products, technologies, administrative techniques than merely react, 51.1% agreed that their company continuous utilization of human and physical resources improves performance and 57.7% agreed that effective and efficient use of financial and experiential resources enhances performance. The mean score for responses for this section was 3.55 which indicate the majority of the respondents agreed that organizational resources were a key driver of firm performance). In particular, Coad (2007) argues that resources such as finance can be expected to correspond to firm performance given the principle of 'growth of the fitter' from evolutionary theory.

The mean for the six (6) elements ranges from 3.40 to 3.67 with an average mean of 3.55. Means greater than 2.5 and less than 3.5 implied that organizational resources affected performance to a moderate extent. Means greater than 3.5 and less than 4.5 implied that individual factors affected performance to a very great extent. This implies that experiential resources (3.4) and continuous utilization of human and physical resources (3.47) have moderate effects on performance of enterprise based parastatals. Conversely, effective and efficient use of financial and experiential resources (3.51), physical resources (3.58), human resource (3.67) and financial resources (3.67) affect performance to a very great extent.

The standard deviation describes the distribution of the response in relation to the mean. It is an indication of how far the individual responses to each factor vary from the mean. The standard deviation ranges from 0.798 to 1.011 with an average of 0.923. A standard deviation of more than one (1) indicates that the responses are moderately distributed, while less than one (1) indicates there is no consensus on the responses obtained. This implies that physical resources (SD = 1.011) have a standard deviation of more than one (1) indicating that it is moderately distributed. Financial resources (SD = 0.798), experiential resources (SD = 0.889) and Human resource (SD = 0.929) are below the

threshold of one (1). However, an average of 0.923 which is close to one (1) for all statements on organizational resources indicates that the responses can be said to be moderately distributed. On a firm level, human resources including the total workforce play a more determined role when compared to the entrepreneur alone (Bottazzi & Secchi, 2005).

e) Relationship between Organizational Resources Social Entrepreneurship Factors and Firm Performance

To establish the association between organizational resources factors and firm performance, Pearson correlation was performed. The correlation matrix produced is shown in Table 4.26.

Table 4.26: Relationship between Organizational Resources and Firm Performance

| Variable | Firm Performance | Organizational Resources |
|-------------------------|------------------------------|--------------------------|
| Firm performance | Pearson Correlation 1 | |
| | Sig. (2-tailed) | |
| Organizational Resource | Pearson Correlation 0.642 | 1 |
| | Sig. (2-tailed) 0.000 | |

Results obtained from this study show that there was a positive and significant relationship between organizational resources and firm performance as shown in Table 4.26. This argument is supported by the p value of 0.000 which is less than recommended critical value of 0.05. In support of this, Morgan *et al.* (2004) predicts that certain types of resources a firm owns and controls have the potential and promise to generate competitive advantage which eventually leads to superior firm performance. Physical resources such as the plant, machinery, equipment, production technology and

capacity contribute positively towards firm competitive advantage and eventually result in superior firm performance. In addition, financial resources such as cash-in-hand, bank deposits and/or savings and financial capital (e.g., stocks and shares) also help explain the level of firm competitive advantage and performance (Ainuddin *et al.*, 2007).

A binary logistic regression was then performed. In this study, binary logistic regression was used to model relationship between organizational resources factors and firm performance. This information is presented in Table 4.27.

Table 4.27: Logistic Regression for Organizational Resources

| Variable | Beta | S.E. | Wald | Df | Sig. | Exp | 95% C.I. for EXP(B) | |
|------------------------------|--------|-------|-------|----|-------|-------|---------------------|--------|
| | | | | | | | Lower | Upper |
| Organizationa l Resources | 2.242 | 0.731 | 9.399 | 1 | 0.002 | 9.409 | 2.245 | 39.435 |
| Constant | -7.419 | 2.573 | 8.312 | 1 | 0.004 | 0.001 | | |

An increase in organizational resources was found to increase the probability of having higher firm performance by 9.409 times (Table 4.27) as established using Binary logistic regression to model relationship between organizational resources and firm performance. The results show that organizational resources were statistically associated with firm performance ($p < 0.002$). This implies that firms with high organizational resources have higher chances of realizing higher performance.

4.5.4 Environmental Social entrepreneurship Factors and Performance

a) Reliability Tests

Bryman (2012) asserts that where Cronbach's Alpha Test is used for reliability test, as a rule of thumb, the value should not be lower than 0.8. Using Cronbach's Coefficient Alpha Test on environmental factors and firm performance, a coefficient of 0.800 was found (Table 4.28). These results corroborate findings by Saunders, Lewis and Thornhill (2009) who stated that scales of 0.7 and above indicate satisfactory reliability. The results are presented in Table 4.28.

Table 4.28: Reliability Test for Environmental Factors

| Statement | Corrected Item-Total Correlation | Cronbach's Alpha if Item Deleted |
|---|----------------------------------|----------------------------------|
| 1. Dynamic environment (preference and taste of consumers, prices of products and changes in taxes) affects enterprise based parastatal performance | 0.703 | 0.721 |
| 2. Hostile environment (competitive pricing, combination of marketing strategies, market niche and new methods of packaging) affects enterprise based parastatal performance | 0.61 | 0.743 |
| 3. Heterogeneity (competitive aggressiveness, investing in new ventures, innovation ability and behaviour of taking risk) affects enterprise based parastatal performance | 0.568 | 0.757 |
| 4. Competitive intensity (new demand on existing products, sales and marketing, increase of market share, financial resources for sales promotion and improving market share) affects enterprise based parastatal performance | 0.562 | 0.756 |
| 5. The enterprise based parastatals take in consideration dynamic and hostile environment when undertaking strategic planning for enhancing performance | 0.513 | 0.768 |
| 6. The enterprise based parastatals take in consideration heterogeneity and competitive intensity for improving performance | 0.341 | 0.809 |
| Number of items | 6 | |
| Observation (N) | | 223 |
| Cronbach's Alpha | 0.800 | |

The Cronbach coefficient on the six items showed internal consistency results were above the cut off value for being acceptable.

b) Sampling Adequacy

Henry Kaiser (1970) introduced a Measure of Sampling Adequacy (MSA) of factor analytic data matrices which was modified by Kaiser and Rice (1974). A Kaiser-Meyer-Olkin Measure of Sampling Adequacy of 0.60 is considered as fair. The measure obtained on environmental factors in this study is 0.615 which is consistent with the Kaiser-Meyer-Olkin Measure of Sampling Adequacy. In addition to the KMO test, the Bartlett’s Test of Sphericity obtained Chi-square = 169.807 with 15 degree of freedom, at $p < 0.05$ as summarized in Table 4.29 confirm sampling adequacy and provide an excellent justification for further statistical analysis to be conducted on the data from this study.

Table 4.29: Environmental Factors KMO Sampling Adequacy and Bartlett's Sphericity Tests

| | |
|----------------------------|---------|
| Kaiser-Meyer-Olkin Measure | 0.615 |
| Bartlett's Chi- Square | 169.807 |
| Bartlett's df | 15 |
| Bartlett's Sig. | .000 |

According to Table 4.29, the KMO measure of sampling adequacy was beyond the minimum value indicating that the sample size was adequate for factor analysis to proceed. The Bartlett's Test of Sphericity showed the strength of relationship among variables.

c) Factor Analysis

Factor analysis was conducted after successful testing of validity and reliability using KMO coefficient and Cronbach Alpha results. Factor analysis was conducted using Principal Components Method (PCM) approach. The extraction of the factors followed the Kaiser Criterion where an eigenvalue of one (1) or more indicates a unique factor. Total variance analysis indicates that the six (6) statements on environmental factors and firm performance can be factored into one (1) factor. The total variance explained by the extracted factor is 57.091% as is shown in Table 4.30.

Table 4.30: Environmental Factors Total Variance

| Component | Initial Eigenvalues | | | Extraction Sums of Squared Loadings | | |
|-----------|---------------------|---------------|--------------|-------------------------------------|---------------|--------------|
| | Total | % of Variance | Cumulative % | Total | % of Variance | Cumulative % |
| 1. | 3.425 | 57.091 | 57.091 | 3.425 | 57.091 | 57.091 |
| 2. | 0.96 | 15.995 | 73.087 | | | |
| 3. | 0.848 | 14.138 | 87.225 | | | |
| 4. | 0.627 | 10.455 | 91.039 | | | |
| 5. | 0.314 | 5.24 | 96.279 | | | |
| 6. | 0.088 | 1.466 | 100 | | | |

Extraction Method: Principal Component Analysis

According to Rahn (2010) and Zandi *et al.* (2006) a factor loading equal to or greater than 0.4 is considered adequate. Table 4.31 shows the factor loadings for sub-constructs

of environmental factors in which all statements attracted coefficients of more than 0.4 hence retained for analysis. The factor loading for the sub-variables of environmental factors ranged from 0.876 - 0.959 which are above the Rahn (2010) and Zandi *et al.* (2006) minimum recommended threshold of 0.4.

Table 4.31: Factor Loading for Environmental Factors

| Item | Factor loading |
|---|----------------|
| 1. Dynamic environment (preference and taste of consumers, prices of products and changes in taxes) affects enterprise based parastatal performance | 0.959 |
| 2. Hostile environment (competitive pricing, combination of marketing strategies, market niche and new methods of packaging) affects enterprise based parastatal performance | 0.937 |
| 3. Heterogeneity (competitive aggressiveness, investing in new ventures, innovation ability and behaviour of taking risk) affects enterprise based parastatal performance | 0.934 |
| 4. Competitive intensity (new demand on existing products, sales and marketing, increase of market share, financial resources for sales promotion and improving market share) affects enterprise based parastatal performance | 0.916 |
| 5. The enterprise based parastatal takes in consideration dynamic and hostile environment when undertaking strategic planning for enhancing performance | 0.912 |
| 6. The enterprise based parastatal takes in consideration heterogeneity and competitive intensity for improving performance | 0.876 |
| Number of Items | 6 |
| Observation ((N) | 223 |

d) Descriptive statistics on Environmental Social Entrepreneurship Factors

The top managers in enterprise based parastatals in Kenya were asked to indicate whether environmental social entrepreneurship factors affect the performance of enterprise based parastatals in Kenya. The responses were measured on a Likert Rating Scale with responses ranging from strongly Disagree to Strongly Agree. The results of findings are presented in Table 4.32.

Table 4.32: Environmental Factors and Firm Performance

| Statement | SD | D | N | A | SA | Mean | STD |
|--|-------------|--------------|--------------|--------------|--------------|-------------|--------------|
| 1. Dynamic environment | 0.0% | 6.7% | 0.0% | 46.7% | 46.7% | 4.33 | 0.798 |
| 2. Hostile environment | 13.3% | 26.7% | 17.8% | 42.2% | 0.0% | 2.89 | 1.112 |
| 3. Heterogeneity | 6.7% | 13.3% | 26.7% | 42.2% | 11.1% | 3.38 | 1.072 |
| 4. Competitive intensity | 4.4% | 40.0% | 17.8% | 31.1% | 6.7% | 2.96 | 1.086 |
| 5. dynamic and hostile environment | 6.7% | 37.8% | 13.3% | 37.8% | 4.4% | 2.96 | 1.107 |
| 6. heterogeneity and competitive intensity | 4.4% | 13.3% | 31.1% | 33.3% | 17.8% | 3.47 | 1.079 |
| Average | 5.9% | 23.0% | 17.8% | 38.9% | 14.5% | 3.33 | 1.042 |

Key: 1. Strongly Disagree (SD) 2. Disagree (D) 3. Neutral (N) 4. Agree (A) 5. Strongly Agree (SA)

Table 4.32 shows that 93.4% of the respondents agreed that a dynamic environment affects performance, 42.2% agreed that a hostile environment enables the firm to be ahead of other competitors in introducing novel idea or products and 53.3% agreed that heterogeneity also had an effect on firm performance. In addition, 37.8% agreed that competitive intensity shapes the environment by introducing new products, technologies,

administrative techniques than merely react, 42.2% agreed that consideration of dynamic and hostile environment when undertaking strategic planning enhances performance and 51.1% agreed that consideration of heterogeneity and competitive intensity improves performance. According to Birkinshaw, Hood and Young (2005) firms which do not take a new position against the increased intensity of the competition and /or become late to enter into the growing markets compute the opportunity costs and try to make alternative strategies to survive or remain in competition. The mean score for responses for this section was 3.33 which indicate the majority of the respondents agreed that the environmental factors were key drivers of firm performance.

The mean for the six (6) elements ranged from 2.89 to 4.33 with an average mean of 3.33. Means ranging between 2.5 and 3.5 imply that environmental factors affected performance to a moderate extent. Means greater than 3.5 and less than 4.5 implied that environmental factors affected performance to a very great extent. This implies that Hostile environment (2.89), competitive intensity (2.96), consideration of dynamic and hostile environment when undertaking strategic planning (2.96), heterogeneity (3.38) and consideration of heterogeneity and competitive intensity (3.47) have a moderate effect on performance of enterprise based parastatals. Conversely, existence of a dynamic environment (4.33) affects performance to a very great extent.

The standard deviation describes the distribution of the response in relation to the mean. It is an indication of how far the individual responses to each factor vary from the mean. The standard deviation from this study ranges from 0.798 to 1.112 with an average of 1.042. A standard deviation of more than one (1) indicates that the responses are moderately distributed, while less than one (1) indicates there is no consensus on the responses obtained. This implies that heterogeneity (SD = 1.072), Competitive intensity (SD = 1.086) and hostile environment (SD = 1.112) have a standard deviation of more than one (1) hence indicating that the responses obtained are moderately distributed. Dynamic environment with a standard deviation of 0.798 is below the threshold of one (1). However, an average of 1.042 for all statements on environmental factors indicates

that the responses are moderately distributed. According to Zahra *et al.* (2009), increased environment heterogeneity is predicted to be associated with greater use of SE.

e) Relationship between Environmental Factors and Firm Performance

To assess the nature of inter-relationships between the environmental factors and firm performance, Pearson correlation was performed. Table 4.33 shows the correlation between environmental factors and performance.

Table 4.33: Relationship between Environmental Factors and Firm Performance

| Variable | | Firm performance | Environmental Factors |
|--------------------------|------------------------|---------------------|--------------------------|
| Firm performance | Pearson Correlation | 1 | |
| | Sig. (2-tailed) | | |
| Environmental Factors | Pearson Correlation | 0.654 | 1 |
| | Sig. (2-tailed) | 0.000 | |

A positive and significant relationship between the two was observed. This was evidenced by the p value of 0.000 which is less than that of critical value of 0.05. The effects of business environment factors on firm performance have been discussed in several theoretical contributions and empirical studies. Yoengtaak *et al.* (2009) in the study on the effects of environmental factors on firm performance identified that the performance of firms is positively affected by dynamic environment, heterogeneity and competitive aggressiveness.

A binary logistic regression was then performed. This study, binary logistic regression was used to model relationship between environmental factors and firm performance.

Table 4.34: Logistic Regression for Environmental Factors

| Variable | Beta | S.E. | Wald | df | Sig. | Exp (B) | 95% C.I. for EXP(B) | |
|--------------------------|--------|-------|-------|----|-------|------------|------------------------|-------|
| | | | | | | | Lower | Upper |
| Environmental Factors | 1.119 | 0.48 | 5.423 | 1 | 0.02 | 3.061 | 1.194 | 7.846 |
| Constant | -3.331 | 1.652 | 4.066 | 1 | 0.044 | 0.036 | | |

Table 4.34 shows that environmental factors were statistically related with enhanced firm performance ($p < 0.02$). An increase in environmental factors increases the probability of higher firm performance by 3.061 times. Firms with high environmental factors therefore have higher chances of realizing improved performance.

4.6 Firm Performance

4.6.1 Correlation between Social Entrepreneurship Factors and Firm Performance

a) Correlation of Individual Factor and Firm Performance

To test the first null hypothesis (H01), which stated that, there is significant “relationship between individual factors and performance of the firms, correlation analysis between individual factors and firm performance constructs was conducted. In addition, a binary logistic regression was then performed. In this study, binary logistic regression was used to model relationship between individual factors and firm performance. And for the results to be truly significant, p must be smaller or equal to 0.05.

The analysis discovered that both sales and profit constructs had significant positive correlations with individual factors yield in the coefficients of 0.398 ($p < 0.001$) and

0.190 ($p < 0.01$) respectively. These findings suggest that enterprise based parastatals in Kenya should support a great deal in improving firm attributes, strategies, resources and individual capabilities through bold and aggressive initiative in investing in activities that enable increase in sales construct of the financial performance. On the basis of these findings the null hypothesis that there is a significant relationship between individual factors and financial performance of the firms is supported. The logistic regression model contained independent variables, namely; individual social entrepreneurship factors. The logistic regression model is summarized as:

$$\text{Logit (performance level)} = -6.414 + 1.868 \text{ individual factors}$$

Table 4.13 shows that individual factors were statistically associated with firm performance ($p < 0.002$). An enhancement in individual factors increases the probability of having high firm performance. These results are consistent with those conducted by Aktan and Bulut (2008) who concluded that the emergence of SE in the manufacturing firms need to improve individual factors for enhancing firm performance. The point of difference is that the correlation coefficients are moderately strong and significant respectively.

Table 4.35 Correlation of Individual Factors and Firm Performance

| Variables | 1 | 2 | 3 |
|----------------------------------|----------|------------|----------|
| Individual Factor | 1.000 | | |
| Firm performance – Sales | 0.398*** | 1.000 | |
| Firm performance – Profit | 0.190** | 0.322*** | 1.000 |
| Observation (N) | | 223 | |

Note: Statistical significance * $p < 0.050$, ** $p < 0.010$, *** $p < 0.001$

In addition studies undertaken by Anwar *et.al.* (2012) and Pereira and Gomes (2012) have also shown that there is a positive relationship between individual competencies and firm performance. The study by Gikonyo *et al.* (2006) also found that certain critical success factors define the success and performance of enterprises. He identified individual factors as an example factors such factors

b) Correlation of Organizational Factors and Firm Performance

To test the second null hypothesis (H02), which stated that, there is significant “relationship between organizational factors and performance of the firms, correlation analysis between organizational factors and performance constructs was conducted. The analysis discovered that both sales and profit constructs had significant positive correlations with organizational factors yield in the coefficients of 0.600 ($p < 0.001$) and 0.172 ($p < 0.05$) respectively. In addition, a binary logistic regression was then performed. In this study, binary logistic regression was used to model relationship between organizational factors and firm performance. And for the results to be truly significant, p must be smaller or equal to 0.05.

Parastatals in Kenya should therefore support improvement of organizational factors through investments organizational factors and activities that enable increase in sales construct of the firm performance. The findings therefore support the null hypothesis through the observed significant relationship between organizational factors and performance of the firms.

The logistic regression model contained independent variables, namely; organizational factors. The logistic regression model is summarized as:

$$\text{Logit (performance level)} = -3.771 + 1.252 \text{ organizational factors}$$

Table 4.20 shows that organizational factors were statistically associated with firm performance ($p < 0.018$). An increase in organizational factors increases the probability of having high firm performance.

These results are consistent with those conducted by Aktan and Bulut (2008) who discovered that the emergence of SE in the manufacturing firm needs to improve organizational factors for enhancing firm performance.

Table 4.36 Correlation of Organizational Factors and Firm Performance

| Variables | 1 | 2 | 3 |
|----------------------------------|----------|------------|----------|
| Organizational Factors | 1.000 | | |
| Firm performance – Sales | 0.600*** | 1.000 | |
| Firm performance – Profit | 0.172* | 0.322*** | 1.000 |
| Observation (N) | | 223 | |

Note: Statistical significance * $p < 0.050$, ** $p < 0.010$, *** $p < 0.001$

c) Correlation of Organizational Resources and Firm Performance

To test the third null hypothesis (H03), which stated that, there is significant “relationship between organizational resources and performance of the firms, correlation analysis between organizational resources and financial performance constructs was conducted. The analysis revealed that both sales and profit constructs had significant positive correlations with organizational resources yield in the coefficients of 0.339 ($p < 0.001$) and 0.279 ($p < 0.001$) respectively.

In addition, a binary logistic regression was then performed. In this study, binary logistic regression was used to model relationship between organizational resources and firm performance. And for the results to be truly significant, p must be smaller or equal to 0.05.

These findings suggest that enterprise based parastatals in Kenya should support a great deal of tolerance for improving firm attributes, strategies, resources and organizational capabilities through bold and aggressive posture in investments in organizational resources that enable increase in sales construct of the firm performance. On the basis of these findings, the null hypothesis is supported by the observed significant relationship between organizational resources and firm performance constructs.

The logistic regression model contained independent variables, namely; firm resources factors. The logistic regression model is summarized as:

$$\text{Logit (performance level)} = -7.419 + 2.242 \text{ firm resources factors}$$

The results in Table 4.27 show that organizational resources were statistically associated with firm performance ($p < 0.002$). This implies that firms with high organizational resources have higher chances of realizing higher performance. An increase in organizational resources was found to increase the probability of having higher firm performance.

These results are consistent with those conducted by Aktan and Bulut (2008) who concluded that the emergence of SE in the manufacturing firm needs to improve organizational resources for enhancing firm performance.

Table 4.37 Correlation of Organizational Resources and Firm Performance

| Variables | 1 | 2 | 3 |
|----------------------------------|----------|------------|----------|
| Organizational resources | 1.000 | | |
| Firm performance – Sales | 0.339*** | 1.000 | |
| Firm performance – Profit | 0.279*** | 0.322*** | 1.000 |
| Observation (N) | | 223 | |

Note: Statistical significance *p<0.050, **p<0.010, ***p<0.001

These findings also concur with those of King (2007) who coined the resource-based view of the firm predicts that certain types of resources owned and controlled by firms have the potential and promise to generate competitive advantage, which eventually leads to superior firm performance.

d) Correlation of Environmental Factors and Firm Performance

To test the fourth null hypothesis (H04), which stated that, there is significant “relationship between environmental factors and performance of the firms, correlation analysis between environmental factors and performance constructs was conducted. The analysis established that both sales and profit constructs had significant positive correlations with environmental factors yield in the coefficients of 0.686 ($p < 0.001$) and 0.294 ($p < 0.001$) respectively.

In addition, a binary logistic regression was then performed. In this study, binary logistic regression was used to model relationship between environmental factors and firm performance. And for the results to be truly significant, p must be smaller or equal to 0.05.

These findings suggest that enterprise based parastatals in Kenya should support improvement of firm attributes, strategies, resources and organizational capabilities through investing in organizational activities that enable increase in sales construct of the financial performance. On the basis of these findings therefore, the null hypothesis that there is a significant relationship between environmental factors and financial performance of the firms is supported.

The logistic regression model contained independent variables, namely; environmental factors. The logistic regression model is summarized as:

$$\text{Logit (performance level)} = -3.331 + 1.119 \text{ Environmental factors}$$

Table 4.37 shows that environmental factors were statistically related with enhanced firm performance ($p < 0.02$). An increase in environmental factors increases the probability of higher firm performance. Firms with high environmental factors therefore have higher chances of realizing improved performance.

These results are consistent with those conducted by Aktan and Bulut (2008) who discovered that the emergence of SE in the manufacturing firms needs to consider improvement of environmental factors in order to enhance firm performance

Table 4.38 Correlation of Environmental Factors and Firm Performance

| Variables | 1 | 2 | 3 |
|---------------------------|----------|------------|----------|
| Environmental Factors | 1.000 | | |
| Firm performance – Sales | 0.686*** | 1.000 | |
| Firm performance – Profit | 0.294*** | 0.322*** | 1.000 |
| Observation (N) | | 223 | |

Note: Statistical significance * $p < 0.050$, ** $p < 0.010$, *** $p < 0.001$

The result of the findings are supported by Yoengtaak *et al.* (2009) who conducted a study on the effects of environmental factors on firm performance and identified that the performance of firms is positively affected by dynamic environment, heterogeneity and competitive aggressiveness.

4.6.2. Regression Analysis for Firm Performance (Overall Model)

Table 4.39 provides the analysis of SE factors and firm performance (Sales and Profit). The table indicates that the SE factors have a positive and significant relationship with firm performance of enterprise based parastatals with individual factors having ($\beta = 0.144$, $p < 0.01$), organizational factors ($\beta = 0.143$, $p < 0.05$), organizational resources ($\beta = 0.146$, $p < 0.01$) and environmental factors ($\beta = 0.335$, $p < 0.001$).

Table 4.39 Regression of SE Dimensions and Firm Performance

| Variable | B | E | B | t-Test | P-Value | PCC | VIF | |
|--------------------------|-------|--------|----------|--------|---------|-------|-------|--|
| Constant | 0.700 | 0.254 | | 2.753 | 0.007 | | | |
| Individual Factors | 0.157 | 0.052 | 0.144** | 3.023 | 0.003 | 0.222 | 1.244 | |
| Organizational Factors | 0.081 | 0.033 | 0.143* | 2.470 | 0.014 | 0.183 | 1.848 | |
| Organizational Resources | 0.093 | 0.034 | 0.146** | 2.763 | 0.006 | 0.204 | | |
| Environmental Factors | 0.253 | 0.0042 | 0.355*** | 6.060 | 0.000 | 0.416 | 1.889 | |
| Observations | | | | | | | 223 | |

Note: Statistical significance * $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$

Where: B – Unstandardized beta coefficient; SE – Standard Error; β – Standardized beta coefficient; p-Value – Significance level; PCC – Partial correlation coefficient; Adj. R square – Adjusted R square

The study findings agree with those of Lekmat and Selvarajah (2008) who examined the social entrepreneurship activity of senior managers in 400 auto-parts manufacturing companies randomly chosen from the Thailand Automotive Industry directory 2006-2007. The study suggested that social entrepreneurship has significant effects on firm performance in terms of financial aspects. Self-renewal and firm support were also found to be positively and significantly related to firm performance. The study findings agree with those of Goosen *et al.* (2002) who used a three-factor key entrepreneurship model to study the significance of the financial outcomes towards company performance involving a sample of companies listed in the industrial sector of the Johannesburg Stock Exchange, South Africa. The results of the study support the hypothesis that social entrepreneurship dimensions such as organizational resources, individual factors and management's internal influence significantly contribute to firm performance.

A multivariate multiple regressions was used to model relationship between all independent variables and firm performance that were found significant in binary stage. The regression model took the following equation:

$$Fp = 0.700 + 0.144IF + 0.143OF + 0.146OR + 0.355EF$$

Where Fp – Firm performance, IF – Individual Factors, OF – Organizational Factors, OR – Organizational Resources, EF – Environmental Factors

Figure 4.2 denotes the research model and findings in which the proposed empirical model based on the regression analysis between SE dimensions of firm performance has been supported.

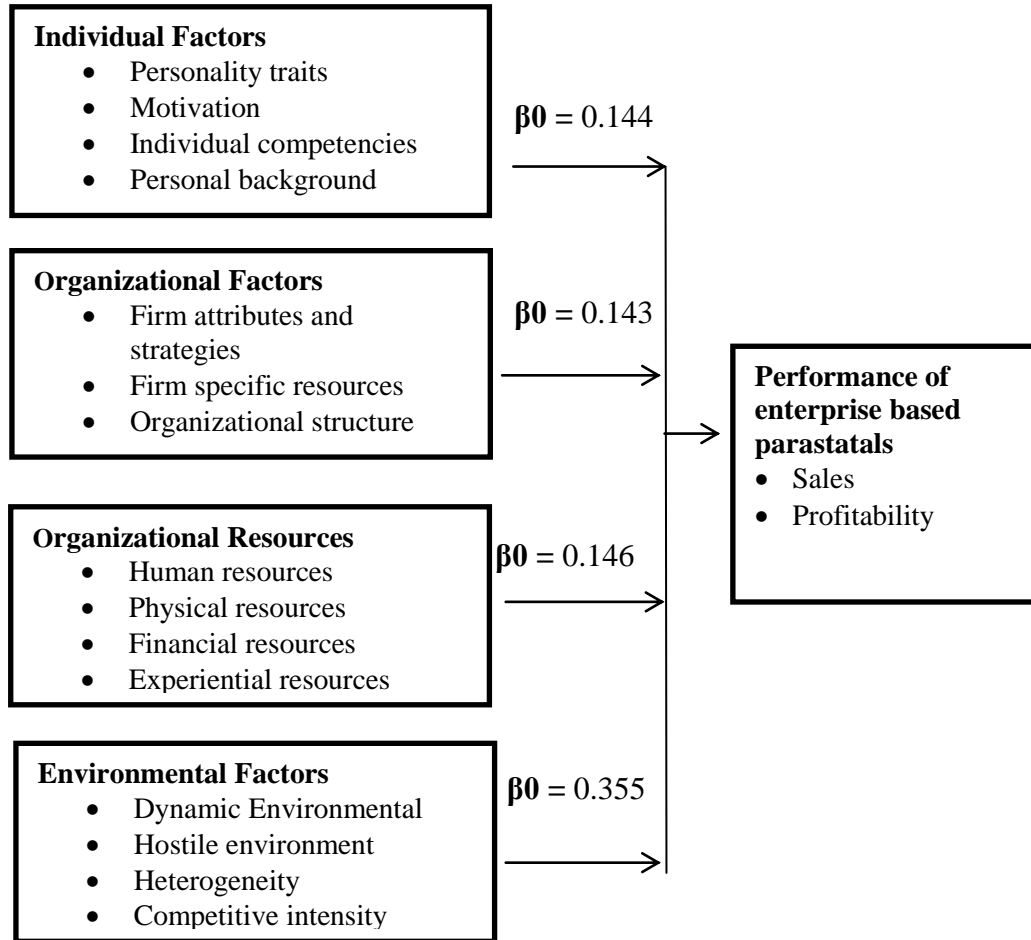


Figure 4.2 Regression Analyses for Firm Performance (Overall Model)

The overall objective of the study was to determine the effects of social entrepreneurship factors on performance of enterprise based parastatals in Kenya. In the reliability analysis, Cronbach’s Alpha of all variables was above 0.7. Thus, overall reliability is higher and all configuration concept used can be seen as reliable. In order to verify constructs between reliability and validity, the value of the concept of reliability (ICR) and Average Variance Extracted (AVE) were calculated. The concept reliability was

over 0.7, exceeding the base value, and the AVE exceeded 0.5. Thus, it has reliability and validity.

In addition, the result of all the impact of the four variables on performance of enterprise based parastatals in Kenya established significant positive correlations with individual yields in the coefficients and mean score values for sub-variables ranging from 3.25 to 3.60.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter contains results and conclusions made from the study on effect of social entrepreneurship factors on performance of enterprise based parastatals in Kenya. The observed effects of each of the independent variables namely individual factors, organizational factors, organizational resources and environmental factors on performance (dependent variable) are reported and discussed. Finally, the applications of the overall findings on enterprise based parastatals in Kenya are also discussed. The following sections provide the summary, conclusions and recommendations per each of the study objectives.

5.2 Summary of the Major Findings

5.2.1 Effect of Individual Social Entrepreneurship Factors on Firm Performance

The first objective of the study was to determine the extent to which individual social entrepreneurship factors affect the performance of enterprise based parastatals in Kenya. Four items were used to study this variable. Results from the study indicate that individual factors positively influence performance of enterprise based parastatals in Kenya. The ranking of the sub-variables for individual factors as per the descriptive analysis are individual competencies, personal background, personality traits and growth motivation. The mean score for the four sub-variables indicated that majority of the respondents agreed that the sub-variables for the individual factors were of key influence to firm performance.

Correlation results indicated that there was a positive and significant relationship between individual factors and firm performance. The analysis further discovered that both sales and profit constructs had positive correlations with individual factors yield.

The importance of these entrepreneurial traits is supported by studies undertaken by Noruzi *et al.* (2010) and Perrini and Vurro (2006) who found that entrepreneur's personality traits, growth motivation, individual competencies and personal background are the most important factors that determine firm performance. In this regard, enterprise based parastatals should improve their performance in terms of sales and profits by institutionalizing staff recruitment and development programs that cover individual competencies, personal background, personality traits and growth motivation.

5.2.2 Effect of Organizational Social Entrepreneurship Factors on Firm Performance

The second objective of the study was to evaluate the effects of organizational social entrepreneurship factors on the performance of enterprise based parastatals in Kenya. The ranking of the sub-variables for organizational factors as per the descriptive analysis ranged from the highest to the lowest as parastatal attributes, firm specific resources, organizational structure and dynamic capabilities. The study also indicated that majority of the respondents agreed that the sub-variables for the organizational factor were of key influence to firm performance. Correlation results indicated that there was a positive and significant relationship between organizational factors and firm performance. The analysis further established that both sales and profit constructs had positive correlations with organizational factors yield.

Rauch, Frese and Utsch (2005) conducted an empirical analysis based on longitudinal data from 119 German business owners and found that parastatal attributes, firm specific resources, organizational structure and dynamic capabilities are important factors for predicting firm performance.

5.2.3 Effect of Organizational Resources on Firm Performance

The third objective of the study was to find out whether organizational resources affect the performance of enterprise based parastatals in Kenya. The effects of the sub-variables for organizational resources as per the descriptive analysis ranged from the greatest to the lowest effect on performance as financial resources, human resources, physical resources and experiential resources. The study found out that the majority of the respondents agreed that the sub-variables for the organizational resources were of key influence on firm performance.

Correlation results indicated that there was a positive and significant relationship between organizational resources and firm performance. The analysis also established that both sales and profit constructs had significant positive correlations with organizational resources yield.

According to Felin and Hesterly (2007) organizational resources (financial, human, physical and experiential resources) are the foundation for attaining and sustaining competitive advantage and eventually superior organizational performance. Morgan et al. (2004) and Ainuddin *et al.* (2007) assert further that physical resources such as the plant, machinery, equipment, production technology and capacity contribute positively towards organizational competitive advantage and eventually result in superior organizational performance.

5.2.4 Effect of Environmental Social Entrepreneurship Factors on Firm Performance

The fourth objective of the study was to establish whether environmental social entrepreneurship factors affect the performance of enterprise based parastatals in Kenya. Results from the study indicate that environmental factors positively affect performance of enterprise based parastatals in Kenya. The ranking of the sub-variables for

environmental factors as per the descriptive analysis ranged from the variable with greatest to the lowest effect as dynamic environment, heterogeneity, hostile environment and competitive intensity. The study also noted that majority of the respondents agreed that the sub-variables for the environmental factors were of key influence to firm performance. The correlation results indicated that there was a positive and significant relationship between environmental factors and firm performance. The analysis further discovered that both sales and profit constructs had significant positive correlations with environmental factors yield. This is supported by studies undertaken by Noruzi *et al.* (2010) and Perrini and Vurro (2006) who found that dynamic environment and heterogeneity are important factors that determine the firm performance.

5.3 Conclusions

Based on the summary of the study, all the sub-variables making up the individual factors (individual competencies, personal background, personality traits and growth motivation) were found to be associated significantly with firm performance. This study therefore, concludes that individual factors positively influence the performance of enterprise based parastatals in Kenya.

According to the findings of the study, the variables associated with organizational factors (parastatal attributes, firm specific resources, organizational structure and dynamic capabilities) were found to be significantly associated with firm performance. This study therefore, concludes that organizational factors positively influence the performance of enterprise based parastatals in Kenya.

On the organizational resources, all the predictor variables associated with this variable (financial resources, human resources, physical resources and experiential resources) were also found to be significantly associated with firm performance. This study therefore, concludes that organizational resources positively influence the performance of enterprise based parastatals in Kenya.

Finally, based on summary of the study, three of the sub-variables making up the environmental factors (dynamic environment, heterogeneity and competitive intensity) were found to be significantly associated with firm performance. However, hostile environment was negatively associated with firm performance. This study therefore, concludes that environmental factors positively influence the performance of enterprise based parastatals in Kenya.

The overall study established that the four independent variables in the study namely individual factors, organizational factors, organizational resources and environmental factors in enterprise based parastatals has a strong effect on the dependent variable namely performance of the firms in terms of sales and profits generated. However, all the four independent variables did not have effects on the level of employment which had initially been considered as a sub-variable of the dependent variable. Institutionalization of social entrepreneurship in the state bodies is highly recommended for their improved performance. For the enterprise based parastatals to justify their existence and funding by the state, they should have clearly stated the social mission which they aspire to achieve over and above making financial profits for their sustainability.

5.4 Recommendations

Based on the conclusions of the study, a number of recommendations can be derived.

5.4.1 Effect of Individual Social Entrepreneurship Factors on Firm Performance

The current study has found that entrepreneur's personality traits, growth motivation, individual competencies and personal background are the most important factors that determine firm performance. In this regard, enterprise based parastatals should improve their performance in terms of sales and profits by institutionalizing staff recruitment and

development programs that cover individual competencies, personal background, personality traits and growth motivation.

On the basis of this analysis, it is therefore recommended that enterprise based parastatals should: Continually improve employee personality traits for enhancing their performance, exploit the potential through motivating individuals for enhancing performance and always recognize personal backgrounds and foster individual competencies for enhancing performance

5.4.2 Effects of Organizational Social Entrepreneurship Factors on Firm Performance

The current study has concluded that parastatal attributes, firm specific resources, organizational structure and dynamic capabilities are important factors for predicting firm performance.

The analysis therefore recommends that enterprise based parastatals should endeavor to: Enhance firm attributes, strategies and firm specific resources for enhancing performance and always foster organizational structures and dynamic capabilities for enhancing firm performance.

5.4.3 Effects of Organizational Resources on Firm Performance

The study has noted that organizational resources (financial, human, physical and experiential resources) are the foundation for attaining and sustaining competitive advantage and eventually superior organizational performance. It is therefore recommended that enterprise based parastatals should: Utilize optimally the human and physical resources at their disposal for improving firm performance and make effective and efficient use of financial and experiential resources in enhancing firm performance.

5.4.4 Effects of Environmental Factors on Firm Performance

The analysis further discovered that both sales and profit constructs had significant positive correlations with environmental factors yield. The study further found that dynamic environment and heterogeneity are important factors that determine the firm performance. For enterprise based parastatals to enhance their performance therefore, they need to take cognizance of the following: Consider dynamic and hostile environment aspects when undertaking strategic planning for enhancing performance and Consider heterogeneity and competitive intensity for improving performance.

5.5 Areas for Further Research

The study identified how the four independent variables namely individual factors, organizational factors, organizational resources and environmental factors affect the performance of enterprise based parastatals in Kenya, hence the need for further studies on how each of the four independent variables individually affects the performance of enterprise based parastatals in Kenya.

The study also targeted enterprise based parastatals in terms of sales and profitability. In this case similar studies can be undertaken measuring the performance of enterprise based parastatals in terms of non-financial performance indicators once as efficiency, effectiveness and customer satisfaction. The study can be extended further to investigate how the four independent variables can affect the performance of non-enterprise based parastatals in Kenya.

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APPENDICES

APPENDIX I: Introduction Letter

Date:

To Executive Office

.....

NAIROBI

Dear Sir/ Madam,

RE: ACADEMIC RESEARCH PROJECT

I am a PhD student at Jomo Kenyatta University of Agriculture and Technology (JKAUT). I wish to conduct a research entitled “**effect of social entrepreneurship factors on the performance of enterprise based parastatals in Kenya**”. A questionnaire has been designed and will be used to gather relevant information to address the research objective of the study. The purpose of writing to you is to kindly request you to grant me permission to collect information on this important subject from your organization.

Please note that the study will be conducted as an academic research and the information provided will be treated in strict confidence. Strict ethical principles will be observed to ensure confidentiality and the study outcomes and reports will not include reference to any individuals.

Your acceptance will be highly appreciated

Yours Sincerely

Barua Ejidius Njogu

APPENDIX II: Questionnaire

Section A: General Information

1. What is your current job title? (Please tick [] as appropriate)

| | |
|------------------------------------|--|
| Chief Executive Officer | |
| Finance and Budgeting Manager | |
| Human Resource Development Manager | |
| Procurement Manager | |
| Sales and Marketing Manager | |
| Public Relations Manager | |
| ICT Manager | |
| Administration Manager | |
| Production Manager | |
| <i>Others (Please Specify)</i> | |
| | |
| | |

2. How long have you been employed in this parastatal? _____

Less than 5 Years [] 5-10 Years [] 10-15 Years [] Over 15 Years []

3. Please tick your age bracket

20 years or below [] 21-30 years [] 31-40 years []

Above 40 years []

4. Please indicate your level of education (please tick your appropriate level)

Diploma [] Graduate Degree [] Post Graduate Degree []

Others (please specify) _____

5. What is your gender? (a) Male [] (b) Female []

Section B: Organization information

6. What sector is your parastatal involved in? _____
7. Provide information for your sales and profitability as indicated below.

| Performance | 2012 | 2013 | 2014 |
|---------------|------|------|------|
| Sales | | | |
| Profitability | | | |

Section C: Effect of social entrepreneurship individual factors to enterprise based parastatal performance

8. The following are some of the social entrepreneurship individual factors that affect performance. To what level do you agree with the following statements concerning your enterprise based parastatal? Please tick (✓) the appropriate opinion based on the following attributes: strongly disagree, disagree, neutral, agree and strongly agree

| Statements | strongly disagree | disagree | neutral | Agree | strongly agree |
|--|-------------------|----------|---------|-------|----------------|
| 1. Personal traits (need for achievement, risk taking propensity, internal locus of control and self-efficacy) affects enterprise based parastatal performance | | | | | |
| 2. Growth motivation affects enterprise based parastatal performance | | | | | |
| 3. Individual competencies (technical, managerial and entrepreneurial skills) affects enterprise based parastatal performance | | | | | |

| | | | | | |
|---|--|--|--|--|--|
| 4. Personal attributes (individual age, gender, education and experience) affects enterprise based parastatal performance | | | | | |
| 5. The enterprise based parastatals continuously improve personality traits for enhancing performance | | | | | |
| 6. The enterprise based parastatals always foresee potential in motivating individual for enhancing performance | | | | | |
| 7. The enterprise based parastatals always foster individual competencies and personal background for enhancing performance | | | | | |

Section D: Effect of firm factors to enterprise based parastatal performance

9. The following are some of the social entrepreneurship firm factors that affect enterprise based parastatal performance. To what level do you agree with the following statements concerning your enterprise based parastatal? Please tick (√) the appropriate opinion based on the following attributes: strongly disagree, disagree, neutral, agree and strongly agree.

| Statements | Strongly Disagree | Disagree | Neutral | Agree | Strongly Agree |
|--|-------------------|----------|---------|-------|----------------|
| 1. Parastatal attributes (parastatal age and size) and strategies (market orientation and entrepreneurial orientation) affect enterprise based parastatal performance | | | | | |
| 2. Firm specific resources (financial capital availability, human resource development and finance performance) affects enterprise based parastatal performance | | | | | |
| 3. Firm structure (centralization, decentralization, formalization, standardization, specialization and departmentalization) affects enterprise based parastatal performance | | | | | |
| 4. Dynamic capabilities (firm learning and preparedness to grow) affects enterprise based parastatal performance | | | | | |
| 5. The enterprise based parastatals continuously enhance firm attributes and strategies and firm specific resources for enhancing performance | | | | | |

| | | | | | |
|---|--|--|--|--|--|
| 6. The enterprise based parastatals always foster firm structure and dynamic capabilities for enhancing performance | | | | | |
|---|--|--|--|--|--|

E: Effect of firm resources to enterprise based parastatal performance

10. The following are some of the social entrepreneurship environmental factors that affect enterprise based parastatal performance. To what level do you agree with the following statements concerning your enterprise based parastatal? Please tick (√) the appropriate opinion based on the following attributes: strongly disagree, disagree, neutral, agree and strongly agree

| statements | 1 | 2 | 3 | 4 | 5 |
|--|---|---|---|---|---|
| 1. Human resources such as top and middle management and administrative functions affects enterprise based parastatals performance | | | | | |
| 2. Physical resources such as the plant, machinery, equipment, production technology and capacity contribute positively towards the performance of enterprise based parastatals | | | | | |
| 3. Financial resources such as cash-in-hand, bank deposits and/or savings and financial capital (e.g., stocks and shares) also help in improving the performance of enterprise based parastatals | | | | | |
| 4. Experiential resources such as product reputation, manufacturing experience and brand name account for the performance of enterprise based parastatals | | | | | |
| 5. The enterprise based parastatals continuously utilize human and physical resources for improving performance | | | | | |
| 6. The enterprise based parastatals always make effective and efficient use of financial and experiential resources for enhancing performance | | | | | |

Section F: Effect of environmental factors to enterprise based parastatal performance

11. The following are some of the social entrepreneurship environmental factors that affect enterprise based parastatal performance. To what level do you agree with the following statements concerning your enterprise based parastatal? Please tick (√) the appropriate opinion based on the following attributes: strongly disagree, disagree, neutral, agree and strongly agree

| Statements | 1 | 2 | 3 | 4 | 5 |
|---|---|---|---|---|---|
| 1. Dynamic environment (preference and taste of consumers, prices of products and changes in taxes) affects enterprise based parastatal performance | | | | | |
| 2. Hostile environment (competitive pricing, combination of marketing strategies, market niche and new methods of packaging) affects enterprise based parastatal performance | | | | | |
| 3. Heterogeneity (competitive aggressiveness, investing in new ventures, innovation ability and behavior of taking risk) affects enterprise based parastatal performance | | | | | |
| 4. Competitive intensity (new demand on existing products, sales and marketing, increase of market share, financial resources for sales promotion and improving market share) affects enterprise based parastatal performance | | | | | |
| 5. The enterprise based parastatal take in consideration dynamic and hostile environment when undertaking strategic planning for enhancing performance | | | | | |
| 6. The enterprise based parastatal take in consideration of heterogeneity and competitive intensity for improving performance | | | | | |

Section G: Enterprise Based Parastatal Performance (Sales and Profits)

This section contains performance issues as measured by sales and profits. You are required to indicate with a (√) if your response is strongly disagree (SD), disagree (D), neutral (N), agree (A) strongly agree (SA).

| Statement | SD | D | N | A | SA |
|---|-----------|----------|----------|----------|-----------|
| 1. The enterprise based parastatals continuously improve personality traits for enhancing sales and profitability. | | | | | |
| 2. The enterprise based parastatals always foresee potential in motivating individual for enhancing sales and profitability. | | | | | |
| 3. The enterprise based parastatals always foster individual competencies and personal background for enhancing sales and profitability. | | | | | |
| 4. The enterprise based parastatals continuously enhance firm attributes and strategies and firm specific resources for enhancing sales and profitability. | | | | | |
| 5. The enterprise based parastatals always foster firm structure and dynamic capabilities for enhancing sales and profitability. | | | | | |
| 6. The enterprise based parastatals continuously utilize human and physical resources for improving sales and profitability. | | | | | |
| 7. The enterprise based parastatals always make effective and efficient use of financial and experiential resources for enhancing sales and profitability. | | | | | |
| 8. The enterprise based parastatal take in consideration dynamic and hostile environment when undertaking strategic planning for enhancing sales and profitability. | | | | | |
| 9. The enterprise based parastatal take in consideration of heterogeneity and competitive intensity for improving sales and profitability. | | | | | |

Section H: Trends in Sales and Profit

a: Sales Trends

Frequency Distribution of Annual Sales in Kenya Shillings of enterprise based parastatals Surveyed

| Sales in Kenya Shillings | 2013 | 2014 |
|---------------------------|------------|------------|
| | Percentage | Percentage |
| Less than 100 million | | |
| 100 million – 200 million | | |
| 200 million – 300 million | | |
| 300 million – 400 million | | |
| Above 400 million | | |
| Not applicable | | |

b. Profit Trends

Frequency Distribution of Profit in Kenya Shillings of enterprise based parastatals surveyed

| Profit in Kenya Shillings | 2013 | 2014 |
|---------------------------|------------|------------|
| | Percentage | Percentage |
| Less than 100 million | | |
| 100 million – 200 million | | |
| Above 200 million | | |
| Not applicable | | |

Additional comments:

.....
.....

APPENDIX III: List of Commercial State Corporations

| STATE CORPORATIONS | SECTOR |
|---|---------------|
| 1 Kenya Meat Commission | Manufacturing |
| 2 Nyayo Tea Zones development Corporation | Agriculture |
| 3 South Nyanza Sugar Company Limited | Manufacturing |
| 4 Simlaw Seeds Kenya | Manufacturing |
| 5 Kenya National Trading Corporation (KNTC) | Trade |
| 6 Kenya Safari Lodges and Hotels Ltd | Hospitality |
| 7 Golf Hotel Kakamega | Hospitality |
| 8 Jomo Kenyatta Foundation | Publishing |
| 9 Kenya Literature Bureau (KLB) | Publishing |
| 10 School Equipment Production Unit | Manufacturing |
| 11 Kenya Wine Agencies Ltd (KWAL) | Trade |
| 12 KWA Holdings | Trade |
| 13 New Kenya Co-operative Creameries | Manufacturing |
| 14 Yatta Vineyards Ltd | Agriculture |
| 15 National Housing Corporation | Housing |

| | | |
|----|--|---------------|
| 16 | Consolidated Bank of Kenya | Finance |
| 17 | Kenya Reinsurance Corporation Ltd | Insurance |
| 18 | Kenya National Shipping Line | Maritime |
| 19 | Kenya Animal Genetics Resource Centre | Research |
| 20 | Kenya Seed Company (KSC) | Manufacturing |
| 21 | National Cereals & Produce Board (NCPB) | Trade |
| 22 | Kenyatta International Convention Centre | Hospitality |
| 23 | Geothermal Development Company (GDC) | Energy |
| 24 | Kenya Pipeline Company (KPC) | Energy |
| 25 | Kenya Power and Lighting Company (KPLC) | Energy |
| 26 | National Water Conservation and Pipeline Corporation | Water |
| 27 | Postal Corporation of Kenya | Information |
| 28 | Kenya Post Office Savings Bank | Finance |
| 29 | Kenya Airports Authority (KAA) | Transport |
| 30 | Kenya Ports Authority (KPA) | Transport |

Source: Presidential Taskforce on Parastatal Reforms

APPENDIX IV: Sample Target

- 1 Agro-Chemical and Food company
- 2 Kenya Meat Commission
- 3 Muhoroni Sugar Company Ltd
- 4 Nyayo Tea Zones development Corporation
- 5 South Nyanza Sugar Company Limited
- 6 Chemilil Sugar Company Ltd
- 7 Nzoia Sugar Company Ltd
- 8 Simlaw Seeds Kenya
- 9 Simlaw Seeds Tanzania
- 10 Simlaw Seeds Uganda
- 11 Kenya National Trading Trading (KNTC)
- 12 Kenya Safari Lodges and Hotels Ltd
- 13 Golf Hotel Kakamega
- 14 Kabarnet Hotel Limited
- 15 Mt Elgon Lodge
- 16 Sunset Hotel Kisumu
- 17 Jomo Kenyatta Foundation
- 18 Jomo Kenyatta University Enterprises Ltd
- 19 Kenya Literature Bureau (KLB)

- 20 Rivatex (East Africa) Ltd
- 21 School Equipment Production Unit
- 22 University of Nairobi Enterprises Ltd
- 23 University of Nairobi Press (UONP)
- 24 Development Bank of Kenya Ltd
- 25 Kenya Wine Agencies Ltd (KWAL)
- 26 KWA Holdings
- 27 New Kenya Co-operative Creameries
- 28 Yatta Vineyards Ltd
- 29 National Housing Corporation
- 30 Research Development Unit Company Ltd
- 31 Consolidated Bank of Kenya
- 32 Kenya National Assurance Co. (2001) Ltd
- 33 Kenya Reinsurance Corporation Ltd
- 34 Kenya National Shipping Line
- 35 Kenya Animal Genetics Resource Centre
- 36 Kenya Seed Company (KSC)
- 37 Kenya Veterinary Vaccine Production Institute
- 38 National Cereals & Produce Board (NCPB)
- 39 Kenyatta International Convention Centre

- 40 Geothermal Development Company (GDC)
 - 41 Kenya Electricity Generating Company (KENGEN)
 - 42 Kenya Electricity Transmission Company (KETRACO)
 - 43 Kenya Pipeline Company (KPC)
 - 44 Kenya Power and Lighting Company (KPLC)
 - 45 National Oil Corporation of Kenya
 - 46 National Water Conservation and Pipeline Corporation
 - 47 Numerical Machining Complex
 - 48 Kenya Broadcasting Corporation
 - 49 Postal Corporation of Kenya
 - 50 Kenya Development Bank (After merger of TFC, ICDC, KIE, IDB, AFC)
 - 51 Kenya EXIM Bank
 - 52 Kenya Post Office Savings Bank
 - 53 Kenya Airports Authority (KAA)
 - 54 Kenya Ports Authority (KPA)
 - 55 Kenya Railways Corporation (KRC)
-

Source: Presidential Taskforce on Parastatal Reforms

APPENDIX V: Independent Variables and Sub variables

| Independent Variables | Sub variables |
|---------------------------|--|
| INDIVIDUAL FACTORS | |
| Personal traits | <ul style="list-style-type: none">• Need for achievement• Risk taking propensity• Internal locus of control• External locus of control• Self-efficacy• Extraversion (including Sociability) |
| Motivation | <ul style="list-style-type: none">• Growth motivation |
| Individual competencies | <ul style="list-style-type: none">• Managerial skills• Specific skills |
| Personal background | <ul style="list-style-type: none">• Age• Gender• Education• Experience |
| FIRM FACTORS | |
| Firm attributes | <ul style="list-style-type: none">• Firm age• Firm size |
| Firm structure | <ul style="list-style-type: none">• Centralization• Decentralization• Formalization• Standardization• Specialisation (task or skills)• Departmentalization |
| Strategies | <ul style="list-style-type: none">• Market orientation• Entrepreneurial orientation |
| Firm specific resources | <ul style="list-style-type: none">• Financial capital availability• Human resource development• Finance performance |
| Dynamic capabilities | <ul style="list-style-type: none">• Firm learning• Business model (preparedness to grow) |

FIRM RESOURCES

| | |
|---------------------|---|
| Physical resource | <ul style="list-style-type: none">• Plant• Machinery• Equipment• Production technology |
| Financial resources | <ul style="list-style-type: none">• Bank deposits• Savings• Financial capital |
| Human resources | <ul style="list-style-type: none">• Top and middle management• Administrative staff• Productive employees |

ENVIRONMENTAL FACTORS

| | |
|-----------------------|---|
| Dynamic environment | <ul style="list-style-type: none">• Preference• Taste of consumers• Prices of products• Changes in taxes |
| Hostile environment | <ul style="list-style-type: none">• Competitive pricing• Combination of marketing strategies• Market niche• New methods of packaging |
| Heterogeneity | <ul style="list-style-type: none">• Competitive aggressiveness• Investing in new ventures• Innovation ability• Behavior of taking risk |
| Competitive intensity | <ul style="list-style-type: none">• New demand on existing products• Sales and marketing• Increase of market share• Financial resources for sales promotion• Improving market share |
