

**ENTREPRENEURIAL FACTORS INFLUENCING PERFORMANCE OF
SMALL AND MEDIUM ENTERPRISES IN ONGATA RONGAI TOWN,
KAJIADO COUNTY, KENYA**

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Medium Enterprises in Ongata Rongai Town, Kajiado County,
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and Technology**

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DECLARATION

The research is my original work and has not been presented for a degree in any other University

Signature Date

Benson Mburu Thinji

The research has been submitted for examination with my approval as University Supervisor.

Signature Date

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DEDICATION

This research project is dedicated to my wife Jennifer Njoki for her unwavering support.

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ABBREVIATIONS

GDP	Gross Domestic Product
ILO	International Labour Organization
MSE	Micro and Small Enterprises
SME	Small and Medium Enterprises
SPSS	Statistical Package for Social Sciences

ABSTRACT

Development, growth and performance of SMEs is a sign of economic growth in many countries. SMEs contributes to country's GDP, creates employments, useful in wealth distribution. The performance of SMEs largely depends on characteristic and behavioural factors exhibited by the entrepreneur. The objective of this study was to determine entrepreneurial factors influencing performance of SMEs in Ongata Rongai Town, Kajiado County, Kenya, in particular the study sought to examine the influence of commitment on performance of SMEs, to determine the influence of innovation on performance of SMEs, to find out the influence of independence on performance of SMEs, to establish the influence of experience on performance of SMEs. In this study the target population was 372 licensed SMEs as per register records in Ongata Rongai Sub-County offices, sample frame comprised of list of registered SMEs in Ongata Rongai Sub-County office. The study adopted survey research design method, involving classification of SMEs into primary and secondary clusters followed by multistage samplings. The research instrument used was closed questionnaires, of which its validity and reliability was established at pilot test stage. To collect data, the questionnaire was hand delivered to randomly selected respondents and one week later, there was a follow up for collections. The collected data was checked for errors, completion and coded. SPSS software was used for data analysis, interpretations and generation of statistical information mean, standard deviation and confidence limits. A correlation relationship of SME performance as a function of independent variables was developed. Descriptive statistics was used to summarize the data collected and presented in the form of tables, frequencies and percentages for ease of understanding and interpretations. Correlation analysis was used to analyse the relationships between the performance of SMEs and independent variables. The findings showed entrepreneurial factors commitment, innovation, independence and experience had significant and positively influence on the performance of SMEs. In conclusions commitment and innovation significantly influenced performance of SMEs, while independence had experience had a major influence SMEs performances. The study recommended extensive training and coaching of entrepreneurs on business vision, goal settings, value addition, new market development, risk taking and decision making. Further research was suggested in other entrepreneurial factors influencing SMEs performances.

CHAPTER ONE

INTRODUCTION

This study sought to determine the entrepreneurial factors that influence the performance of Small and Medium Enterprises. This chapter introduces the study by briefly describing the background of SMEs from global and Kenyan perspectives; the statement of the problem is presented that describes the problem being studied. The various objectives, the research questions, scope, significance and the limitation of the study are also included in this chapter.

1.1 Background to the Study

Small and medium enterprises all over the world are defined differently. In almost all economies, small businesses are vital for sustained growth. According to Ayyagari, Demirguc-Kunt, and Maksimovic (2011), in every country, SMEs are in evidence. They make a huge contribution to gross domestic product (GDP) and employments creation. There is no standard definition of SME, but globally the number of employees and annual turnover characterises SME definition. More than 95% of enterprises globally are SMEs, Japan has more than 99 % of total enterprises, Ghatak (2010) indicated India has about 80 %, Abor and Quartey (2010) indicated South Africa has 91 %, Ghana has about 92 % of total enterprises.

According to Berisha and Shiroka (2015), in Kosovo, a small enterprise is considered to employ upto nine employees during the previous twelve months with turnover of 500,000 euros or less, while medium enterprise employs between ten to forty nine

employees during the previous twelve months with a turnover of 2.4 million euros or less. Kongolo (2010), indicated SMEs represent a vast portion of business entities, in South Africa SMEs account to about 51-57 % of GDP, providing almost 60 % of employment.

Empirical studies have shown that SMEs contribute to over 55 % of GDP and 65 % of employment in high income countries. SMEs and informal enterprises, account for over 60 % of GDP and 70 % of total employment in low income countries, while they contribute about 70 % of GDP and 95 % of total employment in middle income countries. According to Kanchana, Divya, and Beegom (2013), there are numerous challenges facing an entrepreneur such as developing vision and ideas, assembling a competent team, developing purposes, finding the right location and good customers, overcoming competitions.

SMEs have deficiency in knowledge and technology transfer, limited skills and lack of government program in support of entrepreneurial and innovation are among factors that affect their performances. According to Shahidi and Smagulova (2008), challenges facing entrepreneur include risks, fear of failure, lack of confidence in dealing with world and taking rational steps in pursuit of goals. The successful entrepreneur tends to be a visionary, competent, independent, action oriented, passionate, confident, virtuous person who uses reasons to focus enthusiasm on reality in efforts to attain the goals.

1.1.1 Small and Medium Enterprises in Kenya

SMEs in Kenya has long history, and basically with the same purpose of economy growth and employments creation. The Sessional Paper No 10 of 1965 advocated for Africans to start and own private enterprises. In 1972 ILO report highlighted the importance of small enterprises in terms of economy growth and employments creation. In the Session Paper No.1 of 1986, the Kenya Government underscored the importance of the sector in terms of its potential to bring about balanced rural-urban development and create non-farm employment based on its unique characteristics. Session Paper No.2 of 2005 defined an SME as an enterprise with 1-9 employees and annual turnover of less than ksh.500,000.

The Micro and Small Enterprise (MSME) Act No. 55 2012 define SME as micro if with employees less than nine, and annual turnover of less than Ksh.500,000; and small if with employees between ten and fifty with annual turnover of between Ksh.500,000 and Ksh.5 million. According to Katua (2014) SMEs play a significant role in the development and growth of various economies. Success in SMEs sector will help the country to achieve vision 2030 and face a competitive, dynamic and challenging global environment. Collectively SMEs are the largest empolyers and greatest wealth creators.

The long term economic effect of SMEs are increased income, increased GDP and increased employment opportunities. Savlovschi and Robu (2011) indicated for the economy in whole, the SMEs are launchers of new ideas and assemblers of new products accelerating the effective use of resources. SMEs contribution in economy

is extended as impact to other sectors, and hence SMEs serve as engine of economic growth. SMEs counter-balance the monopoly, and hence reduce the capacity of big companies controlling the market. SMEs generates to a greater extent the technical innovation applicable in the economy. The significance of SMEs in Kenya is reflected in the 2014 Economy Survey, which indicated that 83% of 800,000 jobs created in 2014 were in the informal sector that is dominated by SMEs.

SMEs are source of employment, competition, economic dynamism and innovation. They stimulate the entrepreneurial spirit and the diffusion of skills. Due to their widespread geographical presence, SMEs also contribute to more just distribution of income (OSCE, 2006). In Kenya, SMEs create employment at low levels of investment per job, lead to increased participation of indigenous people in the economy, use mainly local resources, promote the creation and use of local technologies, and provide skills training at low cost to society (ILO, 1989). Entrepreneurial factors such as visionary leadership, innovative, independence and competency can be major determinants of SMEs performance.

Entrepreneurial factors namely visionary, employees development, goal setting, value addition, change oriented, technology adoption, risk bearing, persistence, decision making, skills, knowledge and personal character can determine whether an SME will perform in a competitive business environment. According to Follet and Rhyno (1999), visionary leadership is a dynamic interactive phenomenon, ie communication and action occur simultaneously. The leader develops an excellent working knowledge of business products, markets, and technology.

Groves (2006), indicated visionary leadership models centres on leader's creation, communication, and implementation of vision, that is highly desirable and motivates the followers. Visionary leadership positively affects net profit margin. A major ingredient of visionary leadership is interpersonal skills and competencies. Visionary leadership depends largely on the articulation of inspiring and viable vision. The effective communication of viable vision is related to a wide range of positive outcomes including business performance, followers attitudes and performance, team cohesion.

According to Tsoukas and Vladimirov (2001), innovation is generative renewal and competence of an organization to perform in correspondence to environment. Innovation is seen as the most important part of an organization life that emerges in daily activities and interactions of organizational members while they carry out their work and goals. Innovation is considered as every day issue for organization in defining their problems, responding to unforeseen events, creation of solutions and developing of new procedures to organize work, through the use of experience, skills, motivation, and the knowledge accumulated is converted in the production of an innovative product or services.

According to Mahmutaj (2014) indicated manay SMEs are embracing innovation development in order to improve their position. SMEs play a significant role in any country, which contribute to economic growth, employment and reduction of poverty. Innovation activities are about introducing new processes for products, services, production, marketing and administration which is difficult to imitate. As Sirec and Mocnik (2010) indicated successful entrepreneurs portray self-determined,

independent pioneers who express their creativity and explore their ideas, refusing to accept status quo. Autonomy or independent behaviour is central to entrepreneurship concept and critical in venture initiation process. An orientation towards independent behaviour requires the ability and the will to be self-directed in pursuit of opportunity, it is therefore related to risk and innovative behaviour.

The need for autonomy reflects a tendency towards being free of influence, authority and control of others. Farouk, Ikram, and Sami (2014) wrote, the need for autonomy is present with person prefers to up their own objectives in first time, to develop the action plans and to check themselves the realization of their objectives. These persons tries to avoid limitations. The persons who have a high degree of autonomy would feel at ease in an entrepreneurial activity. Working according to rules which he fixed himself, he installs his own working space, he establishes a work atmosphere which suits most, and which corresponds most to its culture.

According to Sarwoko, Surachman, Armanu, and Hadiwidjojo (2013), entrepreneurial competencies is defined as the individual characteristics including attitude and behaviour, which allows the entrepreneurs to achieve business success. In particular entrepreneurial competencies include entrepreneurial traits, motive, self-image, attitude, behaviour, skills, and knowledge. Entrepreneurial competencies gives the role of business performance, the higher the competence that SMEs owners will cause the higher business performance. Sofdar and Saddiqi (2011) indicated almost economies of all countries are influenced by performance of SMEs. SMEs are considered to be important source of generating employment opportunities.

1.2 Statement of the Problem

In developing countries, SMEs play a major role in economic development especially through employments creation and contribution for GDP, and therefore SMEs performances is of great interest to the country. SMEs in Kenya fall into Trade, Farming, Manufacturing and Services Providers. In Kenya SMEs contributed 18% of GDP in 2003, 20% in 2007, 25% in 2012 (Economic Survey of Kenya).

The performance of SMEs in the country is still challenging, despite of various financial assistance from government and NGOs, and other non-financial incentives and facilities, favourable government policies and now MSE Act of 2012. According to Kenya Session Paper No.2 of 2005, three out of five SMEs fail within first 3 years of operations. The high rate of SMEs failure in the country shows poor performance and lack of ability to remain competitive.

According to Robertson (2002), entrepreneurial factors such as visionary leadership provide a clear and compelling sense of business direction in terms of goals and time frame; Crossan and Apaydin (2010) emphasized the importance of ability to innovate, that is development of new outcome by adopting new ways of working and product improvement for better performance. According to Gerli, Gubitta, and Tognazzo (2011), entrepreneurial competencies determines both personal and business performances.

Despite the importance of SMEs in the country's economy development, there lacks a specific study within the local context that has managed to address the influence of entrepreneurial factors on the performance of SMEs in Kenya, and in particular

Ongata Rongai Town. This study therefore aimed at filling the missing knowledge gap by finding the influence of entrepreneurial factors on performances of SMEs with specific reference to SMEs in Ongata Rongai Town, Kajiado County.

1.3 General Objectives

The study was guided by the following overall research objective:

The objective of this study is to determine entrepreneurial factors influencing performance of small and medium enterprises in Ongata Rongai Town, Kajiado County.

1.3.1 Specific Objectives

The study was guided by the following specific objectives:

- i) To examine the influence of commitment on performance of Small and Medium Enterprises in Ongata Rongai town, Kajiado County
- ii) To determine the influence of innovation on performance of Small and Medium Enterprises in Ongata Rongai town, Kajiado County
- iii) To find out the influence of independence on performance of Small and Medium Enterprises in Ongata Rongai town, Kajiado County
- iv) To establish the influence of experience on performance of Small and Medium Enterprises in Ongata Rongai town, Kajiado County

1.4 Research Questions

In order to fulfil the studies of objectives, the study was guided by the following research questions:

- i) What is the influence of commitment on performance of Small and Medium Enterprises in Ongata Rongai town, Kajiado County?
- ii) What is the influence of innovation on performance of Small and Medium Enterprises in Ongata Rongai town, Kajiado County?
- iii) How does independence influence the performance of Small and Medium Enterprises in Ongata Rongai town, Kajiado County?
- iv) To what extent does experience influence the performance of Small and Medium Enterprises in Ongata Rongai, Kajiado County?

1.5 Significance of the Study

The study findings should be important in several different ways depending on interest of various stakeholders. The findings should be useful to the national or county government to come up with intervention mechanism to improve performance of SMEs in Ongata Rongai town. Other interested parties like donor agencies and NGOs can utilize the findings to assist the entrepreneurs. The information may be useful to policy makers at national and county level to formulate entrepreneurial policies. This study may also be useful to researchers who are interested in furthering their research work in this field. The study will also be useful to customers who are demanding for better quality products at reasonable price. The study will also be useful to other entrepreneurs willing to improve the respective SMEs performance.

1.6 Scope of the Study

This study was guided by entrepreneurial factors commitment, innovation, independence and experience influencing the performance of SMEs in Ongata Rongai, Kajiado County. The study work activities included businesses in areas of trading, farming, manufacturing and services. The target population included all the licensed and operating SMEs in Ongata Rongai town.

1.7 Limitations of the Study

The data was collected by the researcher and one assistant using questionnaire. However, the limitation was taken care of by using appropriate sample techniques. The respondents approached were reluctant in giving information fearing that the information sought might be used for other purposes and probably to intimidate them. The researcher handled this problem by introducing himself with a authority letter from JKUAT, and assured them that the information they give was going to be treated confidentially and for academic purpose only. The study was limited to Ongata Rongai Town only due to lack of finance, this problem was overcome by working within the set budget.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter reviews various studies that have been conducted in the area of entrepreneurial factors influencing performance of SMEs. The review involves the theoretical framework, conceptual framework, empirical literature review, critique of existing literature, research gap and ends with the summary.

2.2 Theoretical Framework

Imenda (2014) explains, a theoretical framework refers to the theories that a researcher chooses for guidance during the research. Theoretical framework is application of theory or theories to offer an explanation of an event or shed some light on research problem.

2.2.1 Theory of Visionary Leadership

Visionary leaders, utilize vision on the basis of their work. Visionary leadership has been defined as the ability to create and articulate clear visions providing meaning and purpose to the work of an organization. Visionary leaders develop their own personal vision then merge it into a shared vision with their colleagues. Communication of the vision is what empowers people to act. When people do not act, it tends to be because the vision has not been clearly communicated; people spend their time trying to figure out what direction to go, which makes them tired

and unresponsive. According to Robertson (2002), the purpose of leadership is to communicate a compelling vision, or picture of the business direction.

By having a clear and attractive picture of future, people transform thought into reality, intention into action. They are energized or empowered because they have a sense of purpose or direction, combined with an enhanced belief in their ability to achieve their purpose. As Kantabutra (2006), indicated vision work in various ways. It provides link between present and future, serves to energize and motivate followers towards the future, provides meaning for people's lives and work, and sets a standard of excellence in an organization. It is a guiding star to draw every one along the same path toward the future, vision can energize people and garner commitment from followers. This theory will help in answering research question, what is the influence of commitment on performance of Small and Medium Enterprises in Ongata Rongai town, Kajiado County?

2.2.2 Schumpeter's Entrepreneurship Theory

Entrepreneurial actions are the mechanism in the process of economic development system and the disturbance of economic is impossible without them. These actions are introduction of new good or unfamiliar quality, new methods of production, new market, new source of materials and new organization of the industry. According to Bula (2012) in general entrepreneurs are risk-bearers, co-ordinators and organizers, gap-fillers, leaders, and innovators or creative imitators. Okeke and Okechukwu (2014) indicated economic growth generated by entrepreneurs is the core engine of a virtuous cycle that develops an economy. Successful entrepreneurs, through their

break through technologies and rapidly growing business, create new wealth that can generate even greater economic growth. Eroglu and Picak (2011) indicated entrepreneurship is most about risks, innovation thinking and an entrepreneur is the one who creates and innovates something, recognizes opportunities by accepting risks and failures.

Hessels, Gelderen, and Thurik (2008) noted the main drivers for an entrepreneur innovation which has been defined as doing something new or different, introducing original ideas about product or processes; independence, having flexibility being his own boss, working to realize his own ideas about how an organization should evolve; vision, determining goals and capability that the organization should pursue and challenge, having opportunities to use ones full range of talents; self-actualization, assuming more responsibilities, dealing with a wider range of issues. According to McCaffrey (2009) change is only introduced to model through the entrepreneurs, who launch various economic innovations. Once introduced, innovation inspire imitation, and competition between alternative actions. Thus entrepreneurial profits tends towards zero, and is zero in the long run. Eventually the economy adjust to innovation and a new equilibrium is reached. This theory guides in the understanding of second research question, what is the influence of innovation on performance of Small and Medium Enterprises in Ongata Rongai town, Kajiado County?

2.2.3 Theory of Self-Determination

This theory concerns with human motivation, personality and optimal functioning. Rather than just the amount of motivation, self-determination theory focuses on different types of motivation. SDT claims that people have three innate psychological needs which are considered as universal necessities. SDT also asserts that there are different approaches to motivation, and differentiates between different types of motivation, that is competence, relatedness and autonomy. The belief is that people have three basic psychological needs: competence, relatedness, and autonomy.

First, the need for competence means the desire to control and master the environment and outcome. We want to know how things will turn out and what the results are of our actions. Second, the need for relatedness deals with the desire to interact with, be connected to, and experience caring for other people. Our actions and daily activities involve other people and through this we seek the feeling of belongingness. Thirdly, the need for autonomy concerns with the urge to be causal agents and to act in harmony with our integrated self. The theory further explains to be autonomous, means having a sense of free will when doing something or acting out of own interests and values.

People also need autonomous because it is instrumental to the fulfilment of other motives. Some are motivated by negative freedom, in the sense that they generally dislike a difficult boss or stiffling organizational rules. According to Gelderen and Jansen (2006), many business starters like autonomy for the sake of decisional

freedom. Others emphasise the fact that they want to do their own thing; for them entrepreneurship offers the opportunity to work in accordance with their own goals, values, tastes and beliefs. Still others emphasise the opportunities that entrepreneurship offers for being in charge, for directing, and for leading instead of being lead. Kirkley (2015), emphasised self-determined human action is based on a specific set of values which the individual uses to make decisions about how to behave in situations that are meaningful to them.

Engaging in entrepreneurship is one form of self-determined behaviour that enables the individuals to express and satisfy a variety of different fundamental needs. Four specific values are believed to be critical to the motivation of entrepreneurial behaviour, namely, independence, creativity, ambition and daring. According to Gelderen (2006), autonomy is not only a dominant entrepreneurial motivation, but also a dominant source of entrepreneurial satisfaction. More people are taking part in enterprising way of life as result of several powerful trends in the ways in which individual relate to the state, organizations, and to other individuals, trends that strongly favour self-reliance. This theory will help in understanding research question, how does independence influence the performance of Small and Medium Enterprises in Ongata Rongai town, Kajiado County?

2.2.4 The Competency Theory

A Competency is a cluster of related knowledge, skills, and attitudes that affects a major part of one's job (a role or responsibility), that correlates with performance on the job, that can be measured against well-accepted standards, and that can be

improved via training and development. According to Mitchemore and Rowley (2002) entrepreneurial competencies are carried by individuals-entrepreneurs who begin or transform organisation and who add value through their organizing of resources and opportunities. The competencies necessary to launch a new venture may be conceived as a baseline, and highly effective entrepreneurs are those who go beyond launch into organization who survive and grow of future importance is what competencies are capable.

Entrepreneurial competencies are defined as underlying characteristics such as specific knowledge, motives, traits, self-image, social roles and skills which results in venture birth, survival and growth. The range of skills and competences required to run a small firm are qualitatively and quantitatively different from those needed in larger organisations. According to Lerner and Almor (2002), there are three identified categories of entrepreneurial competencies attitudes/traits, knowledge/experience, skills/abilities. Entrepreneurial skills contributes to SME performance and growth. Further developing of entrepreneurial skills contributes to profitability and growth. This theory will guide in understanding the fourth research question, to what extent does experience influence the performance of Small and Medium Enterprises in Ongata Rongai, Kajiado County?

2.2.5 Conceptual Framework

According to Mugenda and Mugenda (2003) conceptual framework conceptualizes the relationship between variables under study. Delgado-Hernandez and Aspinwall (2008) indicated conceptual framework will be used in formulation of enterprise

product, process, continuous improvement, service policies, planning for human resource development and putting strategies for the success of venture project.

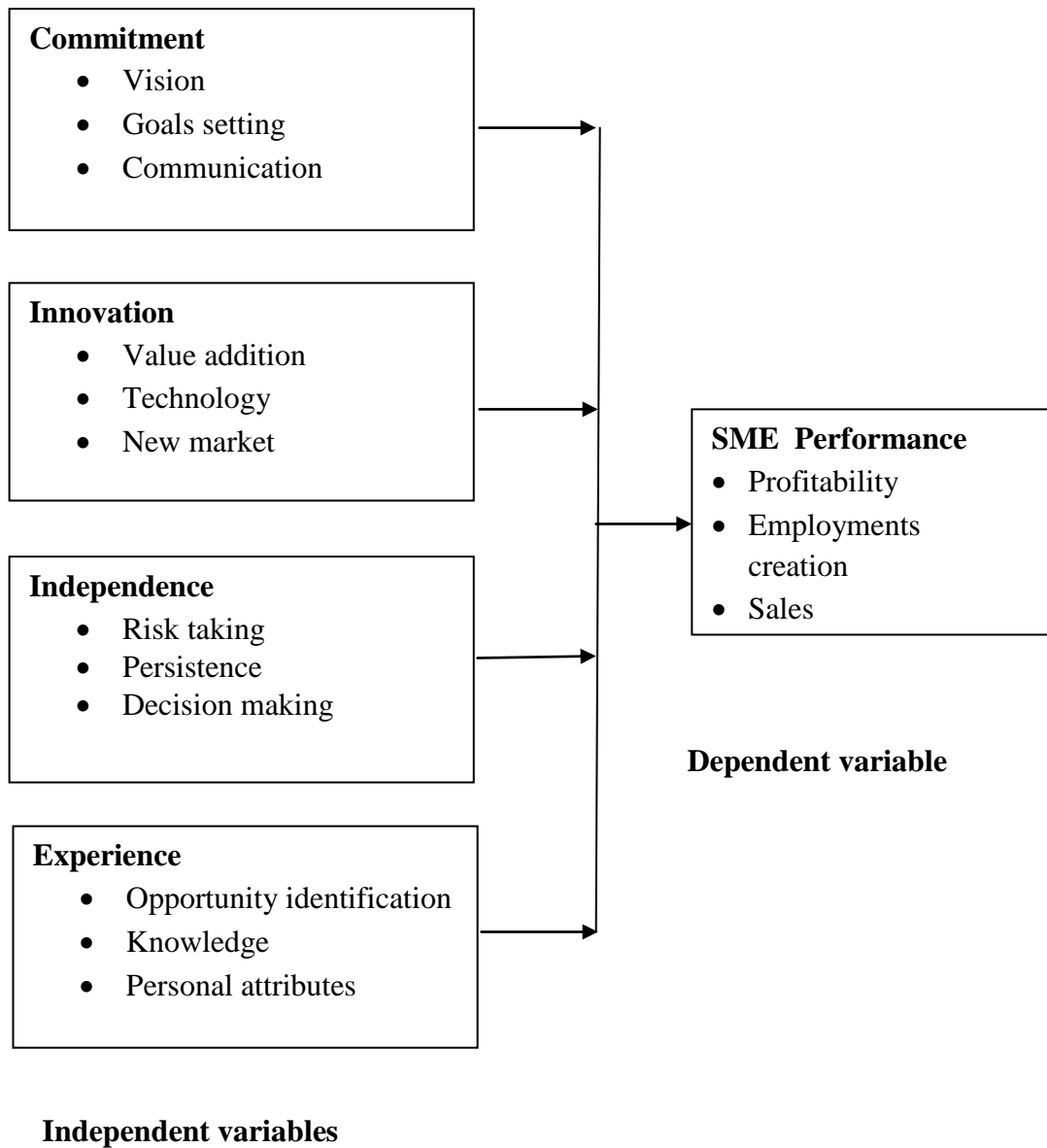


Figure.2.1: Conceptual framework

2.2.5.1 Commitment Factor

Entrepreneurs are committed to establishing their business, working hard, diligently and persistently, with elements of communication. According to Man, Lau, and Chan (2002), commitment to the entrepreneurial endeavour can be characterised as the passion required for entrepreneurial success. It is further characterised by a single-minded focus to start a business and work towards its survival and growth, often at expense of other worthy and important goals. It is further argued that being a persistent and committed to the task will enhance performance of the firm. Dixit and Bhati (2012), indicated an individual who is effectively committed or emotionally attached to the business, believe in goal and values of the organization, works hard for the business and intends to stay with the business.

Commitment involves timely actions or decisions. Commitment lead to perserveriance or persistence in face of obstacles. According to Dordevic (2004), employee commitment is important because high level of commitment lead to several favourable business outcomes. It reflects the extent to which employee identifies with the business and is committed to goals. Commitment is an important issue, because it may be used to predict business performnces. Continuance and affective commitment are particularly importance to entrepreneurship interms of pursuing business goals. Entrepreneur is committed on taking action on potential opportunity and therefore can pursue opportunities rapidly, making the most of the window of opportunity. An entrepreneur is also able to withdraw the resources from pursuit of an opportunity based on available information to minimize losses from initial opportunity pursuit.

According to Gupta, Guha, and Krishnaswami (2015), the vision is what guides enterprise, and energizes stakeholders; it is the big picture illustrating what you expect to achieve. Enterprise growth depends on the vision and motivation of the entrepreneur. The growth parameters vary from one entrepreneur to another. According to Brunetto and Farr-Wharton (2004), the communication process by which employees are made aware of business goals and their involvement in the achievement of them is recognized to play an important role in fostering job commitment. Business communication have an important positive association with affective commitment.

2.2.5.2 Innovation Factor

Innovation involves generation of new ideas and their implementation. Innovation can be implemented either in a series of steps or in one huge leap towards in a desired direction. Innovation is tightly tied to change, since organizations use innovation as a tool to influence environment. Depending on organization resources, capabilities, strategies and requirements, innovation may involve a wide range of different types of changes. According to Baregheh, Rowley, and Sambrook (2009), the common types of innovation relate to new products, materials, new processes, new services, and new organization forms.

According to Halim, Ahmad, and Ramayah (2014), innovations result from ideas, if they are implemented in new products, services and processes, which find real usage and thus penetrate the market. Innovation don't always have to be completely new ideas. The term innovation rather means the implementation of something new and

result in a noticeable improvement for the user. They are characterised by special characteristics, clear originality and noticeable user benefit.

Gupta *et al* (2015) indicated innovations are as a result to qualitative new products, services, markets and culture. Innovation can be applied to any section or department of a business activity. For economic development, it is critical for SMEs to create, apply, and introduce innovation. According to Martin and Namusonye (2014), improving process of innovation can greatly enhance the production of quality products which in the end would improve SME performance.

2.2.5.3 Independence Factor

According to Gelderen (2006), autonomy is the driving factor for entrepreneur to start an enterprise. In such, that autonomy is not only a dominant entrepreneurial motivation, but also a dominant source of entrepreneurial satisfaction. Autonomy is strongly associated with entrepreneurship because of the decisional freedom it entails, one can decide what, how and when work will be done. These freedom arise irrespective whether entrepreneurship takes the form of independent entrepreneurship or businesses employing others. Many indeed like autonomy for the sake of decisional freedoms.

Others emphasise the fact that they want to do “their own things”, for them entrepreneurship offers the opportunity to work in accordance with their own goals, values tastes and beliefs. Still others emphasise the opportunities that entrepreneurship offers for being in charge, for directing, and for leading instead of being lead. According to Gelderen and Jansen (2006), autonomy means the

individuals make their own choices independent of others. People who value autonomy strive for a state of independent, self-determination. These motives all require a certain degree of autonomy in order to be fulfilled at work, implying autonomy is instrumental for their realisation. Autonomous small business starters and owners deal with customers, suppliers, competitors, on daily and continuous basis.

2.2.5.4 Experience Factor

According to Worldie, Leighton, and Adesua (2008), there are five elements which are likely to influence SME growth, these are: age, gender, education, motivation, previous work experience of the entrepreneur. Gupta *et al.* (2015), indicated education enhances the overall quality of the manager by providing basic numeric and literacy skills, they are increasing the chance of survival. Positive motivation of the owner influences the SME growth e.g. through perception of the market opportunity for a product or services, and the desire to make money, supports motivation through market opportunity, employment creation, independence, improvement of social status, profit, growth target. Studies have generally found that some SMEs owner with more managerial sector experience or prior SME experience as owner tend to correlate with greater growth. Njoroge and Gathungu (2013), established that majority of the entrepreneurs did not have skills and experience in areas such as business planning, financial reporting, strategic planning, and financial management, and all expressed the desire for training that would enable them improve their business performances.

According to Wu (2013), only those who recognize the existence of opportunities and value them can then earn profits from these new opportunities. Under circumstances of information asymmetry, individuals with special insight and the knowledge to discover and recognize entrepreneurial opportunities tend to be successful, while there are others who are not able to recognize these opportunities or only see the risk of failures. Gupta *et al.* (2015) indicated entrepreneurs with higher academic background are more innovative and will use modern techniques and models to do business. Entrepreneurs are individuals who can explore the environment, discover the opportunities, evaluate and exploit.

2.2.5.5 SMEs Performance

According to Sebikari (2014), SME performance can be measured objectively by return on investment, market share, profitability and sales growth. Objective values are measured using collected quantitative data. According to Kithae, Gakure, and Munyao (2012), the employment trend of the small enterprises sector in Kenya between 2000 and 2003 was noticeable. A total employment was estimated at 6.4 million persons, and which was almost entirely attributed to the increase in employment in SMEs.

Brem, Kreusel, and Neusser (2008) indicated it is important to specify company's growth and its complex structure by the number of its employees. Financial constraints may lead to decreased demand for product, services and labour. Consequently, firms' access to financing and their liquidity positions are factors influencing their ability to create jobs. The level of jobs creation is sensitive to

availability of cash and financing. As SME resources increase, so may their investment expectations, leading to an increase in demand for products, services, and labour. From resource-based perspective, SME performance can be evaluated by their profitability, turnover, market share and job creation being measured by number of employees.

2.2.6 Empirical Literature Review

In Kenya, the Micro and Small Enterprise (MSME) Act No. 55 2012 define SME as micro if with employees less than nine, and annual turnover of less than Ksh.500,000; and small if with employees between ten and fifty with annual turnover of between Ksh.500,000 and Ksh.5 million. According to Osoro and Muturi (2013), the SME contribute immensely to the economic development and wealth creation through employment creation estimated at 3.2 million people in 2003, generation of income, increasing productivity, facilitating technological transfer, and creation of market linkages.

According to Philip (2010), a huge majority of firms world wide are SMEs, and they play a significant role in the economy of a country. There is a broad consensus that a vibrant SME sector is one of the principal driving forces in the development of a market economy. SMEs stimulates private ownership and entrepreneurial skills, are flexible and can adapt quickly to the changing market demand and supply situations, generate employment, help diversify economy activity, and make a significant contribution to GDP. SMEs have long been believed to be important in supporting economy development within a country. One of important role of SMEs in this

context includes poverty reduction through jobs creation. SMEs performance can be characterised as the firm's ability to create acceptable outcomes and actions.

SME performance is often used to refer to a firm's financial performance measured by eg. profit, number employed, sales growth. In starting and running a new venture the role of the entrepreneur is vital as the whole process is often dependent on him/her. The entrepreneurial behaviour or characteristics determines the SME performance. According to Katua (2014) SMEs are important traders and service providers to primary industries. In addition, SMEs are also producers of finished goods and services. Collectively, SMEs have contributed to the growth of manufacturing, services and agricultural sectors as well as ICT services, in terms of the growth, value-addition, employment and export.

According to Tang (2008), entrepreneurial commitment manifests itself through entrepreneurs' desire to remain with the new business regardless of the unpredictability associated with the start-up process; the entrepreneurial willingness to expend significant efforts for the new business and entrepreneur emotional attachment, identification and involvement in the new venture. Entrepreneurial commitment is the extent to which an entrepreneur identifies with and is engaged in new business creation activities.

According to Joshi (2014), there are many attributes of an entrepreneur, an inevitable attribute is their ability to communicate. It is very crucial to mention that an entrepreneur cannot succeed without communicating with human elements surrounding him/her. Communication is what transforms an idea into a vision,

defines how it's different, explains why it will work, and engages people in helping to make it a reality. Communication is what keeps the vision alive in entrepreneur's communication with others and himself. It is in communication that an idea gets envisioned. The moment the idea starts crystallising into a concrete shape in its communication, an entrepreneur starts visualizing the complete picture about how a particular idea would turn into a reality.

Effective communication is a primary means whereby entrepreneurs achieve the desired levels of excellence in the development of their organizations. Communication has the direct effect on performance and attitudes of followers. The vision needs to be communicated to qualifying set of people through written or oral means in order to synergise them in an efficient team or teams for various purposes. Compelling visions provide people with a sense of purpose and encourage commitment if it is communicated properly.

According to Belser (2005), while the contribution of small business to development are generally acknowledged, entrepreneurs in this sector face many challenges that limit their long-term survival and development. Scholars have indicated that starting a business is a risky venture and warn that the chances of owners making it past five year mark are very slim. Sherifat (2013), indicated entrepreneurial orientation (EO) such as innovativeness, risk taking are factors found to influence the success of entrepreneur in SME performance. Innovative enables entrepreneurs to venture into new things such as technology, products and market where as risk taking is required.

According to Martin and Namusonye (2014), the process of innovation is an aspect crucial to the success of any business. It is an integrated concept that involves changes in the production process which is aimed at reducing cost, wastes, and lead time or at improving production efficiency. Innovation is a value adding process. Innovation works to improve any section of business operations. Innovation helps business in performance irrespective of the size. For business to realize growth, investment in technology should be made in order to reduce costs and increase the level of sales.

In agreement with Halim, Ahmad, and Ramayah (2014), innovation and competitive advantage have deep roots in the creation of something new, different and unique. An entrepreneur should be confident and motivated enough to continually try new things out. To this end an entrepreneur would become an innovative and equipped with the right type of knowledge, skills and abilities to effectively generate and implement new ideas. Innovation is crucial for the survival of business of SME.

According to Prottas (2008), there is a variety of empirical support for association between self-employment and autonomy. Studies have found the self-employed differ from the organizationally employed with respect to career anchors with the self-employed or likely to have autonomy and independence and entrepreneurial creativity anchors. The self-employed have been found to report greater job autonomy. The self-employed also prefers the desire for greater autonomy as an important motive in their pursuit of self-employment. People find autonomy or control to be intrinsically rewarding and leading to superior personal outcomes.

According to Sabiu and Abdullah (2015), persistence is an essential factor in entrepreneurship. Persistence allows an entrepreneur to search solutions to overcome obstacles. Lack of persistence is one major cause of business failure. Essential persistence is the motivation, passion, determination to pursue in the face of unfavourable conditions or enticing alternatives. What defines an entrepreneur is the composition of personality characteristics, motivation to enter, persist and succeed in an an entrepreneurial venture.

According to Dagher (2007), one of important factor contributing to the high rate of failures is lack of persistence. The creation of a new venture is full of uncertainties, and entrepreneur must be willing to assume personal, social and psychological risks. Moreover they need to be persistence to be persistent in their endeavours when they encounter difficulties and uncertainties. The element of time and adversity implies persistent is relevant to the entrepreneur. Persistence is a behaviour, the entrepreneurial process involves spending time if opportunities are to discovered and exploited successfully.

According to Ndalira, Ngugi, and Chepkulei (2013), innovative SMEs tends to produce quality product, which in return improves sales and hence growth. Entrepreneur need to have confidence, courage and strong will to succeed in business, be efficient and able to produce goods and services of high quality, steadily supply and at competitive prices. Ming-Yen and Siong-Choy (2007) indicated the personal characteristics focus on the influence of resources, in particular the level of education, occupation of parents, age, managerial skill, previous entrepreneurial

experience, and industry. Entrepreneur experience level influences SME firm performance.

According Thibault, Wilcock, and Kanetkar (2002), personal factors such as demographic variable and business factors such as amount of financing, use of technology, age of business, operating location, business structures, and number of full time employees as important factors in examining the performance of entrepreneurs. According to Temitope, Awolusi, and Ibojo (2013), SMEs performances are constrained by factors eg.entrepreneurial competencies, commitments, strategic choice, competition, technology. Understanding determinants factors of SMEs performance is considered an important area of focus for an enterprise to perform.

Understanding the role of entrepreneur gives a better insight about what competencies needed by the entrepreneurs to ensure the survival of the business as well as its growth and expansion. Kiggundu (2002) indicated entrepreneurial competencies considered as total sum of entrepreneurship attributes needed for success and sustaining entrepreneurship. An indepth analysis of an entrepreneurial competencies indicated competencies as having components that are more deeply rooted in entrepreneur's background that is traits, personality, attitudes, self-image, and social roles; then there are other components which can be acquired at work or through learning, these competencies are skills, knowledge and experience.

According to Cameron (2006), entrepreneurs have heightened ability and awareness for recognizing and audaciously exploiting business opportunities. They persistently

and continually seek opportunity-laden information in order to satisfy internal motivators such as need for achievement and the fulfilment of competitive urges. This entrepreneur is driven by business challenge that matches his/her skill, knowledge and abilities. The venture information required is potential profit, risks involved and investment required. Potential obstacles are removed through sheer determination, audacity, and application of innovative solutions. According to Zali (2016), that opportunity lies at the heart of entrepreneurial process , and entrepreneur is an individual who is able to identify, evaluate and exploit opportunities.

Factors that lead to opportunity recognition include prior knowledge or information, entrepreneurial alertness, entrepreneurial learning, creativity, and external factors such as environment change and social network. The type of opportunity could include new products, new services, new markets, new materials, new production process and methods and new ways of organizing. Ohman (2015) concluded, job creation is positively related to SMEs financial leverage and liquidity, and to their size and age. SMEs financial leverage and size are the most important firm-level determinant of job creation. In every sector job opportunities depend on variety of factors, including the area of technology, labour costs, and invested capital.

Performance measures may be in terms of profit, growth in sales, stake holders satisfactioin, competitive position and success in launching new products. Factors determining the performance of SME include entrepreneur education, raw materials, entrepreneur competencies, technology. According to Sarwoko, Surachman, Armanu, and Hadiwidjojo (2013), performance of SMEs is determined by the characteristics of the owner. The overall entrepreneurial competencies are attributes

of the entrepreneurship which include attitudes, beliefs, knowledge, skills, abilities, personality, and behaviour which is directed to achieve success. SME success will be influence by the skill and the ability.

The ability of a sector to create new employment opportunities reflect the changes in these factor over time. Voulgaris, Papadogonas, and Agiomirianakis (2005) indicated there is a significant positive relationship between employment growth and firm size, profitability, sales growth, reliance on debt, and investment in fixed assets. Ngek (2014) emphasized sales growth is the most essential and widely used measure of SME growth. According to Olowa and Olowa (2015), factors affecting SMEs growth in villages include persistence, organizational, finance, education, personal autonomy, previous experience, creativity, sense of accomplishment and internal control.

2.3 Critique of the Literature

Entrepreneur is a leader, is a person who initiates and operates a new business venture. Entrepreneur identifies a business opportunity and crafts a vision, procedures and methods to arrive at desired solution or vision. According to Groves (2006), an entrepreneur is a visionary leader, who get committed to his/her vision and effectively communicate the vision to the followers or implementers. Entrepreneur articulates an inspiring and viable vision related to a wide range of positive outcomes. Knowledge, skills and attitudes are some of characteristics of a visionary leader. Effective visionary leadership requires that a leader provide a clear and compelling sense of business direction.

Innovation is important for improving business performance. For an entrepreneur to be innovative, he/she must be conversant with product or production industry environment. According to Mahmutaj (2014), innovation can be applied to any section of business, and is used to solve daily unforeseen problems, creating new solutions and development of new ways and procedures in a business. An entrepreneur need to be innovative so as to maintain the market share or acquire new market share. Some entrepreneur start business business because have spotted a business opportunity while others because want to be independent, which ever the case there is a relationship between business performance and the level of innovation.

Entrepreneur need independence or autonomy to enable him/her make decisions, and take calculated risks. Entrepreneur need freedom to explore the creativity and follow the own ideas. This freedom requires the will to be self-directed in the pursuit of business opportunities. This freedom involves willing to accept the risks and responsibilities resulting from entrepreneurs' actions. It also implies entrepreneur is responsible for the growth or performance of the business. According to Sirec and Mocnik (2010), entrepreneur requires autonomy or independence to initiate SME growth activities.

Formal or informal knowledge, skills and personal characteristics are some of the factors required by entrepreneur to initiate and grow a business venture. According to Temitope *et al.* (2013), the determinants of SME's performance are entrepreneurial skills, competence, education, technology, committment. Competence will help an entrepreneur to identify business opportunity, evaluate and mobilize appropriate

resources to exploit it. Ability to plan and organize the resources is a personal characteristic requirement necessary to exploit the identified opportunity effectively and efficiently.

Acquiring both formal and informal knowledge will enhance customer satisfaction, and hence spur business growth. Performance of an enterprise can be improved by using new and appropriate technology, it saves time, costs and improves the chances of SME success. Competence of entrepreneur in ability to manage and channel other resources in a systematic manner go a long way to determine the success of the business. Understanding the stages of enterprise growth is essential as it prepares entrepreneur to face the corresponding challenges.

Most of above studies were researched outside the country, and no research has been carried out on entrepreneurial factors affecting performance or growth of SMEs in Ongata Rongai town. The purpose of this study is to determine how entrepreneurial commitment, innovation, independence and experience influences the performance of SMEs in Ongata Rongai.

2.4 Research Gap

According to Ndalira *et al.* (2013), value addition activities and promotion of innovative practices improves business growth and profitability, create wealth for the owner, employment opportunities and alleviates poverty. This requires further research on influence of innovative activities on SME performance. Mahmutaj (2014) also recommended more research to establish relationship between SMEs' performances and innovation activities. Sirec and Mocnik (2010) recommended

more study on independence gap between entrepreneur and SMEs performances, independence as a consequence of ability to make clear and positive decision by the entrepreneur in strive for SME growth.

Ming-Yen and Siong-Choy (2007) recommended more work to be done on effect of entrepreneurial orientation that is innovativeness, risk taking, commitment to succeed in business, independence, planning, education, skills and experience on performance of SME. Arham (2014) recommended future research to include other factors that influence SME performance such as entrepreneurial orientation. Olowa and Olowa (2015), recommended fostering of entrepreneurship education at all levels in order to ensure SME performance.

In 2012 Economic Survey indicated SMEs in Kenya contributed 25% of GDP. According to Economic Survey (2014), SMEs are major booster of the Kenyan Economy, and created 83% of new jobs that year. However, despite the roles that MSMEs play in the Kenyan Economy, few studies have been done locally to find major entrepreneurial factors influencing performances of SMEs. Therefore this study aims at filling this gap through determination of entrepreneurial factors influencing performance of SMEs in Ongata Rongai Town, Kajiado County.

2.5 Summary

Literatures related to entrepreneurial factors influencing performance of SMEs particularly in Ongata Rongai town, Kajiado County, have been reviewed. Theoretical and conceptual frameworks relating to commitment, innovation, independence and experience that is independent variables have also been reviewed in details. The performance parameters namely profitability, employment creations and sales related to dependent variable have also been discussed in details. Research gap has been identified and developed from cited recommendations of various research scholars.

CHAPTER THREE

RESEARCH METHODOLOGY

Introduction

This chapter presents the research methodology that was used to carry out the study. This includes the research design, target population, sampling technique and sample size, data collection instruments, data collection procedure, pilot study and ends with data analysis and presentation.

3.1 Research Design

Research design refers to the way a study was planned and conducted, the procedures and techniques employed to answer the research problem question. According to Saunders, Lewis, and Thornhill (2003), states systematic research encompasses specific method to collect and analyse data, deliberations on the significance of results, and explanation of any limitation experienced. According to Salaria (2012) , a survey research design involves systematic process of collecting data in order to answer research questions concerning current status on a local situation.

Therefore, this study, adopted a survey research design method, and questionnaires were used to collect the necessary data and information about the entrepreneurial factors influencing performances of SMEs in Ongata Rongai Town , Kajiado County. This method involves asking participants what are their views and experiences are on questionnaire statements. Questionnaires were hand delivered to the randomly selected respondents and the completed, filled questionnaires were collected after one week. Descriptive statistics was used to analyze and summarize

the collected data, the data was tabulated, means score, frequency, percentages and standard deviations calculated.

3.2 Population

According to Cooper and Schindler (2000), the researcher must clearly define the characteristics of the population, defining the required sample size and choose the best method for selecting the sample from larger population. In this study, the target population consists of all current licensed SMEs in Ongata Rongai Town, operating business for profits and continuity in either areas of farming, trading, manufacturing or services.

According to Mugenda and Mugenda (2003), target population is the entire group of individuals, events or objects having common observable characteristics. In this study, the target population consisted of 372 SMEs in operations with current licence issued by Ongata Rongai Sub-County, the owners must have founded or bought an existing business. The choice of Ongata Rongai Town was due to its upcoming cosmopolitan status and proximity to Nairobi City. The SMEs in Ongata Rongai Town were grouped into clusters of farming, trading, manufacturing and services provider as per MSME 2012 Act. Within each cluster, SMEs and corresponding respondents for study were randomly selected

Table 3.1: Target Population

Serial number	Category	Population	Percentage
1.	Farming	84	22.58
2.	Trade	128	34.41
3.	Manufacturing	98	26.34
4.	Services	62	16.67
	Total	372	100

3.3 Sampling Frame

The sampling frame describes the list of all population units from which the sample will be selected. For an SME to be included in target population, the business name must have a current trading license and the name appear in the Ongata Rongai Sub-County business register or records. The main business objective is to make profits and continuity. Sample frame consist of 372 SMEs which are licensed and operating in Ongata Rongai Town.

3.4 Sample and Sampling Technique

Sampling is that part of statistical practice concerned with the selection of an unbiased or random subset of individual observations within a population of individuals intended to yield some knowledge about population of concern. Sampling helps in making a fair generalization of results back to the population from which they were chosen. The sampling plan describes the sampling unit, sampling procedures and sample size for the study.

According to Kothari (2004), multistage random sampling technique was used to select the respondents, that is grouping of SMEs into primary clusters ie. farming, trade, manufacturing and services, according to the MSME 2012 Act; and then random sampling secondary clusters to give category of business ie trees and flowers nurseries, shoes trading, furniture making and car wash services, this was followed by random sampling of respondents (Table 3.2: Sample size). Simple random sampling was used to select the respondents from the secondary clusters as per Table 3.2. Random numbers was used to select 30% of respondents from each clusters giving a total of 114 respondents.

Table 3.2: Sample size

Serial number	Category	Population	sample ratio	Sample size	Percentage %
1	Trees/flower nurseries	84	0.3	26	23.33
2	Shoe Trade	128	0.3	39	31.11
3	Furniture Making	98	0.3	30	30.00
4	Car Wash Services	62	0.3	19	15.56
Total		372		114	100

3.5 Research Instrument

The instrument used in collecting data is questionnaire, which made it possible for respondents to supply the needed data for the research. According to Rowley (2014), questionnaires are one of the most widely used means of collecting data. Brinkman (2009) indicated the general pattern of designing a questionnaire which include

general introduction, respondent biographical data, introduction topic, questions or statements.

Zohrabi (2013) listed advantages of using questionnaires as efficient means of collecting data, can be sent simultaneously, easily gather in the field sites, respondent anonymity, time efficient, standard. The anticipated difficulties involved in this type of research include ensuring questions are clear and free from ambiguity, getting respondents fill the questionnaire accurately and honestly, getting sufficient number of questionnaires completed and returned so that there can be a meaningful analysis of data collected. The study adopted the necessary measures to reduce the effects to a minimal which includes assurance of confidentiality of information gathered and anonymity option of respondents.

The first part of questionnaire contained the topic: Entrepreneurial factors affecting performance of SME in Ongata Rongai Town, Kajiado County; the second part contain the confidential statement ie. all information you provide will be kept strictly confidential, name or other identifying information will not appear on any research work. All results will be reported as statistical, instructions and of which respondent's information will not be part. The body of the questionnaire contained four parts with the first part describing the entrepreneurial commitment factors, the second part describing the entrepreneurial innovation factors, the third part entrepreneurial independence factors and fourth section describing the entrepreneurial experience factors.

3.6 Data Collection Procedure

Data collection refers to the process of gathering data from the sample so that the research the research questions can be answered. Data collections allows for dissemination of accurate information. Primary data was collected using questionnaire. With help of trained research assistant, a total of 114 questionnaires were hand delivered to the randomly selected respondents, who were involved in trees and flower nurseries or shoe trade or furniture making or car wash services.

Each questionnaire was accompanied with a letter of introduction from JKUAT detailing the purpose and importance of the research, and also assuring respondents about confidentiality. This letter was also acknowledged and stamped by Ongata Rongai Sub-county administration office. The questionnaire contained statements on entrepreneurial factors influencing SMEs performance. For each statement, and using the likert scale of one to five, the respondents were required to rate each statement, by ticking the appropriate box after the statement.

3.7 Pilot Test

Pilot study is carried out in order to establish the accuracy and appropriateness of the research design and data collection instruments. According to Hassan *et al* (2006) pilot testing is conducted to assess the whole questionnaire under actual survey conditions. The primary benefit of pilot testing is identifying problems before implementing the full survey. Pilot testing include assessing the validity of each question and analysing various aspects of questionnaire as a whole check the instruction, check the wording, check reliability and validity, check analytical and

statistical process. Flook *et al* (2013) indicated pilot survey indicates early about expected results at a reasonable costs. Pilot survey points the strength and areas requiring improvement in the research instrument.

Pilot test questionnaire were administered in exactly the same condition as it was for the main study. According to Mugenda and Mugenda (2003), 10% or more of project sample size will be sufficient for the pilot test survey, in this study questionnaires were administered to 12 randomly selected respondents by principal researcher and research assistant. Each questionnaire was accompanied by introduction letter. Evaluation of results were carried out, and recommendations implemented before main study. Data from pilot test was analysed using SPSS and interpreted the same manner like for main study. The Cronbach alpha was found to be 0.71 which is sufficient and therefore the instrument was considered as valid and reliable for the study. All the respondents involved in pilot testing were not included in the main survey research study.

3.7.1 Validity

Validity means that the research findings truly represent the phenomenon the study is trying to measure Mugenda and Mugenda (2003). It is important to establish correlation between the independent variable factors for the purpose of prediction. Aiyewalehinmi (2013) explained the purpose of this section is to assess the validity of the instrument of measurement ie., if it measures what it is intended to measure. A failure to assess the validity of measurement means that the researcher may not be able to confirm the reliability of the research findings. Validity was assessed by randomly selecting items from questionnaire, recording the ratings by different

respondents ,and then calculating Chronbach's alpha using SPSS. In this study the validity was established to be 0.71.

3.7.2 Reliability

Reliability of a research instrument concerns the extent to which the instrument yields the same results on repeated trials, in different areas. Onwueghuzie and Johnson (2006) indicated, the necessary condition for validity is reliability. Reliability is concerned with precision and accuracy. The notion of constructs validity developed by Cronbach's alpha method indicated how much correlation within variables exists. For research findings to be reliable, it must demonstrate that if it were to be carried out on a similar group of respondents in similar environment then similar results would be achieved. The data were collected independently from different respondents and tabulated (items, construct, respondent rating, Cronbach's alpha). Chronbach's alpha was determined using SPSS software, in this study Chronbach's was found to be 0.71.

3.8 Data Analysis and Presentation

The collected questionnaires were sorted out assessing accuracy and completion. All questionnaires not adequately filled were not included. This was followed by coding, and inputting scoring of the questionnaires into computer. By the use of descriptive statistics tool in SPSS, frequencies, means score, standard deviations and percentages of both independent dependent variables were generated from the data. Correlation analysis was also carried out to establish relationship between the independent and dependent variables. The data was analysed using Statistical Package for Social

Science (SPSS). Performances of Small and Medium Enterprises in Ongata Rongai was regressed against independent variables.

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + e$$

Where Y is performance of SMEs

β_0 is intersection point

X1 is Commitment factors

X2 is Innovation factors

X3 is Independence factors

X4 is Experience factors

e is error term

$\beta_1, \beta_2, \beta_3, \beta_4$ are respective coefficients relating to X_1, X_2, X_3 , and X_4

Pearson's correlations will be conducted at 95% confidence interval and 5% confidence level 1-tailed to determine the relationship between the variables in influencing performance of SMEs.

CHAPTER FOUR

RESEARCH FINDINGS AND DISCUSSIONS

4.1 Introduction

This chapter presents the results of the research survey aimed at determining how entrepreneurial factors: innovation, independence, commitment and experience influence performance of SMEs in Ongata Rongai Town in Kajiado County. The analysis, presentation and interpretation of findings were done with the purpose of answering the research questions asked at the beginning of the research study.

4.2 Questionnaire Response Rate

Table 4.1: Response Rate

Category	Frequency	Percentage
Respondents	90	78.95
Non-respondents	24	21.05
Total	114	100

The survey research was conducted through questionnaires with 90 out of targeted 114 respondents participating in the research, making a response rate of 78.95%, which is above 50% and thus adequate for statistical reporting (Mugenda & Mugenda, 2003). The data was analyzed using the Statistical Package for Social Scientists (SPSS). The study made use of frequencies on single response questions, while for multiple response questions, the study used lickert scale in collecting and

analyzing the data whereby a scale of 5 points was used in computing the responses. These were then presented in tables, frequencies and percentages with explanations being given in prose.

4.3 Acceptability Factors

Cronbach's alpha coefficient was computed using SPSS to determine internal consistency of the items in the independent variables. Items are considered reliable if they yield a reliability coefficient of 0.70 and above. The cronbach alpha coefficient of the five lickert scale items for attitudes and perceptions was 0.724.

Table 4.2: Reliability Statistics

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	Number of Items
.709	.724	5

The study sought to establish the views of the respondents concerning entrepreneurial factors affecting SMEs performance in Ongata Rongai town. The participants were asked to rate their level of influence with a specific statement (from 1 – Strongly disagree to 5 –Strongly agree). Internal consistency was measured with Cronbach's alpha to $\alpha=0.709$. The Cronbach's alpha value confirmed the reliability of the questions since it was above 0.7. The mean and standard deviation were used to establish the level of acceptability of SMEs performances as Table 4.3 below.

Table 4.3: Dependent and Independent Variables Statistics

Variable	Mean	Std. Deviation	Number sample
Performance	2.8733	.44515	90
Commitment	2.2067	.57627	90
Innovation	2.3333	.75252	90
Independent	2.5244	.75227	90
Experience	3.3044	.79279	90

The findings from the study established that most of the respondents as supported by a mean of 2.87 and standard deviation of 0.445 agree that SMEs performances are influenced by entrepreneurial factors of commitment, innovation, independence and experience. It was further evident that most of the respondents will readily accept that entrepreneurial experience greatly influences SME performance. This is supported by a mean of 3.304 and a standard deviation of 0.793. It was also established that entrepreneurial independence influenced SME performance as supported by a mean score of 2.524 and standard deviation of 0.752. The study further revealed that majority of respondents perceived both commitment and innovation as not influencing performance of SMEs as indicated by a mean of 2.207 and 2.333 with standard deviations of 0.576 and 0.753 respectively. This implies that most of the respondents agreed that independence and experience do greatly influence the performance of SMEs.

4.4 Demographics of the Respondents

In this section the characteristics of the respondents is stated in terms of experiences and education.

4.4.1 Years in Business Operations

Table 4.4: shows the respondents experience in business, with majority 50% having being in business for less six years.

Table 4.4: Years in Business Operations

Years	Frequency	Percentage
Below 3	19	21.1
Between 4-6	26	28.9
Between 7-9	17	18.9
Between 10-12	13	14.4
Over 13	15	16.7
Total	90	100

4.4.2 Education Qualifications

Table 4.5: Education Qualifications

Category	Frequency	Percentage
Masters	0	0.0
Bachelor	1	1.1
Diploma	11	12.2
KCSE	44	48.9
KCPE and below	34	37.8
Total	90	100

Table 4.5 shows education qualifications of respondents. From the data 48.9 % are KCSE level, and 37.8 % are KCPE and below.

4.4.3 Type of SMEs

Table 4.6: Type of SMEs

SME	Frequency	Percentage
Tree and flower nurseries	22	24.4
Shoes Trade	23	25.6
Furniture manufacturing	22	24.4
Car wash	23	25.6
Total	90	100

Table 4.6, show the type of business the respondents operates, and from the data it is observed the business owners are well spread in tree and flower nurseries, shoes trade, furniture manufacturing and car wash services.

4.5 Research Objectives and the Findings

The next four sections analyze the major findings of the study. The various analyses are organized to specifically address the four research objectives that are mentioned in chapter one of the study. Responses from section A of the questionnaire aimed at collecting demographic data of the respondents, Section B addressed the first research objective, section C of the questionnaire addressed the second objective, section D of the questionnaire addressed the third research objective, section E of the questionnaire addressed the fourth research objective, and section F of the questionnaire addresses the dependent variable.

4.5.1 The Study Sought to Examine the Influence of Commitment on the Performance of Small and Medium Enterprises in Ongata Rongai Town, Kajiado County

Data for this research objective was centred on sub-factors, the vision, goal setting and communication towards SMEs performances. Responses in Table 4.7 below, represent the opinions of the respondents. The respondents were asked to rate statements based on a five likert point scale defined as: 1= strongly disagree, 2=disagree, 3=neutral, 4=agree, 5=strongly agree.

Table 4.7: Influence of Commitment on the Performance of SMEs

Statement		Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
Business vision is clear and understandable	Frequency	67	14	5	1	3
	Percent	74.4	15.6	5.6	1.1	3.3
Business staff know their daily goals	Frequency	42	14	14	10	10
Business performance communication meeting	Percent	46.7	15.6	15.6	11.1	11.1
Vision statement is clearly displayed	Frequency	3	2	8	14	63
	Percent	3.3	2.2	8.9	15.6	70.0
Business is the most important activity	Frequency	59	11	6	3	11
	Percent	65.6	12.2	6.7	3.3	12.3
	Frequency	87	2	1	0	0
	Percent	96.7	2.2	1.1	0	0

Table 4.8: Influence of Commitment on the Performance of SMEs Statistics

Statement	Frequency	Mean score	Standard deviation
Business vision is clear and understandable	90	1.43	0.912
Business staff know their daily goals Business	90	2.34	1.425
Business performance communication meeting	90	4.47	0.985
Vision statement is clearly displayed	90	1.84	1.398
Business is the most important activity	90	1.04	0,256
Average		2.204	0.995

From Table 4.8, commitment has moderately influence over performance of SMEs as indicated by average mean score of 2.204 and standard deviation of 0.995. However, communication with a mean score of 4.47 and std. of 0.985, is seen to have a great influence over commitment. Commitment is an important factor for all businesses regardless of size. For SMEs surveyed in this study, commitment especially in communication of vision and goal setting have been seen to be important and do influence the performance of SMEs.

4.5.1.1 Vision

Table 4.9: Vision Statement

Statement		Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
Business vision is clear and understandable	Frequency	67	14	5	1	3
	Percent	74.4	15.6	5.6	1.1	3.3
Vision statement is clearly displayed	Frequency	59	11	6	3	11
	Percent	65.6	12.2	6.7	3.3	12.3
Business is the most important activity	Frequency	87	2	1	0	0
	Percent	96.7	2.2	1.1	0	0

On statements business vision is clear and understandable, 74.4% responded strongly disagree, while 5.6% responded neutral. From the data majority of respondents strongly disagree, and view business vision as having no influence over vision, this is supported by data from Table 4.8, where mean score is 1.43 and standard deviation is 0.912. Based on the number of respondents it can be argued that business vision does not influence commitment. On vision statement being clearly displayed, 65.6% responded strongly disagree, and it can be argued that clearly displaying vision statement do not affect business vision, and hence does not influence commitment, this is also supported by mean score of 1.84 and standard deviation of 1.398 as shown in Table 4.8. On statement business is the most important activity, 96.7% responded strongly disagree. It can therefore be observed from the findings that majority of respondents strongly disagree, and perceive business activity as not

important and has no influence on vision, and hence no influence on commitment. This is clearly supported by mean score of 1.04 with standard deviation of 0.256 as indicated in Table 4.8.

4.5.1.2 Goal Setting

Table 4.10: Goal Setting

Statement			Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
Business staff know their daily goals	Frequency		42	14	14	10	10
	Percent		46.7	15.6	15.6	11.1	11.1

On statement business staff know their daily goals, 11.1% responded strongly agree while 46.7% responded strongly disagree. It can be argued that a significant percentage 22.2% of respondents agree business staff know their daily goals, while 62.3% of respondents strongly disagree, this is also confirmed by mean score of 2.24 and standard deviation of 1.425 as shown in Table 4.8. Hence, knowing daily goals does not influence goal setting, and hence no influence over commitment.

4.5.1.3 Communication

Table 4.11: Business Communication

Statement		Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
Business performance communication meeting	Frequency	3	2	8	14	63
	Percentage	3.3	2.2	8.9	15.6	70.0

On statement business performance communication meeting, 70% responded strongly agree. Thus one can argue that business performance communication meeting do influence communication, and hence commitment, this is clearly supported by mean score of 4.47 with standard deviation of 0.985 as shown in Table 4.8.

4.5.2 The Study Sought to Determine the Influence of Innovation on Performance of Small and Medium Enterprises in Ongata Rongai Town, Kajiado County

Data for this research objective was centred on sub-factors the value addition, technology and new market towards SMEs performances. Responses in Table 4.12 below represent the opinions of the respondents. The respondents were asked to rate statements based on a five likert point scale defined as: 1= strongly disagree, 2=disagree, 3=neutral, 4=agree, 5=strongly agree.

Table 4.12: Influence of Innovation on Performance of SMEs

Statement			Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
Tolerance for failure	Frequency	73	11	5	1	0	
	Percent	81.10	12.20	5.60	1.10	0.00	
Use of business equipments	Frequency	27	24	20	15	4	
	Percent	30.00	26.70	22.20	16.7	4.40	
Handling of customers feedback information	Frequency	13	15	23	22	17	
	Percent	14.40	16.70	25.60	24.4	18.90	
Business addresses high potential growing markets	Frequency	13	16	27	15	19	
	Percent	14.40	17.80	30.00	16.7	21.10	
Rewards is given for creativity	Frequency	63	9	6	4	8	
	Percent	70.00	10.00	6.70	4.40	8.9	

Table 4.13: Influence of Innovation on Performance of SMEs Statistics

Statement	Frequency	Mean score	Standard Deviation
Tolerance for failure	90	1.27	0.614
Use of business equipments	90	2.39	1.206
Handling of customers feedback information	90	3.17	1.318
Business addresses high potential growing Markets	90	3.12	1.331
Rewards is given for creativity	90	1.72	1.298
Average		2.33	1.153

Table 4.13, shows entrepreneurial innovation factor has a moderately influence over performance of SMEs as indicated by average mean score of 2.33 and standard deviation of 1.153. Innovation is an important tool which aids an SME to improve performance and record growth. In this study, the SMEs surveyed agreed on the importance of innovation in handling customers' feedback information. From the surveyed samples, innovation was observed to have moderately influence on Performance of SMEs.

4.5.2.1 Value Addition

Table 4.14: Value Addition

Statement			Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
Tolerance for failure	Frequency	73	11	5	1	0	
	Percent	81.10	12.20	5.6	1.10	0.0	
Handling of customers feedback information	Frequency	13	15	23	22	17	
	Percent	14.4	16.70	25.60	24.40	18.90	
Rewards is given for creativity	Frequency	63	9	6	4	8	
	Percent	70.0	10.0	6.70	4.40	8.90	

Data on Table 4.14, above show responses regarding the influence of entrepreneurial innovation factor on SMEs performances. On statement tolerance for failure, 81.1% responded strongly disagree. Thus majority of respondents strongly disagree that tolerance on failure had influence on value addition, and hence no influence on

innovation, this is supported by mean score of 1.27 with standard deviation of 0.614 as shown in Table 4.13. On statement handling of customers feedback information, 18.9% responded strongly agree, 24.4% responded agree. Based on available data it can be argued handling of customers feedback information do significantly influence value addition, and affects innovation, this also confirmed by mean score of 3.17 with standard deviation of 1.318 as shown in Table 4.13. On statement reward is given for creativity, 70.0% responded strongly disagree. Based on collected data, a small number of respondents believe giving rewards for creativity do improve value addition, while majority of respondents 80.0% disagree, and hence rewarding creativity does not influence value addition, this is supported by means score of 1.72 and standard deviation of 1.298 as shown in Table 4.13.

4.5.2.2 Technology

Table 4.15: Business Technology

Statement		Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
Use of business equipments	Frequency	27	24	20	15	4
	Percent	30.00	26.70	22.20	16.70	4.40

On statement use of business equipments, majority of respondents 56.7% disagree that use of business equipments influence technology, and hence no influence on innovation; this is confirmed by mean score of 2.39 with standard deviation of 1.206 as shown in Table 4.13.

4.5.2.3 New Markets

Table 4.16: New Markets

Statement		Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
Business addresses high potential growing markets	Frequency	13	16	27	15	19
	Percent	14.40	17.80	30.00	16.70	21.10

On statement business addresses high potential growing markets, 21.1% responded strongly agree, 16.7% responded agree, that is a total of 37.8% respondents agree addressing high potential growing markets do significantly affect new markets, this is supported by mean score of 3.12 with standard deviation of 1.331as indicated in Table 4.13.

4.5.3 The Study Sought to Find Out the Influence of Independence on Performance of Small and Medium Enterprises in Ongata Rongai Town, Kajiado County

Data for this research objective was centred on sub-factors the risk taking, persistence and decision making towards SMEs performances. Responses in Table 4.17 below represent the opinions of the respondents. The respondents were asked to rate statements based on a five likert point scale defined as: 1= strongly disagree, 2=disagree, 3=neutral, 4=agree, 5=strongly agree.

Table 4.17: Influence of Independence on Performance of SMEs

Statement		Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
Choosing the distribution sales channel	Frequency	53	16	12	3	6
	Percentage	58.90	17.80	13.30	3.30	6.70
Defining business target markets	Frequency	16	31	18	16	9
	Percentage	17.80	34.40	20.00	17.80	10.00
Assessing business performance efficiencies	Frequency	4	11	19	29	27
	Percent	4.40	12.20	21.10	32.20	30.00
Reducing business operations costs	Frequency	29	19	13	6	23
	Percent	32.20	21.10	14.40	6.70	25.60
Planning for business growth	Frequency	56	17	9	4	4
	Percentage	62.20	18.90	10.00	4.40	4.4

Data on Table 4.17, show responses on statements regarding sub-factor variables which influence independence factors.

Table 4.18: Influence of Independence on Performance of SMEs Statistics

Statement	Frequency	Mean score	Standard Deviation
Choosing the distribution sales channel	90	1.81	1.198
Defining business target markets	90	2.68	1.244
Assessing business performance	90	3.71	1.154
Reducing business operations costs	90	2.72	1.594
Planning for business growth	90	1.70	1.106
Average		2.52	1.244

From Table 4.18, it can be observed that independence has an influence over performance of SMEs, as supported by average mean score of 2.52 and standard deviation of 1.244. From the surveyed SMEs data, the majority of respondents agreed that entrepreneurial independence factors had a significant influence over performance of SMEs.

4.5.3.1 Risk Taking

Table 4.19: Business Risk Taking

Statement		Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
Choosing the distribution sales channel	Frequency	53	16	12	3	6
	Percent	58.90	17.80	13.30	3.30	6.70
Reducing business operations costs	Frequency	29	19	13	6	23
	Percent	32.20	21.10	14.40	6.70	25.60

On statement choosing the distribution sales channel, 58.90% responded strongly disagree. Based on the available data majority of respondents 76.7% disagree, and hence choosing the distribution sales channel does not have influence on risk taking, this is also supported by mean score of 1.81 with standard mean of 1.198 as indicated in Table 4.18. On statement reducing business operations costs, 25.6% responded strongly agree, 6.7% responded agree, 14.4% responded neutral, 21.1% responded disagree and 32.2% responded strongly disagree. From the data, it can be argued that reducing business operations costs does significantly have influence over risk taking, as indicated by mean score of 2.72 and standard deviation of 1.594, as showed in Table 4.18.

4.5.3.2 Persistence

Table 4.20: Business Target Persistence

Statement			Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
Defining business target markets	Frequency		16	31	18	16	9
	Percent		17.80	34.40	20.00	17.80	10.00
Assessing business performance efficiencies	Frequency		4	11	19	29	27
	Percent		4.40	12.20	21.10	32.20	30.00

On statement defining business target market, it can be argued that majority of respondents disagreed 52.2%, and hence defining business target market does not have influence over persistence. A significant 27.8% of respondents agree defining business target market do have influence over independence, and this is supported by

mean score of 2.68 and standard deviation of 1.244 as shown in Table 4.18. On statement assessing business performance efficiencies, 30.0% responded strongly agree, 32.2% responded agree, from available data, it can be argued majority of respondents 62.2% agreed, and hence assessing business performance efficiencies have influence over persistence, this is supported by mean score of 3.71 with standard deviation of 1.154 as indicated in Table 4.18.

4.5.3.3 Decision Making

Table 4.21: Business Decision Making

Statement			Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
Planning for business growth	Frequency	56	17	9	4	4	
	Percent	62.20	18.90	10.00	4.40	4.40	

On statement planning for business growth, 62.2% responded strongly disagree. Based on available data, it can be argued majority of respondents 62.2% strongly disagreed, therefore planning for business growth have no influence over decision making, this is supported by mean score of 1.70 with standard deviation of 1.326 as indicated in Table 4.18.

4.5.4 The Study Sought to Establish the Influence of Experience on the Performance of Small and Medium Enterprises in Ongata Rongai, Kajiado County

Data for this research objective was centred on the sub-factors opportunity identification, knowledge, and personal attributes towards SMEs performances. Responses in Table 4.22 represent the opinions of the respondents. The respondents were asked to rate statements based on a five likert point scale defined as: 1=strongly disagree, 2=disagree, 3=neutral, 4=agree, 5=strongly agree.

Table 4.22: Influence of Experience on the Performance of SMEs

Statement			Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
Recognizing business opportunities	Frequency	55	14	7	2	11	
	Percent	61.10	15.60	7.80	2.20	12.20	
Delegating business responsibilities effectively	Frequency	13	17	27	20	13	
	Percent	14.40	18.90	30.00	22.20	14.40	
Knowledge on business record keeping	Frequency	20	21	17	11	21	
	Percent	22.20	23.30	18.90	12.20	23.30	
Creating business communication plan	Frequency	1	8	3	14	64	
	Percent	1.10	8.90	3.30	15.60	71.10	
Growing business networking	Frequency	6	9	10	7	58	
	Percent	6.70	10.00	11.10	7.80	64.40	

Table 4.22 shows statements and the corresponding ratings by respondents on sub-factor variables which influence experience.

Table 4.23: Influence of Experience on Performance of SMEs Statistics

Statement	Frequency	Mean Score	Standard Deviation
Recognizing business opportunities	90	1.98	1.678
Delegating business responsibilities effectively	90	3.03	1.258
Knowledge on business record keeping	90	2.91	1.481
Creating business communication plan	90	4.47	0.997
Growing business networking	90	4.13	1.326
Average		3.04	1.348

Table 4.23 shows experience has a significant influence over performance of SMEs, as supported by high average mean score of 3.304 and standard deviation of 1.348. The high mean score of 3.304 indicated that the majority of respondents agreed entrepreneurial experience factors had influence on performance of SMEs.

4.5.4.1 Opportunity Identification

Table 4.24: Opportunity Identification

Statement		Strongly Disagree	Disagree	Neutral	Agree	Disagree
Recognizing business opportunities	Frequency	55	14	7	2	11
	Percent	61.10	15.40	7.80	22.20	12.20

On statement recognizing business opportunities, 61.1% responded strongly disagree. Based on the survey data, majority of respondents strongly disagree, and hence recognizing business opportunities has no influence over experience, this is evidenced by mean score of 1.98 and standard deviation of 1.676 as shown in Table 4.23.

4.5.4.2 Knowledge

Table 4.25: Business Knowledge

Statement		Strongly Disagree	Disagree	Neutral	Agree	Strong Agree
Knowledge on business record keeping	Frequency	20	21	17	11	21
	Percent	22.20	23.20	18.90	12.20	23.30
Growing business networking	Frequency	6	9	10	7	58
	Percent	6.70	10.00	11.10	7.80	64.40

On statement knowledge on business record keeping, 23.3% responded strongly agree, 12.2% responded agree, 23.3% responded disagree and 22.2% responded strongly disagree. From the data, 35.5% of respondents agreed that knowledge on business record keeping has a significant influence on knowledge variable, this is supported by mean score of 2.91 and standard deviation of 1.481, as shown in Table 4.23, while 45.5% of respondents disagreed. On statement growing business networking, 64.4% responded strongly agree. Based on the survey data, it can be argued majority of respondents strongly agreed growing business network do have influence over the knowledge, as supported by mean score of 4.13 with standard deviation of 1.326 as indicated in Table 4.23.

4.5.4.3 Personal

Table 4.26: Personal Responsibilities

Statement		Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
Delegating business responsibilities	Frequency	13	17	27	20	13
	Percent	14.40	18.90	30.00	22.20	14.40
Creating business communication plan	Frequency	1	8	3	14	64
	Percent	1.10	8.90	3.30	15.60	71.10

On statement delegating business responsibilities effectively, 14.4% responded strongly agree, 22.2% responded agree, while 18.9% responded disagree and 14.4% responded strongly disagree. From the data it can be argued a significant number of respondents 36.6% agree delegation of business responsibilities effectively have an

influence over experience, while an almost similar number 33.3% disagree; this is supported by mean score of 3.03 and standard deviation of 1.258 as indicated in Table 4.23. On statement creating business communication plan, 71.1% responded strongly agree. From the available data, it can be noted majority of respondents agreed business communication plan have a great influence over the personal attribute sub-factor, and hence influence over experience, this is evidenced by mean score of 4.47 and standard deviation of 0.997, as shown in Table 4.23.

4.5.5 Entrepreneurial Factors Influencing Performance of Small and Medium Enterprises in Ongata Rongai Town, Kajiado County

In order to establish the extent to which the factors stated in the conceptual framework influenced Performance of SMEs, the respondents through sub-factors indicated SMEs performance is influenced by commitment, innovation, independence and experience. A summary of the responses is presented by Table 4.27 below.

Table 4.27: Descriptive Statistics of Independent Variables

	Frequency	Mean	Std. Deviation
Performance	90	2.8733	.44515
Commitment	90	2.2067	.57627
Innovation	90	2.3333	.75252
Independence	90	2.5244	.75227
Experience	90	3.3044	.79279

All the stated factors influencing SME performance had means greater than 2 implying the responses were skewed towards agree and strongly agree, and that these factors are significant in the performance of SME. In addition, all the stated factors had each a significant standard deviation of being greater than 0.5. Experience factors were the most significant with a mean of 3.3 and a standard deviation of 0.79, followed by Independence factors with a mean of 2.52 and a standard deviation of 0.75 and Innovation factors with a mean of 2.3 and standard deviation of 0.75 while Commitment factors were the least significant with a mean of 2.2 and standard deviation of 0.58.

4.5.6 Correlation Matrix of Independent Variables

Table4.28: Correlation Matrix for Commitment, Innovation, Independence and Experience

		Performance	Commitment	Innovation	Independent	Experience
Correlation	Performance	1.000				
	Commitment	.292	1.000			
	Innovation	.448	.319	1.000		
	Independent	.423	.296	.407	1.000	
	Experience	.256	.356	.377	.267	1.000
Sig. (1-tailed)	Performance		.003	.000	.000	.008
	Commitment	.003		.001	.002	.000
	Innovation	.000	.001		.000	.000
	Independent	.000	.002	.000		.005
	Experience	.008	.000	.000	.005	

SPSS was used to calculate Pearson correlation coefficients for the datasets. Correlations are classified according to the strength of their r values (regression weight). The Table

4.28, above shows the classifications used to evaluate correlations in this research. The Correlation analysis was conducted to examine the relationship between SMEs performances and independent factors as potential predictors. Table 4:28 summarizes the descriptive statistics and analysis of the correlations.

The variable commitment put against SME performance display a positive association at 0.292, and a high significance in this relationship at the 95% level of confidence. Commitment was positively correlated with SME performance (regression weight= 0.292 and $p = .005$) meaning this variable had a positive influence on SME performance. The variable Innovation put against SME performance display a positive association at 0.448, and a high significance in this relationship at the 95% level of confidence. Innovation was positively correlated with SME performance (regression weight= 0.448 and $p = .000$) meaning this variable had a positive influence on SME performance.

The variable Independence put against SME performance display a positive association at 0.423. Independence was positively correlated with SME performance (regression weight = 0.423 and $p = .000$) meaning this variable had a positive influence on SME performance. The variable of Experience put against SME performance display a positive association (regression weight= 0.256 and $p = 0.008$) meaning this variable had a positive influence on SME performance. The findings indicate a statistically significant relationship between independent variables and SME performance implying that the Correlation did not occur by chance but rather indicates that SME performance is influenced by entrepreneurial factors of commitment, innovation, independence and experience.

4.5.7 Results of Multiple Regressions: Coefficients Matrix Table with Partial Correlations

In order to examine the relationship between the independent variables and the dependent variable, correlation and multiple regression analyses were conducted. The values in the rows pertain to the relationship between the influencing SME performance and the actual SME performance at Ongata Rongai. Table 4.29 below provides a summary of coefficients for the multiple regression equation that uses the factors of SME performance (independent variables i.e. Commitment, Innovation, Independence and Experience) to predict SME performance at Ongata Rongai. Looking at the p-value of the t-test for each predictor, there is indication that Innovation ($B=0.173$) and Independence ($B=0.155$) are scales which contribute to the model, but the rest do not. These two factors were found to be statistically significant at 95% confidence level. The p-values for Innovation ($p= 0.007$) and Independence ($p= 0.013$) were both statistically significant.

Table 4.29: Regression Model Coefficients

Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.825	.218		8.388	.000
	Commitment	.084	.079	.108	1.063	.291
	Innovation	.173	.063	.293	2.744	.007
	Independence	.155	.061	.262	2.552	.013
	Experience	.021	.058	.037	.353	.725

a. Dependent Variable: Performance

From Table 4.17, the established regression equation by the study was

$$Y = 1.825 + 0.084X_1 + 0.173X_2 + 0.155X_3 + 0.021X_4$$

Whereby Y is performance of SMEs

X₁ is Commitment

X₂ is Innovation

X₃ is Independence

X₄ is Experience

Predictors: Factors affecting SMEs (Commitment, Innovation, Independence, Experience).

Dependant variable: performance of SMEs.

The model illustrates that when all variables are held at zero (constant) the value of performance of SMEs would be 1.825. However, while holding all factors constant, a unit increase in commitment would lead to a 0.084 increase in performance, a unit increase in Innovation leads to 0.173 increase in performance, a unit increase in Independence leads to 0.155 increase in performance and a unit increase in Experience would lead to a 0.021 increase in performance of SME. There was a positive significant relation between SME performance and Innovation ($p= 0.007$), and Independence ($p= 0.013$) both of which were statistically significant.

The regression therefore indicated that performance of SMEs varied with entrepreneurial factors of Commitment, Innovation, Independence and experience with a cumulative variation of 25%. This implies that Innovation, Independence, commitment and experience combined affect about 25% of SMEs performance. This effect was observed to a significant 0.05 level of significance.

4.6 Discussion

This research study was aimed at gathering data and information which was used to determine the influence of entrepreneurial factors on performance of SMEs in Ongata Rongai Town, the study was also guided by research questions stated in chapter one. In this study, a survey research design method was adapted. The study covered four

business categories, namely trade, farming, manufacturing and service as per MSME Act of 2012. In trade category, shoe trading business was selected; while in farming category, trees and flower nurseries were considered; in manufacturing category, furniture making was selected and in service category, car washing was chosen. The respondents were randomly selected, and 114 questionnaires administered, where 90 completed and correctly filled questionnaires were received back making 79% respond rate. According to Mugenda & Mugenda (2003) a response rate of more than 70% is acceptable.

4.6.1 Demographic of Respondents

From Table 4.4 and Table 4.5: study shows the demographic of respondents, and indicates a wide distribution range of business experiences and education qualifications. Low number, 1.1% respondents possess degree qualifications, which influence performance of SMEs due to limitation in knowledge and personal attributes, SMEs requires entrepreneurs who are able to analyse problems, and offer solutions to problems facing business operations. Knowledgeable entrepreneurs are able to innovate business activities in order to improve performance. According to Chiliya and Roberts (2012), education enables an entrepreneur to remain informed in business developments and trends. Large number, 50.0% of respondents have low experience of less than 6 years which again influences the profitability of SMEs.

4.6.2 Influence of Commitment on the Performance of Small and Medium Enterprises

In this section, the study sought to examine the influence of commitment on the performance of Small and Medium Enterprises in Ongata Rongai Town. From Table 4.3, the study reveal that majority of respondents perceive commitment as positively and moderately influencing performance of SMEs as indicated by a mean score of 2.207 and standard deviation of 0.576. This analysis shows extremely weak business commitment, lacking visions and mission, and weak business team which may not achieve the desired business goals at the scheduled time. According to Smit & Watkins (2012), learning, goal setting and achievement orientation is linked to SME success. It is suggested to improve commitment; regular communication to business staff on vision, daily goals is important.

From Table 4.8 of the survey study, 70% respondents strongly agreed that business performance communication meeting has an influence on performance of SMEs. Communication is used to pass information about business vision, mission and goals. Communication is used in giving instructions and procedures. According to Rufai (2014), communication positively influences the performance of SME firms within the area where the SMEs operates, also influences the shape on business performance. Commitment motivates an entrepreneur and aids in focusing to business goals.

4.6.2.1 Inferential Statistics

From Table 4.28, the variable commitment had a positive association with performance of SMEs with scores of 0.292 and precision level of 95%. This

correlation is statistically significant since its p-value is less than 0.005 at 0.003. From the score, it is concluded that there is significant influence of commitment on performance of SMEs. Again from Table 4.28, commitment is also positively and significantly associated with other independent variables, and it can be concluded it jointly influences performances of SMEs.

4.6.3 Influence of Innovation on the Performances of Small and Medium Enterprises

In this section, the study sought to determine the influence of innovation on the performance of SMEs in Ongata Rongai Town. From Table 4.3, majority of respondents perceive innovation as positively and moderately influencing performance of SMEs, as indicated by a mean score of 2.333 and standard deviation of 0.753. These analyses show a moderate application of innovation as tool to improve SMEs performances in Ongata Rongai Town. According to Rosli & Sidek (2013), innovation is critical and can be used to enhance SMEs performance. From the survey study, 43.3% of respondents agreed handling of customers feedback information has influence on performance of SMEs.

Development of new products or services or methods of work tend to improve business performance, according to Gupta *et al* (2015), for economic growth it is critical for SME to create, apply and introduce innovation. Any SME not actively involved in innovation, may not meet the demand of its customers, and hence a decline in profitability or performance. This moderate pace of innovation take up could be due to relative low education qualifications of majority of respondents and

lack exposure. With high level of education, the management skill and knowledge is better, and hence better SMEs performance.

4.6.3.1 Inferential Statistics

From Table 4.28, the variable innovation had a positive association with performance of SMEs with scores of 0.448 and precision level of 95%. This correlation is statistically significant since its p-value is less than 0.005 at 0.000. From the score, it is concluded that there is significant influence of innovation on performance of SMEs. Again from Table 4.28, innovation is also positively and significantly associated with other independent variables, and it can be concluded that it jointly influences performances of SMEs.

4.6.4 Influence of Independence on the Performance of Small and Medium Enterprises

In this section, the study sought to find out the influence of independence on the performance of SMEs in Ongata Rongai Town. From Table 4.3, majority of respondents perceive independence as influencing performance of SMEs as indicated by a mean score of 2.5244 and standard deviation of 0.752. It is noted that persistence and risk sub-factors significantly influence independence factor, and hence SMEs performances. Persistence is necessary in order to overcome obstacles, while risk taking demand proactive planning to exploit opportunity or to avoid failure. According to Smit & Watkins (2012), personal initiative consisting of owner's characteristics such as a being self-starter, having a proactive approach, management skill and knowledge, and persistent actions, is a vital key to SME

success. From the surveyed SMEs data, the majority of respondents agreed that entrepreneurial independence factors had a significant influence over performance of SMEs.

4.6.4.1 Inferential Statistics

From Table 4.28, the variable independence had a positive association with performance of SMEs with scores of 0.423 and precision level of 95%. This correlation is statistically significant since p-value is less than 0.005 at 0.000. From the score, it is concluded that there is significant influence of independence on performance of SMEs. From Table 4.28, independence is also positively and significantly associated with other independent variables, and it can be concluded that it jointly influences performances of SMEs.

4.6.5 Influence of Experience on the Performance of Small and Medium Enterprises

In this section, the study sought to establish the influence of experience on the performance of SMEs in Ongata Rongai Town. From Table 4.3, majority of respondents perceive experience as a major factor influencing performance of SMEs as indicated by a mean score of 3.3044 and standard deviation of 0.793. The survey have revealed experience as a major entrepreneurial factor influencing performance of SMEs, within experience personal attributes and knowledge have been shown to be major sub-factors influencing SME growth.

Ability to effectively delegate, prepare communication plan and growing business network; positively contributed to SMEs growth. Lack of appropriate experiences could be hindering performances of SMEs in Ongata Rongai. According to Sanchez (2012), good entrepreneurial factors such as knowledge, analytical, personal, operations will allow entrepreneurs to formulate superior strategies, and enable them to identify business opportunities. Networking involve SMEs owners in building and managing personal relationships with suppliers, customers, employees and other stake holders. According to Sirec & Bradac (2009), entrepreneur plays a crucial role in building informal and formal network within the society that may become material in assisting them to progress the growth of their enterprise. From Table 4.22, the survey data show 71.1% respondents strongly agreed that personal attributes has an influence on performance of SMEs, this is supported by data in Table 4.23, which shows average score of 4.47 and standard deviation of 0.997.

4.6.5.1 Inferential Statistics

From Table 4.28, the variable experience had a positive association with performance of SMEs with scores of 0.256 and precision level of 95%. This correlation is statistically not significant since its p-value is greater than 0.005 at 0.008. From the score, it can be concluded that there is no significant influence of experience on performance of SMEs. From Table 4.28, experience is also positively and significantly associated with other independent variables, and it can be concluded that it jointly influences performances of SMEs.

4.6.6 Performances of Small and Medium Enterprises

In statement of problem, the performance of SMEs was conceptualized in terms of profitability, employment creations and sales turnover, failure to improve these sub-factors was identified as the cause of early failures of SMEs. Four entrepreneurial factors namely commitment, innovation, independence and experience were identified as influencing factors in performances of SMEs in Ongata Rongai. From Table 4.3 majority of respondents agreed commitment, innovation, independence and experience factors do significantly and positively influence SMEs performances, and this is supported by performance mean score of 2.87 with standard deviation of 0.445.

Though SMEs performance mean score was skewed to agree side, commitment and innovation factors were in overall lowly rated at 2.2 and 2.3 respectively. Commitment factors especially affectionate commitment keeps entrepreneur working, while innovation factors are meant to improves business performance. Importance of commitment and innovation can be enhanced through entrepreneurs training and coaching. Independence and experience entrepreneurial factors indicated a great influence on performance of SMEs, as confirmed by mean score of 2.5244 and 3.3044 respectively. Entrepreneur independence and experience are major determinants of SMEs performances, entrepreneur can make constructive decisions and take calculated risks based on the previous experience.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter presents the summary of the findings from the study, the conclusion of the study and the recommendations which are based on the conclusion of the study. This chapter is thus structured as follows: summary of findings, conclusion, recommendations and suggestions for further research study.

The general objective of this research study was to determine entrepreneurial factors influencing performance of small and medium enterprises in Ongata Rongai Town, Kajiado County. This chapter presents results of the main findings from the analysis of data collected from respondents at Ongata Rongai. Data was collected from all the possible units in the location of study using the survey method. The scope of the data presentation was limited to frequencies, percentages and statistics tables. SPSS was used to statistically analyze the data.

5.2 Summary of Findings

This section covers the general and specific objective findings, conclusions and recommendations

5.2.1 General Findings

Demographic of respondents, indicate a wide range distribution of experiences in SMEs operations. The experiences range from less than 3 years to more than 13 years, 50% of entrepreneurs have less than 6 years experience. In terms of education 86.7 % are KCSE and below, there is no post graduate entrepreneur and only one bachelor degree.

5.2.2 Performance of Small and Medium Enterprises

The study established that most of the respondents agree that SMEs performances are influenced by entrepreneurial commitment, innovation, independence and experience factors, which had an average means score of 2.5922 on scale of one to five and average standard deviation of 0.7185. These entrepreneurial factors had a positive influence on SMEs performances and a high association of 95% confidence level.

5.2.3 The Influence of Commitment on Performance of Small and Medium Enterprises

The study examined the influence of commitment factors on performance of SMEs by examining the influence of sub-factors vision, goal settings and communication. The influence of vision was examined through statements on vision clarity and understandable, clear display of vision statement, importance of business activity. The influence of goal setting was examined through statement on business staff being aware of daily goals. Influence of communication, was determined through statement on business performance communication meeting.

Statement on vision clarity and understandable, majority of the respondents 74.4% strongly disagree, and view business vision as having no influence over commitment. On statement business staff know their daily goals, 62.3% of respondents disagree, and hence it has no influence over goal setting. On statement business performance communication meeting, 70% of respondents strongly agree it has influence over communication. On vision statement being clearly displayed, majority of respondents 65.6% strongly disagreed, and it can be argued that it does not influence vision. On

statement business is the most important activity, majority of respondents 96.7% strongly disagree, and perceive business activity as not having influence over vision.

5.2.4 The Influence of Innovation on Performance of Small and Medium Enterprises

The influence of entrepreneurial innovation factors on performance of SMEs, was determined by examining how value addition, technology and new market influence innovation. Value addition was examined by statements on tolerance for failure, handling of customer feedback information and reward is given for creativity. Technology was examined through statement on use of business equipments. New market was examined through statement on business addresses high potential growing markets.

Statement on tolerance on failure, majority of the respondents 81.1% disagree that it had influence on value addition. On statement use of business equipments, 21.1% of the respondents agreed it does influence technology, while majority of respondents 56.7% disagree. Statement on handling of customers' feedback information, 43.3% of the respondents agreed it does influence value addition, while 31.1% of respondents disagreed. Statement on addressing high potential growing market, 37.7% of the respondents agreed that it does influence new market, while 32.2% respondents disagreed. On statement reward is given for creativity, 13.3% of the respondents agreed it does influence value addition, while majority of respondents 80.0% disagreed.

5.2.5 The Influence of Independence on Performance of Small and Medium Enterprises

The influence of entrepreneurial independence factors on performance of SMEs, was determined by examining how sub-factors risk taking, persistence and decision making influenced independence. Influence of risk taking was determined by statements on choosing the distribution sales channel and reducing business operations costs. Influence of persistence was determined by statements on defining business targets and business performance efficiencies, while influence of decision making on independence was determined by statement on planning for business growth.

Statement on choosing the distribution sales channel, majority of the respondents 76.7% disagreed it had influence over risk taking. On whether defining business target market does have influence over persistence, 27.8% of the respondents agreed, while majority of respondents 52.2% disagreed. Statement on assessing business performance efficiencies, majority of the respondents, 62.2% agreed it has influence over persistence. On whether reducing business operations costs has influence over risk taking, 32.3% of the respondents agreed it influence risk taking, while majority of respondents 53.3% disagreed. Statement on planning for business growth, majority of the respondents 62.2% strongly disagreed that it has influence over decision making.

5.2.6 The Influence of Experience on Performance of Small and Medium Enterprises

The influence of entrepreneurial experience factors on performance of SMEs, was determined by examining how sub-factors opportunity identification, knowledge and personal attributes influence entrepreneurial experience. Influence of opportunity identification was determined by statement recognizing business opportunities. Influence of personal attributes was determined through statement delegating business responsibilities effectively, creating business communication plan. Influence of knowledge was determined through statements knowledge on business record keeping, growing business networking.

Statement on recognizing business opportunities, majority of the respondents 61.1% strongly disagreed that it has influence over opportunities identification. On whether delegating of business responsibilities effectively have an influence over personal attributes, 36.6% of the respondents agreed, while an almost similar number of the respondents 33.3% disagreed. Statement on knowledge on business record keeping, 35.5% of the respondents agreed it have influence over knowledge, while 45.5% of the respondents disagreed. Statement on creating business communication plan, 86.7% of the respondents agreed it has an influence over the personal attributes. Statement on growing business network, majority of the respondents 72.2% agreed it has an influence over the knowledge .

5.3 Conclusions

The objective of study was to determine entrepreneurial factors influencing performance of SMEs in Ongata Rongai town, Kajiado County. The study revealed that commitment have moderately and positive influence on performance of SMEs. The study further revealed that commitment was highly influenced by communication, and least influenced by vision and goal setting. It can be argued that communication is an important factor used to pass information about vision and goals. Innovation was also seen to moderately and positively influencing performance of SMEs. This low innovation could be due to lack of high education qualifications as shown by respondent's education qualification demographic. Innovation was seen to influence in areas of handling customer's feedback information and addressing high potential growing markets.

The study further revealed that entrepreneurial independence factors had a big and positive influence on SMEs performance, this was as expected since entrepreneur enjoys freedom of planning his/her own activities, setting vision, values and goals. It was further concluded that risk taking and persistence sub-factors were seen to significantly influence independence factor. Decision making sub-factor had least influence on entrepreneurial independence. The study further revealed that experience was a major influence on performance of SMEs; while personal attributes and knowledge were seen as being the main influencing sub-factors, again this was as expected since entrepreneurs are hands on and preference initiating business in areas where they add values. The study further concluded identification of business opportunities had no influence.

5.4 Recommendations

Undoubtedly, SMEs play an important role in the economic development of both developed and developing countries. SMEs in developing countries are often constrained by lack of entrepreneurial driving factors to successfully start and grow SMEs. Based on the findings of the study, it is recommended that entrepreneurs need to regularly and intensively trainings and coaching on vision, goals setting, value addition, technology and new markets development. According to Bakar and Zainol (2015), SMEs that set a clear vision, having ability to innovate, being proactive, and being able to take culculated risks, can do well in terms of performance than those without these features. Other areas recommended for entrepreneur developments are decision making process and business opportunities identifications, according to Choongo, Burg, Paas, and Masurel (2016), entrepreneur need be in a position to identify, evaluate and exploit the available business opportunities.

5.5 Suggestions for Further Research

It is anticipated that this study will ignite further research in the area of SMEs performances, especially on other entrepreneurial factors influencing performance of SMEs, it will be interesting to see how these factors augment the studied entrepreneurial factors and their overall influence on SMEs performance in Ongata Rongai Town. To facilitate generalization of the findings, this study suggests that another similar study be carried out to determine the influence of entrepreneurial factors on the performance of SMEs in rural settings.

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APPENDICES

Appendix I: Letter of Introduction



**JOMO KENYATTA UNIVERSITY
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NAIROBI

JKU/3/114/21

DATE: 16th August, 2016

To whom it may concern:

RE: RESEARCH PROJECT FOR: BENSON M. THIRIFI (HD313-5197/2014)

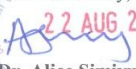
This is to introduce to you **Mr. Benson M. Thirifi** who is a student pursuing MSc. In Entrepreneurship Management in the Department of Entrepreneurship, Technology, Leadership and Management, School of Entrepreneurship, Procurement and Management, at Jomo Kenyatta University of Agriculture and Technology.

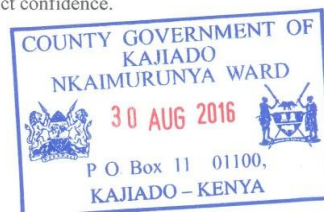
The student is currently undertaking a Masters research on: **"Entrepreneurial factors affecting SME Performance in Ongata Rongai Town Kajiado County"** in partial fulfilment of the requirement for the programme.

The purpose of this letter is to request you to give the student the necessary support and assistance to enable him obtain the necessary data for the research. Please note that the information given is purely for academic purposes and will be treated with strict confidence.

Thank you.

Yours Sincerely,


Dr. Alice Simiyu
Research Project Coordinator, ETLM Department



JKUAT is ISO 9001:2008 & ISO 14001:2004 Certified
Setting Trends in Higher Education, Research and Innovation

Appendix II: Questionnaire

Entrepreneurial Factors Influencing Performance of Small and Medium Enterprises
in Ongata Rongai Town, Kajiado County.

Table 3.3

Section A

Name (optional):					
Business name:					
Years	3 and below	4-6	7-9	10-12	Over 13
Years in this business (tick):					
Experience (tick):					
Education (tick):	Masters	Bachelor	Diploma	KCSE	KCPE & below
Response should be provided (with any degree of agreement) for upcoming statements in the questionnaire.					

1	2	3	4	5
Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree

Factors		Rating: 1=Strongly Disagree and,5= Strongly Agree				
Section B						
Commitment Factors						
1	Business vision is clear and understandable	1	2	3	4	5
2	Business staff know their daily goals	1	2	3	4	5
3	Business performance communication meeting	1	2	3	4	5
4	Vision statement is clearly displayed	1	2	3	4	5
5	Business is the most important activity	1	2	3	4	5
Section C						
Innovation Factors						
6	Tolerance for failure	1	2	3	4	5
7	Use of business equipments	1	2	3	4	5
8	Handling of customers feedback information	1	2	3	4	5
9	Business addresses high potential growing markets	1	2	3	4	5
10	Rewards is given for creativity	1	2	3	4	5
Section D						
Independent Factors						
11	Choosing the distribution sales channel	1	2	3	4	5
12	Defining business target market	1	2	3	4	5
13	Assessing business performance efficiencies	1	2	3	4	5

14	Reducing business operations costs	1	2	3	4	5
15	Planning for business growth	1	2	3	4	5
Section C						
Experience Factors						
16	Recognizing business opportunities	1	2	3	4	5
17	Delegating business responsibilities effectively	1	2	3	4	5
18	Knowledge on business records keeping	1	2	3	4	5
19	Creating business communication plan	1	2	3	4	5
20	Growing business networking	1	2	3	4	5
Section F						
SMEs Performance						
21	Increase of customers	1	2	3	4	5
22	Increase of purchases	1	2	3	4	5
23	Salaries paid at the end of month	1	2	3	4	5
24	Payment of rent when due	1	2	3	4	5
25	Increase of number of employees	1	2	3	4	5