

**THE EFFECT OF ENTREPRENEURIAL
ORIENTATION ON THE PERFORMANCE OF
MANUFACTURING FAMILY OWNED ENTERPRISES
IN NAIROBI COUNTY**

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DECLARATION

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

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DEDICATION

I dedicate this thesis to my children; Ian, Eugene, Christine and the twins Sharlene and Elaine.

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LIST OF ABBREVIATIONS AND ACRONYMS

AGOA	African Growth Opportunity Act
C.E.O	Chief Executive Officer
	East African Community-European Union Economic Partnership
EAC-EU EPA	Agreement
EO	Entrepreneurial Orientation
GDP	Gross Domestic Product
ILO	International Labour Organization
IT	Information Technology
KAM	Kenya Association of Manufacturers
KIPPRA	Kenya Institute of Public Policy and Research Association
O.E.C.D	Organisation for Co-operation and Development
MSMEs	Micro, Small and Medium Enterprises
PASW	Predictive Analytic Software
PWC	Price Water-House Coopers
R&D	Research and Development
RoK	Republic of Kenya
SMEs	Small and Medium Enterprises
SMFEs	Small and Medium Family Owned Enterprises
SPSS	Statistical Package for Social Scientists
USA	United States of America

OPERATIONAL DEFINITION OF TERMS

Competitive Advantage:	This refers to the organizational capability to perform in one or many ways that competitors find difficult to reproduce now and, in the future, (Kotler, 1997).
Competitive Strategy:	This refers to the organisations approaches and its initiatives to attract customers as well as to withstand competitive pressures and strengthen its market share (Thompson 1996).
Entrepreneur:	This refers visionary change management agents who introduce new economic activities that lead to a change in the market (Sandberg, 1992).
Entrepreneurial Orientation:	This refers to the specific organizational-level behaviour to perform risk-taking, self-directed activities, engaged in innovation and react proactively and aggressively to outperform the competitors in the marketplace (Lumpkin & Dess, 1996).
Entrepreneurship:	This is the dynamic process of new wealth and new venture creation. It includes the assumption of the risks and rewards of the new venture (Hisrich and Peters, 1989).
Family Owned Enterprise:	This refers to an enterprise that is owned by two or more members of the same family where they operate together or in succession (Moore <i>et al.</i> 2008).
Innovation:	It is the introduction of a new thing or method, the embodiment, combination, or synthesis of knowledge in original, relevant, valued new products, processes or services. It involves the creation of new designs, concepts and ways of doing things, their commercial exploitation and subsequent diffusion through the rest of the economy and society (Luecke & Katz, 2007).
Innovativeness:	This refers to the firm's tendency to engage in and

support new ideas, novelty, experimentation and creative processes which may result in new products, services or technological processes (Lumpkin & Dess, 1996).

**Manufacturing
Family Owned
Enterprise:**

This is an organization/business that converts raw materials into finished goods and is owned by several families who influence its development through ownership of its capital and the general management of the business (Allouche & Amann, 2008).

Pro-activeness:

This refers to how firms relate to market opportunities in the process of new entry and how they seize such opportunities in order to shape the environment (Wang, 2008). It is an opportunity-seeking, forward looking perspective involving introduction of new products or services ahead of the competition and acting in anticipation of future demand to create change and shape the environment (Lumpkin & Dess, 2001).

Risk- Taking:

This is the degree to which managers are willing to take bold actions by venturing into the unknown, borrowing heavily and/or committing significant resources to venture in uncertain environments (Frese & Rauch, 2009).

**Small and Medium
Enterprises (SMEs):**

Small and medium enterprises (SMEs) are companies whose personnel numbers fall below certain limits (European Commission, 2003). In Kenya, a small enterprise is a business that employs between 10-50 people and a medium enterprise employee 50-99 and has a turnover of less than Ksh 50 million (Bowen, Morara & Mureithi, 2009; Namusonge, 2007).

ABSTRACT

Small and Medium family owned enterprises (SMFEs) are the engines of economic development through job creation and poverty reduction in all nations. Majority of the multinational corporations started as family owned enterprises. Currently, the SMFEs sector in Kenya contributes over 70% of the country's GDP. This is in spite of the many issues surrounding this vital sector such as low performance as compared to non-family enterprises, high mortality rate especially after the founder exits, lack of finances among others. The study sought to establish the effect of entrepreneurial orientation on the performance of small and medium family owned enterprises in Kenya. The specific objectives were to find out the effect of innovativeness, risk taking and proactiveness as well as to investigate the moderating effect of competitive strategies in the relationship between entrepreneurial orientation and performance of manufacturing family owned enterprises in Kenya. Psychological/Trait Entrepreneurship theory, McClelland Motivation theory, Parker's Theory of Proactiveness and Schumpeter's theory of innovation were the theoretical framework for this study. Cross sectional survey research design was used because it sets to explain the current phenomenon through the use of systematic and controlled methods in data collection. The main instrument that was used to collect primary data for this research was a closed-ended and open-ended questionnaire. Validity and reliability of research instruments was ascertained through a pre-test and pilot survey. The study population was the 201-manufacturing small and medium family owned enterprises registered by Kenya Association of Manufacturers based in Nairobi City County. The respondents were the Founders, C.E.O s, Directors and Managers of the firms. Microsoft Excel and SPSS were used to analyse the frequencies of the emerging themes. Data was presented in form of graphs, tables and pie chart among others. Quantitative data was analysed using descriptive and inferential statistics. The qualitative data was analysed using content analysis. The study findings indicated that innovativeness, risk taking and proactiveness had a positive and significant effect on the family owned small and medium enterprises performance. Competitive strategies were found to enhance the relationship between entrepreneurial orientation and the performance of these enterprises. The study therefore recommended that SMFEs owners should consider the innovation process as one of the priorities in their organisation's strategies. In addition, SMFEs should engage in taking well calculated risks to enhance their business performance. The study also recommended that SMFEs should always be on the ground so that they are able to detect the changing trends in their markets and thus proactively satisfy their customer's needs. This will ensure that they will be among the first to benefit from the new ideas or innovations thus becoming the market or industry leaders. This can be achieved through visiting trade fairs, workshops, seminars and following the latest trends in their environment.

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Both developing and developed countries are geared towards attainment of economic growth and development. This can be attained through efficient utilization of the available resources, thus there is need to devise measures to attain full employment. The promotion, establishment and growth of the small and medium enterprises (SMEs), assists in creating employment and maximising on the utilisation of human and locally available resources (Cunningham & Rowley, 2007). SMEs bring about innovation growth and poverty reduction thus contributing to economic dynamism in capitalistic economies (Nkuah, Tanyeh & Gaeten, 2013). Globally, Small and Medium Enterprises account for 99% of businesses and 40% to 50% of GDP (Brown & Harris, 2010). Previous studies indicate that in both developed and developing economies SMEs contribute on average, 60% total employment and maximize the efficiency of the resource allocation and distribution by mobilizing and utilizing local, human and material resources (Ayyagari, Beck, & Demirgüç, 2007; Cunningham & Rowley, 2007).

Research shows that the SME concept was introduced in Kenya way back in 1972 by ILO but it's until 1990s that the Government formulated ways of implementing it (Baseline Survey 1999). Today, the sector has taken a pivotal position in the country's development process especially in the generation of employment, wealth creation and income opportunities to thousands of people across the country (Maragia, 2008; KIPPRA, 2007).

Ida and Mahmood (2011) argued that most large and established organizations source for their goods and services from SMEs. They further postulated that with SMEs, there is continued dynamism, innovation, efficiency, faster feedback because of their small size, controlled chain of command and better customer service. With these characteristics, there are prospects for better performance and efficient service

delivery as well as faster execution of any competitive advantage in its line of operations.

SME performance is mostly constrained by external and internal factors for example the business environment, dynamic and radical technological changes, inability to carry out research thus lower chances of innovation, inability to recruit competent and qualified human resources, capital to propel organizational growth, minimal barriers to entry in the market, avoidance of expenses related with patents and copyrights, limited sources of financing as well as lack of entrepreneurial skills (Mahmood & Hanafi, 2012).

1.1.1 Global Perspective of Family Owned Enterprises

Family owned enterprises constitute between 80% and 98% of all businesses in the world's free economies, generate 49% of the GDP in the U.S. and more than 75% in most other countries. They employ 80% of the U.S. workforce and more than 75% of the working population globally, and have created 86% of all new jobs in the U.S. over the past decade (Poza, 2013). They are therefore a very important segment of the U.S. economy, (Astrachan & Shanker, 2003) and of other economies around the world (Miller & LeBreton-Miller, 2005). Indeed, it is estimated that between 80 and 90 percent of U.S. businesses are family dominated (Morris, Williams, Allen, & Avila, 1997), and that between 65 and 80 percent of businesses in the world are family firms (Floren, 1998). In Asia and Latin America, family businesses represent a prevalent form of entrepreneurship (Carney & Gedajlovic, 2002).

Moore *et al.* (2008) argues that a family owned enterprise is one that is owned by two or more members of the same family where they operate together or in succession. The business ownership and/or policymaking is dominated by members of an emotional kinship group (Carsrud, 1994). Unlike the non-family businesses, all major operating decisions and plans for leadership succession are influenced by family members in management positions or in the board (Handler, 1989). For several previous studies, the nature and degree of the family's involvement in the family business has been the main concern. These studies (Dyer, 2009; Garcia et. al.,

2014), sought to find out how the presence of family affects the business's performance. Entrepreneurship research on family businesses is increasing but still scarce (Habbershon & Pistrui 2002; Zahra, 2005; Naldi et al., 2007; Ngugi 2012; Anwar, 2013) even though family businesses constitute a major portion of all national economies (Astrachan & Shanker, 2003; Chrisman *et al.*, 2005; Morck & Yeung, 2003).

1.1.2 Regional Perspective on Family Owned Enterprises

Family businesses contribute a significant portion of the economy in Africa. They are the engines of employment, alleviating poverty, and improving equality (Ayyagari et.al., 2011). However only a few enjoy longevity. The survival rate of most African family enterprises is extremely low beyond the founder's generation (PriceWaterhouse Coopers, 2014). The businesses face the same challenges as those in other parts of the world including family conflicts, formalizing business structures, managing finances, attracting high performing talent among others. Business growth and sustainability should be a key priority for the African governments in order to realise developed economies, (Wigmore, 2013).

Among the most successful family enterprises in Africa in finance, governance, growth and innovation include Madhvani Group in Uganda, Ibru Organisation in Nigeria, FinanceCom in Morocco, Bidco Oil Refineries in Kenya, Octodec Investments in South Africa and others. They continue to set the pace for other in both developing and developed economies in the world.

1.1.3 Family Owned Enterprises Performance in Kenya

According to a survey by PriceWater House Coopers (PwC), 2014 on family business in Kenya, the growth prospects are high and strong. Their contribution to the country's GDP is between 50-70% according to the Kenya Economic Survey 2010 (ROK, 2010). The enterprises benefit from agile decision making and an entrepreneurial mindset especially when they focus on strategies to support long term sustainability, professional management, skills development and innovation. This

focus helps to offset some risks to growth like economic and political instability and inadequate access to skilled labour. The survey shows that 59% of family enterprises in Kenya have experienced sales growth over the past 12 months, 56% were hoping to grow steadily over the next 5 years while 32% planned to grow their businesses quickly and aggressively. 35% hope to generate sales from exporting goods or services to foreign markets in five years' time particularly within the East African region. With the economy attracting the right skills and talent, political instability and lack of innovation will be the key challenges to their growth over the next 5 years (PWC, 2014).

1.1.4 Entrepreneurial Orientation (EO)

Entrepreneurial Orientation (EO) has become a salient concept within strategic management and entrepreneurship literature in the last twenty five years (Kreiser *et al.*, 2002; MOtTis *et al.*, 2008). Rauch, Wiklund *et al.* (2009) reviewed previous EO-performance relationship studies and observed that there has been an increase in the quantity of such studies in the world. They therefore concluded that "EO represents a promising area for building a cumulative body of relevant knowledge about entrepreneurship" (2009). EO refers to the specific organisational-level behaviour to perform risk-taking, self-directed activities, engaged in innovation and react proactively and aggressively to outperform the competitors in the marketplace (Lumpkin & Dess, 1996). According to Rauch, Wiklund *et al.* (2009) "EO represents the policies and practices that provide a basis for entrepreneurial decisions and actions" that is, how the firm acts entrepreneurially. Previous studies showed that EO is a key ingredient for organisational success and has been found to lead to higher performance (Zahra and Covin, 1995, Wiklund & Shepherd, 2005). Lumpkin and Dess (1996) also suggested that EO is source of competitive advantage. Firms that possess higher levels of EO will perform better than those with lower level of EO (Lyon *et al.*, 2000; Rauch *et al.*, 2009).

1.1.5 Entrepreneurial Orientation Dimensions

EO was conceived by Miller (1983) whereby he argued that it's composed of innovativeness, proactiveness and risk taking dimensions. An enterprise is perceived to be innovative if it has the capability to support since conception the creation of new products and services till their introduction in the market. It should also be able to come up with novel solutions to the challenges its encountering as well as new administrative techniques and technologies for performing its functions, (Knight, 1997). Proactiveness ensures that the enterprise will have the capability to pursue opportunities and rivalries with others in anticipation that there are chances of new demand on specific firm products and services (Lumpkin & Dess, 2006; Lumpkin & Dess, 2000; Rauch, 2009). On the other hand an enterprise with risk taking behaviour makes daring decisions to venture into the unknown borrowing heavily and committing significant resources to projects in uncertain environments motivated by the prospects for better and high returns (Rauch *et al.*, 2009).

Later on, Lumpkin and Dess (2006) suggested two additional dimensions to operationalize entrepreneurial orientation i.e. competitive aggressiveness and autonomy. The competitive aggressiveness is the intensity of a firm's effort to outperform rivals, which are also characterized by a strong offensive posture as an answer to competitive threats (Lumpkin & Dess, 2006; Rauch *et al.*, 2009). Autonomy on the other hand refers to the independent action undertaken by the entrepreneurial leaders or teams directed at bringing about a new venture and guiding it to success (Rauch *et al.*, 2009). Researchers differ about the extent of EO dimensions, which need to be present for a firm to be considered entrepreneurial. Miller (1983) suggested that only firms that possess all three dimensions (i.e. innovative, risk-taking and proactive) should be considered as entrepreneurial. On the other hand, Lumpkin and Dess (2006) argued that any firms which engage in an effective combination of autonomy, innovativeness, risk taking, proactiveness, and competitive aggressiveness should be considered as entrepreneurial. This suggests that for a business to be an entrepreneurial firm, it is not necessary for all five

dimensions to co-exist (Chow, 2006). Therefore, this study will focus on the three dimensions for a more comprehensive conclusion.

As a multidimensional concept, the effect of each dimension of EO on performance of manufacturing family owned enterprise can be observed independently (Lumpkin & Dess, 2005). Lumpkin & Dess (2006) suggested that the value of each dimension can vary independently and may not be the same as the firm grows. Moreover, when studying the entrepreneurial process, it is necessary to identify the unique contributions of each sub-dimension of EO such that firms could seek the best combination to improve performance of manufacturing family owned enterprises (Kreiser *et al.*, 2002). Studies conducted by some researchers (Rauch *et al.* 2005, Coulthard, 2007, Hughes & Morgan, 2007) supported Lumpkin and Dess' argument. These studies implied that some dimensions of EO are responsible for improving firm performance, while other dimensions may have little or even no influence at all. This suggests that the effect of EO dimensions on performance of manufacturing family owned enterprise varies, probably depending on different industry context, business environment or stages in a firm's development.

1.1.6 Relationship between Entrepreneurial Orientation and Performance

Entrepreneurial Orientation (EO) has been recognized as a key determinant of organization's growth and profitability. The high growth is as a result of innovativeness, risk taking and proactiveness of a firm (Brown *et al.* 2001). The relationship between EO and performance of manufacturing family owned enterprise has been the bottomline for studying EO (Covin *et al.*, 2006) and to date, findings have been mixed. Numerous studies have showed that EO, directly or indirectly, has a positive relationship with performance of manufacturing family owned enterprise (Wiklund & Shepherd, 2005, Li *et al.*, 2009, Zahra & Garvis, 2000, Hughes & Morgan, 2007). This means that firms that adopt more EO perform better than those with lack of such orientation. This association may be related to the dynamics of today's business environment which causes product life cycles to become shorter and uncertainty to increase (Rauch *et al.*, 2005). In addition, the actions of competitors as well as customers are unpredictable. Businesses are therefore required to conduct

innovation regularly, anticipate demand, take into account the risk, and aggressively compete to maintain or find new positions in the marketplace. However, the way they do this may vary, according to their position in the industry that is whether the leader or a follower).

Hughes and Morgan (2007) investigated the direct effect of each dimension of EO on performance. They discovered that the contribution of each EO dimension to a performance of manufacturing family owned enterprise varies, and even some dimensions are found not correlated at all with its performance. Other researchers (Wang, 2008; Wiklund & Shepherd, 2005), however, suggested that by investigating the direct effect of EO on firm performance, it will not provide a comprehensive description of the relationship. Therefore, most researchers have applied other variables to the model EO - performance of manufacturing family owned enterprise (Covin & Slevin, 1991).

Incidentally, the empirical findings of EO-performance relationship studies were mixed. Covin, Slevin *et al.* (1994) revealed no significant relationship between strategic posture (EO) and firm performance. Similarly, Slater and Narver (2000) were unable to provide any evidence of a positive relationship between EO and profitability. Moreover, Lee, Lee *et al.* (2001) found in their study that EO may not significantly increase the firm performance.

1.1.7 Entrepreneurial Orientation and Family Owned Enterprises Performance

Entrepreneurial Orientation is regarded as inevitable for enterprises that wish to prosper in today's competitive business environment, (Anwar, 2012). Family enterprises are created as a consequence of the entrepreneurial behaviour of one or more founders who decides to explore and exploit an existing opportunity. Therefore in order to survive and grow the enterprise in the long run, the original entrepreneurial orientation must be sustained across generations, (Casillas *et al.*, 2010) and the business must engage in entrepreneurial activities in order to revitalize their business and stay competitive (Cruz & Nordqvist, 2010). Family enterprises in their pursuit to survive, transmit their business to their own family descendants. This

requires that the company adapt to organizational changes and consequently, innovate. In these enterprises, innovation is critical as it gives the enterprises a competitive advantage over its rivals and this is passed on to the later generations (Beck *et al.*, 2011). Due to the uncertainties of success and survival of the enterprises in today's fast changing and competitive business environment, there is the need for adaptation of entrepreneurial orientation (EO) as it will ensure there is continued steering towards attainment of organization vision and mission (Zhou *et al.*, 2007).

Entrepreneurial orientation (EO) can accelerate its success through creation of business strategies aimed at attaining organization vision and maximizing on opportunities created through competitive advantage. It has also been suggested that EO differs according to the organizational characteristics, i.e. the type of the firm (e.g. Shepherd & Wiklund, 2003). Recently, the scholarly interest in research on EO and innovation in family firms has increased, and it has been generally shown that the effect on performance varies according to the different dimensions of EO (e.g. Kellermanns *et al.*, 2008, 2010; Stam & Elfring, 2008; Casillas & Moreno, 2010; Casillas *et al.*, 2010).

Family enterprises form a distinct organizational type which influences the impact on innovation (Roessl *et al.*, 2010). They are also associated with being conservative (Habbershon *et al.*, 2003), have limited access to capital markets (Kets de Vries, 1993), are less risk-friendly (Naldi *et al.*, 2007), and less eager to grow (Poza *et al.*, 1997) and/or are less innovative compared with non-family firms. However recent research has shown that the influence of family enterprises could increase innovation (Margaret, 2008) and its impact on growth (Casillas & Moreno, 2010).

Despite the importance of entrepreneurial orientation to the success and survival of family firms across generations, there has been inadequate research on entrepreneurship in family firms (Lumpkin, Brigham, & Moss, 2010). Particularly, little is known regarding how families influence their entrepreneurial activities and why some family firms are more successful at corporate entrepreneurship than others (Kellermanns & Eddleston, 2006; Nordqvist, 2005; Salvato, 2004). Specifically, as

noted by Nordqvist and Melin (2010), the studies of entrepreneurship and family business have developed independently to a great extent, but recently some indications suggest that they are now moving closer to each other (Anderson, Jack, & Drakopoulou, 2005).

1.1.8 Kenya Association of Manufacturers (KAM)

Kenya Association of Manufacturers (KAM) was established in 1959 as a private sector body to provide policy advocacy and representation for manufacturing value-add sectors in Kenya (KAM, 2015). The association unites industrialists and offers a common dialogical and cooperative link between manufacturing businesses and the government. Being a membership organization, KAM is an indirect stakeholder in the globalised manufacturing ecosystem. In view of this, it has a perpetual interest in the quality of goods that the manufacturing sector supplies to the domestic, regional and global markets. It advocates product competitiveness, because sustained market demand, market growth and market expansion are directly dependent on consumers' perceptions of the quality of their members' products (Farole & Mukim, 2013; UNIDO, 2013).

To serve its members effectively, KAM has categorized them into fourteen sectors, twelve related to value addition activities, and the other two offering essential services to enhance formal industry (KAM, 2015). It is in the interest of local manufacturers in each of these sectors, SMEs included, to develop production capacities that enable them to manufacture competitive products for the liberalized market ecosystem (Kagechu, 2013; Schmith, 2012). This is especially pertinent because tentative affirmative action initiatives, such as AGOA (African Growth Opportunity Act) and East African Community-European Union Economic Partnership Agreement (EAC-EU EPA) are not permanent interventions but temporary preferential trade agreements (KAM, 2015; Naudé & Szirmai, 2012; Schmith, 2012) meant to accelerate their trading presence in the global market.

KAM has a membership population of 853 manufacturing firms (KAM, 2015), located in different parts of the country. Based on this dominance, the sub-sector

may be said to dictate the direction of Kenyan manufacturing. However, it has been observed that a big percentage of SMEs cease to exist in less than five years after inception (Hodges & Kuratko, 2004). In Kenya almost half of SMEs wind up operations within five years after start-up due to underperformance (Mwangi, 2014; Nthuni, 2014) therefore effort must be put to address this problem.

1.2 Problem Statement

The entrepreneurial spirit is the engine for economic growth and development (Mohammad, Ramayah, Puspowarisito, Natalisa & Saerang, 2011). The economic environment of most nations remains dominated by family enterprises (Kuratko & Richard, 2004; Heck & Stafford, 2001). The enterprises constitute between 80% and 98% of all businesses in the world's free economies, generate 49-50% of the GDP in the U.S. and more than 75% in most other countries. In Asia and Latin America, family businesses represent a widespread form of entrepreneurship (Carney & Gedajlovic, 2002). In many African countries, the sector accounts for about 90% of all enterprises and over 80% of new jobs, (Kiraka *et al.*, 2013).

The Small and Medium Enterprises (SME) sector in Kenya has lately received significant focus in terms of research and policy (Bowen *et al.*, 2009). In 2008 Micro, Small and Medium Enterprises (MSMEs) created 433.5 (79.9%) new jobs out of 543.3 thousand jobs created in Kenya (Economic Survey, 2009). In the same year, the sector contributed 59 percent of the total GDP (RoK, 2009). The Kenya Economic Survey 2010 (RoK, 2010) noted that the sector generated 87.6 percent of the total jobs generated in 2009. Family enterprises are in this group ranging from micro to very large corporate entities making a remarkable contribution to the world's economy (Pearson & Marler, 2010).

However, according to the Kenya National Bureau of Statistics (2011), 3 out of 5 SMFEs fail within the first few months after the retirement/death of the first generation entrepreneurs or in the first 3 years of establishment. The challenges facing this sector include lack of entrepreneurship knowledge and skills, lack of innovation, competition from large players, price pressures, accelerated technological

changes, succession and governance issues (Karanja 2012; Price Waterhouse Coopers, 2014). SMFEs must therefore be innovative, proactive and must come up with strategies to enable them face these challenges successfully thereby ensuring their long term survival.

Studies on family business performance include (Sharma & Carney, 2012; Yu, Lumpkin, Sorenson, & Bingham, 2012; Berrone, Cruz, & Gómez-Mejia, 2012; Zellweger, Nason, Nordqvist, & Brush, 2013). The relationship has been studied directly or indirectly (e.g. Davis *et al.*, 2010; Grande *et al.*, 2011; Hameed *et al.*, 2011; Otieno, 2012) , and through the inclusion of the moderating effect of several factors on this relationship. Some of the results showed a positive relationship between these two concepts (Lim, 2008; Fairoz *et al.*, 2010) while others, a negative association between entrepreneurial orientation and firm performance, whereas Ambad and Abdul Wahab (2013) findings indicated a mixed result of the EO – performance relationship. Thus, EO – performance relationship findings are inconclusive and suggests the need for further research. This study therefore sought to find out the effect of Entrepreneurial Orientation on the performance of the manufacturing small and medium family owned enterprises in Nairobi County.

1.3 Objectives of the Study

1.3.1 General Objective of the Study

The main objective of the study was to find out the effect of entrepreneurial orientation on the performance of manufacturing small and medium family owned enterprises in Nairobi City County.

1.3.2 Specific Objectives of the Study

To achieve this, the study specifically sought to:

1. To examine the effect of innovativeness on the performance of manufacturing small and medium family owned enterprise in Nairobi County.

2. To determine the effect of risk taking on the performance of manufacturing small and medium family owned enterprises in Nairobi County.
3. To establish the effect of proactiveness on the performance of manufacturing small and medium family owned enterprises in Nairobi County.
4. To establish the moderating effect of competitive strategies on the relationship between entrepreneurial orientation and the performance of manufacturing small and medium family owned enterprises.

1.4 Hypotheses of the Study

The study was guided by the following research hypotheses:

1. **H₀₁**. Innovativeness has no significant effect on performance of manufacturing small and medium family owned enterprises in Nairobi County.
2. **H₀₂**. Risk taking has no significant effect on performance of manufacturing small and medium family owned enterprises in Nairobi County.
3. **H₀₃**. Proactiveness has no significant effect on performance of manufacturing small and medium family owned enterprises in Nairobi County.
4. **H₀₄**. Competitive strategies have no significant moderating effect on the relationship between entrepreneurial orientation and the performance of manufacturing small and medium family owned enterprises in Nairobi City County.

1.5 Significance of the Study

In order to improve SME performance there are various strategies which ought to be employed. However, there is very little scientific enquiry which has been undertaken to the effect of competitive strategies on the relationship between entrepreneurial orientation and performance of manufacturing family owned enterprise among family owned enterprises in Kenya. It's against this back drop that the current study was undertaken to assess the effect of entrepreneurial orientation on the performance of manufacturing small and medium family owned enterprises in Kenya.

Secondly, the empirical findings will give important information since entrepreneurial orientation is associated with efficiency, effectiveness and erosion of challenges associated with poorly coordinated procedures which may hinder the attainment of SMEs vision and mission. Ensuring proper preparation in relation to entrepreneurial orientation will ensure that the firm can take advantage of any profitable venture which can improve firm's growth prospects. It is in this light that the current study was important as such to find out the importance of innovativeness, risk taking and proactiveness and competitive strategies in regard to performance of family owned enterprises in Kenya.

Moreover, the study would provide policy makers and other private individuals such as managers, strategic planning experts, and entrepreneurship training practitioners who have interest in successful family owned enterprises with information which will have a significant effect on firm performance. Lastly, the study would be beneficial to scholars since it would give empirical results on the moderating effect of competitive strategy on the relationship between entrepreneurial orientation and manufacturing small and medium family owned enterprises performance in Kenya.

1.6 Scope of the Study

The study focused on the family owned manufacturing small and medium enterprises that are registered by the Kenya Association of Manufacturers and are based in Nairobi County. This is because many jobs in Nairobi are provided by the Small and Medium Enterprises than by the large corporations. Moreover it is the capital city, the economic as well as the cultural and social hub in the country. KAM has categorized the enterprises into 15 sectors, 12 of which are in processing and value addition while the other two offer essential services to enhance formal industry. The study was limited to the specific objectives of the study that is, the effect of innovativeness, risk taking, proactiveness and competitive strategy to the performance of small and medium family owned enterprises in Nairobi County.

1.7 Limitations of the Study

The study was constrained by a number of uncooperative respondents especially since it targeted the founders, owners, and managers etc of small and medium family owned enterprises who felt that they should protect their business secrets especially on financial matters. This was mitigated by giving the respondents the assurance that the information was to be strictly confidential and only for the purposes of the study. On the other hand, the study focused on manufacturing small and medium family enterprises, thus generalization of the study findings to the non-family small and medium enterprises would be inappropriate.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This study sought to examine the effects of entrepreneurial orientation on the performance of small and medium family enterprises. This chapter highlights the theories that were formulated on the entrepreneurial orientation and the performance of family owned enterprises which have informed the conceptual framework developed for the study. Further, the chapter looks at empirical literature on the moderating effect of competitive strategies on the relationship between entrepreneurial orientation and small and medium family enterprises.

2.2 Theoretical Review

Theoretical orientation is a collection of existing theories from literature which supports the conceptual framework and subsequently informs the problem statement (Kothari, 2005). This section discussed the Multidimensional model of entrepreneurship, Psychological/Trait Entrepreneurship theory, McClelland theory, Parkers theory of Proactiveness and the Schumpeterian theory on innovation.

2.2.1 Multidimensional Model of Entrepreneurship

The model was developed by Weerawardena and Mort who summed up innovativeness, pro-activeness and risk management (Weerawardena & Mort, 2006).

Environment

Sustainability



Social Mission

Source (Weerawardena & Mort, 2006)

Figure 2.1 Multi-dimensional Model of Entrepreneurship

Innovativeness ensures that an enterprise engages in and supports new ideas, novelty, experimentation, and creative processes that bring about new products, services, or technological process (Lumpkin & Dess, 2006). It is one of the most important characteristics of entrepreneurship (Schumpeter, 1942). Innovation is translated as the ability to take quick advantage of the scientific or technological developments, commercializing them, resulting into value-added goods and services for the customers. In addition, it is the tendency to support new ideas, experimentation and creative processes (Hitt & Ireland, 2003). Innovation and creativity are closely related but they must be linked to entrepreneurship if the innovation is to become a commercial opportunity to be exploited (Bolton & Thompson, 2013).

Risk-Taking Propensity is the willingness and the characteristic of entrepreneurs to take calculated business risks (Leko-Simi & Horvat, 2006). Lumpkin and Dess (2009) identified venturing into the unknown as a definition for risk-taking which involves monetary, psychological and social risks (Lumpkin & Dess, 2006). There is an assumption that firms that have better performance would also have a higher level of risk propensity (Leko-Simi & Horvat, 2006). The positive relationship between risk-taking propensity and risk decision making by individuals is translated by the organization's top management teams (Panzano & Billings, 2005). Some scholars argue that, risk-taking is an essential component of entrepreneurship (Dess *et al.*, 2007), while others see entrepreneurs as cautious and pragmatic (Boschee & McClurg, 2003) and (Weerawardena & Mort, 2006) who must put in place effective risk management strategies to avoid business failure (Cadiuex, 2007).

Pro-activeness is the ability to take the initiative whenever the situation dictates. An important component of proactiveness is the incorporation of a strategic plan (Weerawardena & Mort, 2006). Strategic plans are the roadmaps for the organisation (Dess *et al.*, 2008). Proactiveness helps in tracking and monitoring business environmental changes, consumer tastes and preferences that are continually changing, and the development of technologies (Lumpkin & Dess, 2006). Cunningham and Lagan (2005) assert that, entrepreneurs prefer to take moderate risks in situations where they have some degree of control or skill in realizing a profit. Indeed, proactiveness concerns the importance of initiative in the entrepreneurial process. A firm creates a competitive advantage by anticipating changes in future demand or even shaping the environment by being an active participant in shaping their own environment (Lumpkin & Dess, 2006).

The change in content of dimension from risk-taking to proactive risk handling is aimed at portraying more realistically the phenomena existing in the scope of entrepreneurial orientation held by entrepreneurs. An optimum level of proactiveness will contribute to performance depending on a specific context Coulthard (2007). Weerawardena and Mort (2006) argue that, sustainability is an important component of entrepreneurial organization for ultimately the art of survival. It is the

ability to discern what opportunities to pursue and how much risk to take or not to take. Sustainability is maintained by creating values through opportunity seeking and exploitation while managing risks and adhering to the social mission.

The model is relevant to the study because family owned enterprises are started as a result of opportunity identification by the founder in a certain environment. In an effort to exploit this opportunity, the entrepreneur must be innovative, proactive and must take well calculated risks as well as come up with competitive strategies that will assist in business growth, development and ultimately its sustainability.

2.2.2 Psychological/Trait Entrepreneurship Theory

According to this theory, the psychological makeup of an individual determines most of his behaviour towards entrepreneurial activities. The psychological traits include need for high achievement, risk taking, foresight, aggressiveness, proactiveness and creativity. Others include high level of intelligence, decisiveness, good judgement and alertness to environmental changes. Lumpkin and Dess (2006) argues that there is a link between psychological traits and entrepreneurship. People with a certain set of psychological traits might tend to portray some inclination towards entrepreneurship. Coon (2004) defines personality traits as “stable qualities that a person shows in most situations.” Therefore, according to the trait theorists there are enduring inborn qualities of an individual that naturally makes him an entrepreneur.

Bwisa (2011) also argues that entrepreneurship is all about an individual. The difference is usually the attitude (internal) and the ability to judge and forecast on the situation at hand in order to become a successful entrepreneur. Prior research studies have identified high need for achievement, tolerance for ambiguity, locus of control and risk taking as important in successful entrepreneurs, (Begley & Boyd, 1987).

Entrepreneurs are also known to be opportunity driven, innovative and creative, show high levels of management skills, optimistic, committed, and persevering and thrive on competitive desire to win and excel. They are dissatisfied with the status quo, are transformational, dynamic, visionary, people of integrity and they use failure

as a springboard to greater heights. The personality trait model is still unsupported by research evidence thus we can only look at an individual's behaviours and conclude that one has the inborn qualities of becoming an entrepreneur.

This theory is relevant to this study since the founders of family owned enterprises must have inborn traits which have enabled them to start their own ventures and sustain them through generations in spite of the economic turbulences and other challenges they have experienced in the past.

2.2.3 McClelland Theory

McClelland Theory also known as Acquired Needs Theory argues that, human beings have 3 types of needs at any given time. These are the need for achievement (need to get success with one's effort), need for power (dominate or influence others) and need for affiliation (maintaining friendly relations with others). Entrepreneurs are driven by this need to achieve and excel, (MacClelland, 1961) While there is no research evidence to support personality traits, there is evidence for the relationship between achievement, motivation and entrepreneurship (Johnson, 2009).

Risk-taking and innovativeness need for achievement, and tolerance for ambiguity has a positive and significant influence on entrepreneurial inclination (Mohar, Singh & Kishore, 2007). However, locus of control has a negative influence on entrepreneurial inclination. The locus of control is said also to be highly correlated with variables such as risk taking, need for achievement, and tolerance for ambiguity.

Further evidence suggests that some entrepreneurs are risk averse to some extent (Brockhaus, 2008). These individuals prefer risks and challenges of venturing to the security of a stable income. The founders of family owned enterprises usually possess an entrepreneurial spirit which drives them to start enterprises and they wish the enterprises to succeed. They will thus go an extra mile to make risky and daring decisions in order to see their businesses performing well and growing thus creating wealth. This makes the entrepreneurs feel they have achieved their goals.

2.2.4 Parker's Theory of Proactiveness

The confidence that one will be successful in an undertaking is especially important in proactive goal generation because being proactive entails a high potential psychological risk to the individual (Parker, 2006). A proactive goal involves a deliberate decision process in which the individual assesses the likely outcomes of his or her behaviour (Morrison & Phelps, 1999; Parker, 2006). Individuals must be certain that they can both initiate proactive goals and deal with their consequences before they act as well as see the value associated with being proactive to change a particular target.

Lakhani and Wolf (2003) argue that, pro-activity can be generated by intrinsic motivation. Motivation is important in proactive goal processes particularly for very long-term oriented proactive goals. Similarly, pro-activity can be motivated by an individual's experience, which helps him or her narrow focus to an activity that fully occupies him/her ignoring the time taken, fatigue, and everything else but the activity (Rousseau & Vallerand, 2008).

Proactive goals are not only linked to current identities but also are motivated by future-oriented identities (Strauss, Griffin, & Rafferty, 2009). Like other possible future and past identities, future work will serve as a standard against which the present self can be compared (Carver & Scheier, 2008) and constitute motivational resources that individuals can use in the control and direction of their own actions (Oyserman & Lee, 2008). Strauss, Griffin, and Rafferty, (2009) showed that future work pertaining to individuals' careers motivated greater proactive career-oriented behaviour.

In family enterprises for example, the entrepreneur must be proactive in order to start and grow his/her business to the highest level possible. He is fully immersed in running his business considering the past and the present experiences and predicting the future of his enterprise. The entrepreneur takes risks, sacrifices his time, energy, family time and others for the sake of his business performance.

2.2.5 Schumpeter Theory of Innovation

According to Schumpeter (1934), a dynamic entrepreneur is the person who innovates, who makes "new combinations" in production. He argues that an entrepreneur disrupts markets and causes new ones to be formed in circular flows. The 'true' entrepreneur causes a radical change that is discontinuous with the previous flows by obtaining and using information caused by these 'tides of creative destruction'. He describes innovation as; the creation of a new good or new quality of good; creation of a new method of production; the opening of a new market; the capture of a new source of supply; a new organization of industry (e.g., creation or destruction of a monopoly).

Schumpeter observes that people act as entrepreneurs only when they actually carry out new combinations, and lose the character of entrepreneurs as soon as they have built up their business, after which they settle down to running it as other people run their businesses (Schumpeter, 1939). For Schumpeter, an entrepreneur is not only an innovator but also a leader. Since the main characteristic of an entrepreneur is innovation and leadership, Schumpeter's entrepreneur does not necessarily start his own business and does not have risk-taking as one of his functions, (Tarabishy, Lloyd & George, 2005).

Adam Smith in *Wealth of Nations* argues that innovation requires the investment of money and that it's an important economic activity inducing gains. Therefore Schumpeter (1942) believed that larger firms are more innovative than smaller firms. This theory was further refined by Galbraith (1952). The main objective of firms is to maximize profits. Larger firms are able to achieve economies of scale, diversify, develop market reputation etc. as shown by empirical studies, (Scherer 1965, Cohen & Klepper 1996). Nelson (1959) argues that the more widespread the reputation and name of firm, the higher the chances of full exploitation of its research efforts.

The empirical analysis of Schmookler (1972) showed that after a certain 'large' size the efficiency of an inventive activity varies inversely with firm size. Williamson (1965) further explains the factors which hinder innovation in a large firm. The

'scarcity of ideas' is another reason why large firms are less innovative. Hicks and Buchanan (2003) argue that smaller firms are in a better position to exploit an innovation combined with their focus on new innovative technologies. Smaller firms are also more efficient in the use of capital and labour resources (Acs & Audretsch 1991). However, both large and small firms exhibit advantages and disadvantages.

An innovation study carried out in some Latin American firms (Arocena & Sutz, 2010) finds that little is invested in innovative activity. According to Kumar and Saqib (1996), in India, a study on small and medium-sized firms finds that vertical integration, export orientation and competitive pressures heighten the need for spending on R&D. This means that innovation is the key to SMEs growth and development especially in the developing nations, Kenya included. In today's business world, technological advancement has changed how business is done. It has brought about shorter product life cycles, customer awareness, the ever-changing customer tastes and preferences in the highly competitive markets among others. This translates that family owned businesses must come up with strategic plans that will ensure their enterprises continually innovate and can quickly adapt and renew their strategies in order to retain their competitive edge.

2.2.6 Resource Based Theory

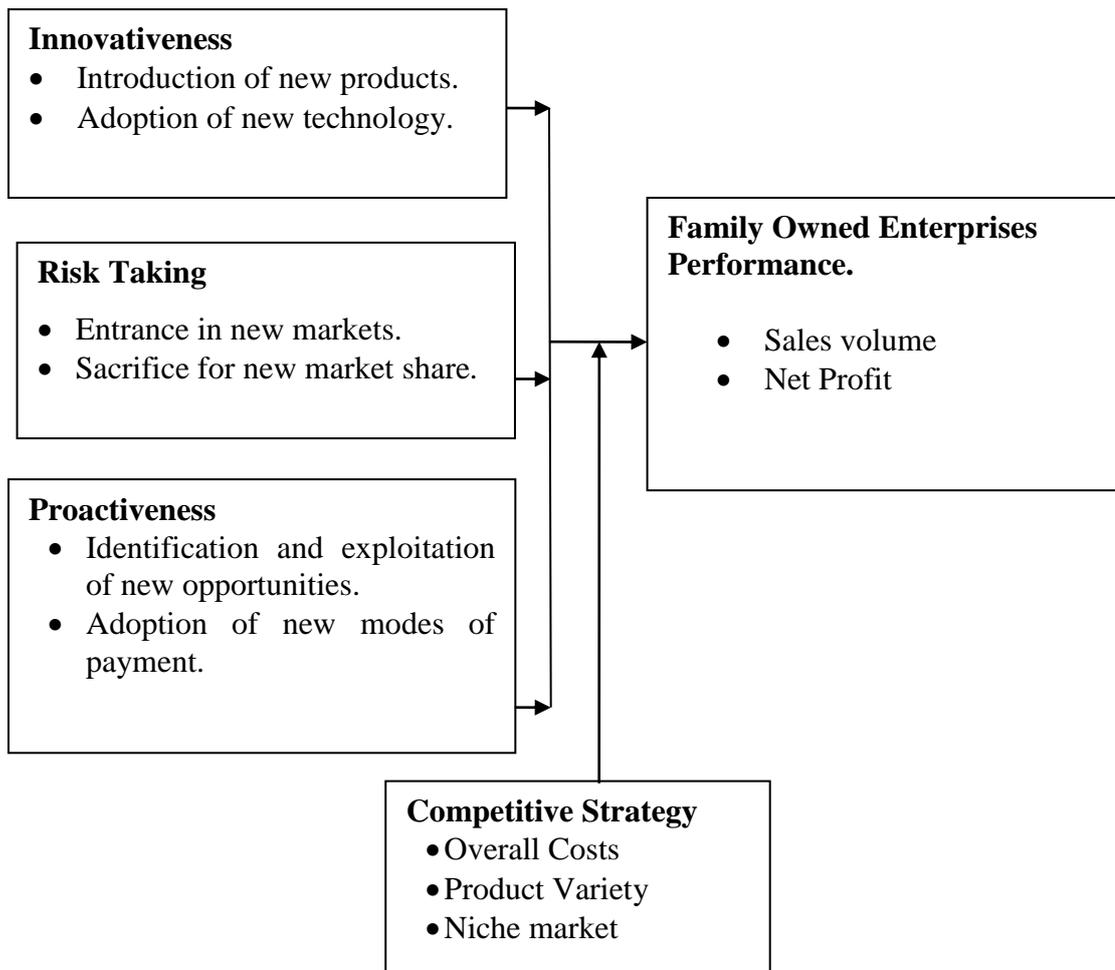
The theory posits that organizations are endowed with resources such as human resources, technological resources and organizational routines. In order to attain sustainable competitive advantage, the acquisition of unique resources and capabilities together with organizational capabilities should be prioritized (Barney, 2002). How a firm's systems among other attributes, enable it to achieve competitive advantage is the main interest of RBV. The theory points out that a firm can gain sustainable competitive advantage only by creating value in a way that's rare and difficult to imitate by the competitors.

In order to realize a superior performance, small and medium family owned enterprises must come up with strategies that will help utilize maximally the firm's resources by adopting the entrepreneurial behaviour; become more innovative, take

calculated risks and be more proactive. This will result to a sustained competitive advantage over all others.

2.3 Conceptual Framework

A diagrammatic presentation showing the relationship between dependent and independent variables is known as conceptual framework (Kothari, 2011). In the current study the dependent variable; performance of family owned enterprises will be operationalized as increase in market share, increase in sales and changes in profit. The independent variable entrepreneurial orientation will be operationalized with three constructs which are innovativeness; introduction of new products, changing in product design, risk taking; entrance into new markets, profit sacrifices made on entrant into new markets and proactiveness; identification and exploitation of new strategies and adoption of new modes of payment. Competitive strategy which will be a moderator will be operationalized as product differentiation, low cost leadership and focus strategy. The study's conceptual framework is drawn from the Multi-dimensional model of Entrepreneurship shown above. The hypothesised relationship between variables is as shown in Figure 2.2.



Independent variables

Moderating variable

Dependent variable

Figure 2.2: Conceptual Framework

2.4 Review of Relevant Literature

2.4.1 Innovativeness and Firm Performance

Innovativeness brings about firm success, sustainable competitive advantage and firm survival (Jimenez & Sanz-Valle, 2011) as well as providing knowledge about how things can be done better than the existing state of the art (Teece, 2008; Damanpour *et al.*, 2009). According to the World Bank report (2009), innovation ensures that an organization has a competitive advantage and long-term loyalty. It is an essential component in maintaining an organisation's viability because it is a

source of new ideas that brings about new products, service improvements, new technology as well as managerial practices that advance and sustain a thriving enterprise (Lumpkin & Dess 2005). It is considered to be an extremely important factor for the economic success and for the survival of family firms (Leenen, 2005) .

A firm is able to increase its return on investment, enlarge its market share and strengthen its competitive position. As far as a family firm is concerned, innovativeness is an assurance that the business will continue operating for years to come (Leenen, 2005; Bergfeld & Weber, 2011). The globalization process has resulted to increasing levels of competition to the challenges its encountering as well as new administrative techniques and technologies for performing its functions, (Knight, 1997).

Product innovation refers to the introduction of new products/services (Podler *et al.*, 2010). It brings about efficiency in the business. In order to have a competitive edge, firms develop new products or modify the already existing ones according to the changing customers' tastes and preferences and also with the aim of attracting new customers (Olson *et al.*, 1995). Product innovation is one of the most important factors that brings about the overall success of an organisation (Hassan *et al.*, 2013). Together with new product development, it becomes an important strategy for increasing the firm's market share and the overall performance of the business (Ettlie & Reza, 1992).

Process innovation on the other hand, is the implementation of the production or delivery method that is new or significantly improved (OCED, 2005). It entails improving the equipment, technology, software of production and delivery method. This is aimed at enhancing organisational efficiency and effectiveness leading to cost cutting. The business can develop new processes by themselves or with the help of consultants (Podler *et al.*, 2010).

Process innovation is also used to create competitive advantage and to satisfy the existing customers as well as attract new ones (Hassan *et al.*, 2010). The study will measure innovativeness by considering the rate at which a firm introduces new products in the market and the adoption of new technology.

2.4.2 Risk taking and Firm Performance

An enterprise with risk taking behaviour makes daring decisions to venture into the unknown borrowing heavily and committing significant resources to projects in uncertain environments motivated by the prospects for better and high returns (Rauch *et al.*, 2009). As a dimension of entrepreneurial orientation, risk taking indicates how far an enterprise processes involves and or ignores risks (McMullen & Sherpherd, 2006). Risk-taking has for a long time been associated with good SME performance (Bears, 1982).

Entrepreneurs are known to engage in calculated and moderate business risks which in the end lead to high performance (Brockhaus, 2008; Otieno, Bwisa & Kihoro, 2012) in comparison to those that assume extremely high or extremely low risks. Research has in the recent past shown that entrepreneurs take more risks compared to non- entrepreneurs since they face a less structured and a more unpredictable set of possibilities (Bears, 1982).

Lumpkin and Dess (2006) identify venturing into the unknown as a definition for risk taking which leads to great firm performance. It is that will to commit huge resources to a project whose costs and failure rates are high (Keh *et al.*, 2007, Baker & Sinkula, 2009). On the other hand, it provides the enterprises with the foundation to grow and venture into new products without worrying much about the outcomes (Lumpkin & Dess, 2006).

According to Leko-Simic and Horvat, (2013) risk taking is a personal trait. The top management of a firm decides whether to take the risk or not. This is mostly determined by the risk perception and propensity of the firm. The higher the risk propensity, the lower the anxiety over risk taking and vice versa. The study will

measure risk taking by looking at a firm's entrance in new markets and the sacrifices made for the new market share.

2.4.3 Proactiveness and Firm Performance

Proactiveness refers to the firm's efforts to seize new opportunities, anticipating the future market demands and at the same time shaping the external environment (Lumpkin & Dess, 2001). This is an important characteristic of family firm's entrepreneurial behavior (Nordqvist & Melin, 2010).

Wisner (2004) argues that the dimensions of proactiveness include, creating a greater level of trust throughout the customers, identifying and participating in additional innovative products/services, keeping in touch with a firm's members, creating compatible communication channels and involving all supply chain members in a firm's product/service marketing plans. When this is properly implemented, it leads to high organization performance.

A proactive firm takes the initiative to venture into new markets, exploiting them and becoming the market leader in that market place. A proactive firm takes the initiative to shape the environment to its advantage in terms of technology and innovation, competition, customers, processes etc. (Chen & Hambrick, 2007). It is the search for new opportunities even though they may not be related with the current operations (Rauch, Wiklund & Frese, 2004).

Mentzer *et al.* (2004) notes that SME proactive orientation strategies depend on a close interaction with in-company marketing and sales resources, processes and skills. Therefore, as a dimension of entrepreneurial orientation, it's an opportunity seeking and forward-looking perspective that entails acting in anticipation of future demand and trends and then capitalizing on such opportunities to gain benefits (Kropp, Lindsay & Shoham, 2008).

Proactiveness is also related to innovativeness and risk taking (Pitt *et al.*, 1997). Innovativeness prepares the firm to come up with unique products, services or processes and also how it will manage the innovations in terms of scale of operations across all its borders.

Risk taking on the other hand is the willingness to take up new opportunities that can either bring profits or losses. This willingness to assume calculated risk is as a result of alertness to assume that a product/service will sell better in future (Oni, 2012). Proactiveness will be measured by considering how an organization identifies and exploits new opportunities and the rate at which they adopt new modes of payment in their operations.

2.4.4 Competitive Strategies and Firm Performance

A company has competitive advantage whenever it has an edge over its rivals in terms of attracting customers and defending against competitive forces. Competitive advantage originates from a firm's ability to maximize on its internal strengths in order to respond to the external environmental opportunities while avoiding external threats and internal weaknesses (Mooney, 2007).

A firm's competitive strategies consist of the business approaches and the initiative it takes to attract customers as well as to withstand competitive pressures and strengthens its market share (Thompson, 1998). Thus, the firm has to focus on creating tomorrow's competitive advantages faster than competitors are able to imitate those that it introduces today.

Competitive strategy deals exclusively with management's action plan for competing successfully and providing customers with more superior value. Porter (2008) suggests three generic strategies that a firm can adopt to develop competitive advantage over its competitors in a competitive environment. These strategies are cost leadership, differentiation and focus strategies.

Every organization should develop its own strategies for competing which should involve both offensive and defensive actions with emphasis shifting from one to the other as market conditions dictate. Organizations will develop ways of attracting customers to adopt their products and thus gain customer loyalty through repeated sales and try to outdo their rivals who offer similar products or substitute products and hence the organizations gain a competitive edge in the target market.

There are three generic competitive strategies that businesses can adopt to deal with their competitors; they are Differentiation, Low Cost leadership and Focus strategy (Porter, 1980). Differentiation strategy is used by enterprises by offering a variety of products to their prospective customers. According to Thompson and Strickland (2001) this strategy seeks to differentiate the company's products by offering different products from rivals in ways that will appeal to a broad spectrum of buyers.

The differentiation strategy is an integrated set of actions designed by a firm to produce and deliver products at an acceptable cost that customers perceive as being different in ways that are of importance to them. Product differentiation is the most commonly used, (Spencer, Joiner, & Salmon, 2009). Thompson (2007) argues that the differentiation strategies will be an attractive competitive approach whenever buyer's needs and preferences are too diverse to be fully satisfied by a standardized product. To be successful with a differentiation strategy, a company has to study the buyer's needs and behaviour carefully in order to learn what buyers consider important, what they think has value and what they are willing to pay for. The less similarity between the firm's goods and those of competitors the less impact it will experience from the rival's actions. A firm can differentiate its' products in many ways either by using unusual features, rapid product innovation, technological leadership, perceived prestige and status, different tastes and engineering design and performance among others.

Low cost leadership strategy is where firms achieve lower cost than their rivals and therefore it's able to compete across a broad range of segments. According to Harvey (1992) cost leadership is described as striving to be the overall low-cost provider of a product or service that appeal to a wide range of customers. The cost leadership

strategy is an integrated set of actions designed to produce or deliver goods with features that are acceptable to customers at the lowest cost, relative to that of competitors. Firms that operate in markets that are characterized by buyers who are price sensitive find this low-cost strategy very useful and powerful strategy that they can apply to gain more customers.

The strategy aims at opening up a sustainable cost advantage over competitors and the firms lower cost of operation edge as a basis for either under-pricing their goods and services and in turn gaining market share at the expense of competitors or the firm earns a higher profit margin by selling their products at the prevailing market prices. According to Porter (2008) once low cost has been achieved, the position provides high profit margins which can be re-invested in new equipment, modern facilities and technology to maintain the cost leadership.

The third generic competitive strategy is the focus strategy where a company chooses to concentrate on one particular segment or a limited segment of the target market. For an enterprise using this focus strategy, the approach can opt to either seek lower costs or Product differentiation strategy and thus we have a focus or market niche strategy based on lower cost and a focus or market niche strategy based on differentiation. In the lower cost strategy, the firms concentrate on a narrower buyer segment and outdo their rivals on the basis of lower cost of operation; while in the differentiation strategy the company concentrates on the market niche by offering the customers a product that best suits their tastes, preferences and expectations in terms of quality, product reliability and product delivery (Baines & Langfield-Smith, 2003).

2.4.5 Business Performance Indicators

The performance of business firms is based on the market share growth, profits margin, business expansion, sales volume, number of employees, general customer satisfaction and to what extent the set company objectives and goals are being achieved. According to Thompson (2007), an organisation must come up with a creative distinctive strategy that sets it apart from its rivals and gives it a competitive

advantage in order to realise above average performance. Without this a company risks being outcompeted by stronger rivals and or being locked into mediocre financial performance.

According to Mutuku (2005) the performance of any business organization is affected by the strategies which are put in place within that occasion and the strategies in place determine the long-term performance of a business firm. According to Gichohi (2006) performance is normally measured using standards which are usually detailed expressions of strategic objectives and they are measures of acceptance performance results. The measures that are used to assess organizational performance depend on the organization and the objectives that need to be achieved.

Increase in sales will result due to an increased demand of the company products which reflect growth of the company. The company's profits are expected to move up when the sales increase. As a result, the enterprise is expected to employ more staff in an effort to increase productivity, product quality efficiency among others. According to Johnson (2002) performance is not only linked to short term output but also to the way in which processes are managed. This study will measure the sales volume and change in net profit per annum over a period of five years from 2010-2015 in order to assess the performance of the small and medium family owned enterprises.

2.5 Empirical Review

2.5.1 Innovativeness and Performance of Manufacturing Family Owned Enterprise

A study by Atalay *et al.* (2013) on the relationship between innovation and firm performance on Turkish Automotive Supplier Industry was done on the top-level managers. The findings indicated that technological innovation (product and process innovation) has a significant and positive impact on firm performance while no

evidence was found that non-technological (organizational and market innovation) has any effect on firm performance.

Hassan *et al.* (2013) did a study on the effects of innovation types on firm performance on Pakistan's manufacturing sector. Data was collected through survey questionnaires from 150 respondents in production, R and D and marketing departments of manufacturing firms. Data was analyzed by factor, reliability, correlation and regression analysis. The results indicated that innovation positively affects firm performance.

An increased performance can be achieved by small firms if they invest well in innovativeness. This emphasis was laid by Hilgers (2011) who studied the relationship between international EO and performance of manufacturing family owned enterprise in Netherlands' small manufacturing firms. A multiple-case research design was adopted for increased generalizability and power in explanation (Miles & Huberman, 2014). Hilgers sampled only 6 of small manufacturing firms by conducting an interview whereby innovativeness was indicated by new ideas generated, development for employees through training and introduction for the new product by use of technology. The study measured performance of manufacturing family owned enterprise by use of profit and sales goal achievement. Results of the findings indicated that innovativeness contributed largely in influencing performance of manufacturing family owned enterprise positively as compared with other firms' dimensions namely proactiveness, risk taking, competitive aggressiveness and autonomy.

Verhees, Klopčič and Kuipers (2008) examined the relationship between entrepreneur orientation and farm performance in Netherlands and Slovenian farmers. A sample of 239 was collected through posted questionnaires to farmers. Skepticism and creativity were used as a measure of innovativeness while farm performance was assessed by use of profit and financial results received by the farmers. Findings from the study showed that creativity as measure of the innovativeness had a positive relationship with farm performance while skepticism

had an indirect relationship with farm performance. The current study will purpose not only to the direction of the relationship but also the significance.

Ali and Abdel (2014) studied entrepreneurial orientation among women owned enterprises in Somalia in relation to firm performance. A sample of 200 women companies were purposively selected to fill the questionnaires. The study purposed to specifically measure the impact of innovativeness, proactiveness and risk taking. Performance of manufacturing family owned enterprise was measured by use of six indicators, namely market share, sales growth, profit to sales ratio, market development and new product development. Innovativeness was measured using changes in products or service line. Correlation analysis for innovation and performance of manufacturing family owned enterprise was found to have a significant and weak positive relationship, and findings from regression analysis produced similar results supporting Yong, Jing and Ming (2008).

Kimani (2015) studied the effect of adoption of financial innovation on SMEs performance in Kenya. The population of the study was the registered SMEs by Kenya Revenue Authority (KRA). A total of 487 were chosen as the appropriate sample size. The findings revealed a positive relationship between the adoption of financial innovation and performance of SMEs in Kenya.

2.5.2 Risk Taking and Performance of Manufacturing Family Owned Enterprise

Wiklund (2010) studied risk taking and family firms in Sweden by taking a sample of Swedish SMEs. The study found that risk taking is an important dimension of EO in family enterprises and is positively associated with proactiveness and innovation. According to the study, family firms do take risks while engaged in entrepreneurial activities to a lesser extent as compared to non-family firms and that risk taking is negatively related to performance.

A study was done by Oloniran, Namusonge and Muturi (2016) on the role of risk taking on the performance of firms in Nigerian Stock Exchange. The target population was 176 firms listed in the Nigerian Stock Market where a sample of 60 firms was taken. Data analysis was done using among others random and fixed regression models. The results indicated a negative relationship between risk taking and return on assets and return on equity.

Kiprotich, Kimosop and Kemboi (2015) assessed the relationship between risk taking and Small and Medium Enterprises (SMEs) performance in Nakuru County (Kenya). Explanatory research design was adopted and a sample of 214 SMEs was selected by stratified sampling method. Primary data was collected using questionnaires. Though the study showed a moderate positive relationship, it was found that risk-taking has no significant effect on SME performance contrary to previous studies by Ali and Abdel (2014); Verhees, Kloplic and Kuipers (2008) which had revealed a positive and significant relationship.

2.5.3 Proactiveness and Performance of Family Owned Enterprise

Several studies have been conducted to try and establish the relationship of this factor with the firm performance. A research conducted by Yong, Jing and Ming (2008) examined the entrepreneurship orientation and performance of manufacturing family owned enterprise from a population of the listed Taiwan Securities and Futures Institutes. Data was collected from 165 valid mailed questionnaires. A cross-sectional research design was employed. Performance of manufacturing family owned enterprise was assessed by efficiency, growth and profit. Proactiveness was measured by how firms relate to market opportunities by taking down initiatives in the marketplace. The findings in this study agreed with Lumpkin and Dess (2006) that there is positive relationship between proactiveness and firm performance.

Kraus *et al.* (2012) studied the effects of entrepreneurship orientation and business performance of SMEs in Netherlands during periods of economic crisis and the severe environmental turbulence that accompany such crisis. This was a quantitative study and a multi-dimensional model of EO was used. Data was collected using

email survey method from 164 Dutch SMEs. The findings showed that proactive firm behaviour positively contributes to SMEs performance during economic crisis while innovative SMEs perform better in turbulent environments but those innovative enterprises should minimize the level of risk and avoid very risky projects.

In a sample of 308 street traders in Johannesburg (South Africa), Venter and Callaghan (2011) tested the relationship of proactiveness and firm performance. Proactiveness was assessed as growth willingness of the participants. Results of this study confirmed that there is a positive and significant association between proactiveness and informal sectors performance hence supporting Mueller (2008) and De Clerq and Rouis (2007).

A study done by Oni (2012) on the relevance of entrepreneurial proactiveness on business performance drew samples from the Nigerian Stock Exchange handbook and Corporate Affairs Commission book of registered companies. The enterprises were randomly selected according to the size and performance measures. A structured questionnaire was given to the senior managers. The findings showed that those enterprises on high enterprise proactiveness responded positively to performance measures with continuous increase in size and employment of skillful and competent personnel.

In Kenya, a study on the relationship between proactiveness and firm performance of SMEs in the Agro Processing was conducted by Wambugu, Gichira and Wanjau (2016). Data was collected from 111 agro processing enterprises that are registered by Kenya Association of Manufacturers. Structural Equation Modelling partial least squares (pls) approach was used. The findings indicated that Proactiveness was a significant predictor of firm performance of agro processing enterprises in Kenya.

2.5.4 Competitive Strategies and Performance of Manufacturing Family Owned Enterprise

Pulaj, Kume and Cipi (2015) studied the impact of generic competitive strategies on organisational performance in the Albanian context. Both qualitative and quantitative methods were used. Simple random sampling technique was used to select a sample of 110 construction companies. A questionnaire was used and data analysed using ANOVA statistical model. The findings revealed a significant positive effect of cost leadership, differentiation and focus strategies on performance.

Yasar (2010) carried out a case study on Gaziantep Carpeting Sector in Beijing on the effects of competitive strategies and firm performance. 165 carpeting firms participated and data collection was done through the use of a questionnaire which was conducted face to face. The findings indicated that competitive strategies have no effect on firm performance.

Chadamoyo and Dumbu (2012) carried out a study on the Competitive Strategies and Business Environment in the Manufacturing Sector. Case study of Manufacturing Firms in Mucheke Light Industry in Zimbabwe. The study was a qualitative research using descriptive survey design. The findings indicated that cost leadership, differentiation and innovation strategies are the main ones used in the SMEs. The business environment is harsh to competitive advantage of SMEs in form of legal, political, economic and social factors. It recommended that SMEs should make use of strategic alliances to cover multiple markets, manage key performance indicators and the government to relax regulations on SMEs.

A study done by Ogutu and Nyatichi (2012), examined the competitive strategies adopted by Multinational Banks in Kenya. It sought to investigate to what extent the banks adopt Porters generic competitive strategies in their operations. This was a census survey and descriptive statistics was used. The results showed that customer's tastes and preferences change all the time especially when offered superior products. This means that banks should set up research departments to help them understand their customers changing tastes and preferences in order to retain them.

Kyengo (2016), did a study on the influence of competitive strategies on the performance of Telecommunication Company's in Kenya. It specifically attempted to explain the effect of cost leadership strategies, the extent that adoption of market focus strategies affects performance, the effects of differentiation strategies and the effect of corporate growth strategies on the performance of the firms. The study adopted a descriptive research design. The target population of study was the 3 Telecommunication Company's in Kenya namely; Safaricom, Airtel and Telkom Kenya Ltd. Sample size was 120 employees chosen by adopting purposive sampling.

The findings indicated that cost leadership strategy was the most significant followed by differentiation, market focus strategy and corporate growth strategy, respectively. It recommended that the management of the company's should continuously evaluate the implementation of cost leadership strategy and that more research should be done on market focus strategy in order to help respond to the different market niches effectively.

A study by Mutunga and Minja (2014) sought to find out the Generic Strategies employed by Food and Beverages Firms in Kenya and their effects on Sustainable Competitive Advantage. The descriptive study design was employed. The study population was 138 F and B manufacturing firms registered by KAM by 2011. The data was tested for central tendency and dispersion. Regression analysis and hypothesis testing was also done. Results indicated that 56.2% of F and B firms embrace duo strategies of cost leadership and differentiation simultaneously while 25% were exclusively on cost leadership and 18.8% on differentiation. Thus, the use of dual strategies is a company survival tactics in terms of diversification of risks especially in Kenya's competitive markets.

2.5.5 The Concept of Entrepreneurial Orientation

Fairoz, Hirobumi and Tanaka (2010) examined entrepreneurial orientation and business performance among SMEs in Sri Lanka. Results of the study showed that innovativeness had the highest contribution than proactiveness and risk taking among SMEs. Moreover, there was a positive and significant relationship between

performance of small and medium enterprises and proactiveness, innovativeness, risk taking and overall entrepreneurial orientation. Further, those firms which had adopted high levels of entrepreneurial orientation attained higher levels of firm performance.

Azlin, Amran, Afiza and Zahariah (2014) examined the impact of EO on business performance, a study based on technology-based SMEs in Malaysia. Simple random sampling was adopted and only 100 technologies-based SMEs responded, while only 88 of these were deemed usable. Descriptive statistical tool was used to analyse the data specifically, Pearson product moment correlation and regression analysis. The results showed that there was medium to small correlation between variables. Also only 4 dimensions of Lumpkins and Dess (1996) EO had an influence towards business performance; innovativeness, proactiveness, risk taking and competitive aggressiveness

Otieno (2012) studied the influence of EO on Kenya's Manufacturing firms operating under the East African Regional Integration. The study adopted both qualitative and quantitative exploratory design. A total of 150 manufacturing firms responded. The results showed that EO influences performance of manufacturing family owned enterprise in terms of sales, profits and employees' retention.

2.6 Critique of the Literature Review Relevant To The Study

The review described above shows that several researchers have tried to examine the effect of five main dimensions of EO. It's worth noting that the study shows innovation and performance of manufacturing family owned enterprise as having a positive and significant relationship (Ali & Abdel, 2014; Yong, Jing & Ming, 2008; Kimani, 2015; Atalay, Anaphora & Sarvan, 2013).

However, Verhees, Klopčič and Kuipers (2008) and Hilgers (2011) found the existence of a positive relationship but did not test the significance of the relationship. Again, empirical evidence from the investigation of risk taking and performance of manufacturing family owned enterprise showed a negative

relationship (Naldi *et al.*, 2007; Ali and Abdel, 2014; Ngoze and Bwisa, 2014; Verhees, Kloplic & Kuipers, 2008; Walls, 2005), while a team of researchers (Kiprotich, Kimosop & Kemboi, 2015) found a moderate positive relationship.

Literature has also shown a positive significant relationship between proactiveness and performance of manufacturing family owned enterprise supported by these studies (Venter & Callaghan, 2011; Mueller, 2008; Clerq & Rouis, 2007; Yong, Jing & Ming, 2008; Lumpkin & Dess, 1996; Kraus *et al.*, 2012; Ngoze & Bwisa, 2014; Rangaswamy & Lilien, 2005; Olesen, 2013). This shows that most researchers agree in the positivity of the relationship. An evaluation of moderating effect of competitive strategies to performance of manufacturing family owned enterprise showed varied results some supporting positivity and significance (Ogutu and Nyatichi, 2012; Chadamoyo & Dumbu, 2012 Mutunga & Minja, 2014, Kyengo *et.al.*, 2016) and others found competitive strategies as not adding much value to the firm performance.

Looking at the empirical review, one can note that the majority of the studies have been done in European and American countries (Venter & Callaghan, 2011; Yong, Jing & Ming, 2008; Lumpkin & Dess, 2006; Kraus *et al.*, 2011) and a few in Africa and Asia (Ali & Abdel, 2014; Kimani, 2015; Kiprotich, Kimosop & Kemboi, 2015; Ngoze & Bwisa, 2014).

2.7 Research Gap

From literature review, it can be noted that most empirical studies conducted have some degree of inconsistency in the analysis and results. Some have observed the relationship and established the significance (e.g. Ali & Abdel, 2014; Mahmood & Hanafi, 2013) other researchers have only established the type of relationship (Hilgers, 2011) without trying to establish significance. Also, some studies have found no relationship (e.g. Peteraf & Barney, 2003). Therefore, the current study will endeavour to establish the nature of the relationship between the various dimensions of the entrepreneurial orientation and firm performance.

One of the objectives in the Kenya Vision 2030 is to create new jobs in the country. Family owned enterprises as discussed above employs a large proportion of the population. Their performance determines their longevity. The current study findings will contribute ideas on how to enhance performance in this vital sector.

Some studies have like Kraus *et al.* (2012) focused on entrepreneurial orientation as one-dimensional construct. The current study will ensure variance of dimensions of entrepreneurial orientations by use of multidimensional model. Other studies (Verhees, Klopčič & Kuipers, 2008) too have looked at only one component of entrepreneurial orientation which has resulted to limited information. By looking at all the components of EO this gap was filled by this study.

2.8 Summary of the Chapter

Review of the literature above opens a platform to study the presumed role of entrepreneurial orientation on firm performance. From the discussion and observation made by extant literatures, there seems to be a two unfold situation; first there seems to be some studies which are in support of the relationship between EO and performance of manufacturing family owned enterprise while others contradicts.

Theories too seem to agree that there is a gap that ought to be fixed. Psychological/traits theory argues that individual conduct is influenced mostly by psychological attributes. More so the theory perceives that there is a causal relationship between desire to succeed and entrepreneurial skills. Secondly, McClelland theory argues that human beings are always in pursuit of satisfying three needs; affection, domination and success. To achieve this, they must be risk takers as such to attain the full benefits. To achieve competitive advantage and consequently foster positive performance of manufacturing small and medium family owned enterprise, an organization should be innovative, proactive and risk taking.

Table 2.1: Summary of Theoretical and Empirical Studies

Research Variable	Supporting Theory	Empirical Studies	Relationship To Research Variables
Innovativeness	Schumpeters Theory	World Bank Report(2009);Ali & Abdel(2014);Yong,Ying & Ming(2008); Hilgers (2011);Kimani(2011);Verhees,Klopeic & Kuipers(2008)	Introduction of new products, Improvements of existing products, Adoption of latest technology, Emphasis on R&D Inclination for new projects with uncertain returns, Taking loans for new projects, Funding new methods & processes without testing first, Management attitude towards risky projects
Risk taking	Psychological/ Trait Entrepreneurship Theory Parkers	Kiprotich,Kimosop & Kemboi (2015);Ali & Abdel (2014);Verhees, Klopeic & Kuipers (2008);Wiklund (2010)	
Proactiveness	Proactiveness	Venter & Callagan (2011) Mueller 92008);De Clerq & Rouis (2007);Yong,Ying &Ming (2008);Kraus et .al (2011); Lumpkin & Dess (1996) Ogutu & Nyatichi (2012),Chadamoyo & Dumbu (2012);Mutunga & Minja (2014);Kyengo et.al (2016)	Entry into new markets Adoption of new processes. Leader in market changes. Adoption of new modes of payments
Competitive Strategy	Resource Based Theory		Product Variety, Cost Leadership, Niche Market

The remaining chapter discussed how this research was designed, target population, sampling frame and methods and how data was collected and analyzed. It also described the model that was used to relate the dependent variable to the independent variables.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter presents the research philosophy, research design, target population, sampling frame, sampling procedures and the sample size, data collection procedure, data analysis and presentation.

3.2 Research Philosophy

Positivism research philosophy was adapted in the current study, this agreed with Saunders, Lewis and Thornhill (2014) who argued that research process is defined by observation of experiments which are set up with the main purpose of achieving the study objectives. According to this theory, existing theoretical proposition are tested through scientific verifiable hypothesis. Indeed, the research forms the basis of conceptualizing laws through theories testing (Cooper & Schindler, 2014). Quantifiable approach was adopted to execute the research and data gathered was analysed statistically and consequently they yielded results which matched natural phenomena (Cooper & Schindler, 2014). Moreover, research hypotheses were formulated as per existing empirical findings and theories. Study findings were used to refute or support existing theories thus all objectives were met. According to Saunders et al. (2014) positivism research is preferred in social science owing to observability of social realism and gathering of reliable data.

3.3 Research Design

A step by step procedure indicating how the study objectives were achieved is known as research design (Orodho, 2009). Blumberg *et al.* (2011) viewed the research design as the blueprint for the collection, measurement and analysis of data, a strategic plan which aims at answering the research questions with minimal deviations. In the current study, cross sectional survey research design was used

because it sets to explain the current phenomenon through the use of systematic and controlled methods in data collection (Mugenda & Mugenda, 2007).

Campbell (1988) also points out that cross sectional design is helpful in establishing associations rather than the causes and that it helps to determine the prevalence rather than the incidents. The design has been used by other scholars including Rotich (2016), in the study on the effect of banking and Entrepreneurial orientation on the financial performance of manufacturing firms in Kenya. The design was appropriate for the current study since it sought to examine the effect of entrepreneurial orientation and performance of family owned small and medium manufacturing enterprises in Nairobi City County.

3.4 Population of the Study

Population refers to the entire group of people or objects of interest that the researcher wishes to investigate, Sekaran (2010). Mugenda and Mugenda (2008) defines population as an entire group of individuals or objects having common observable characteristics. It is the aggregate of all that conforms to a given specification. Bryman and Bell (2003) defines population as basically the universe of units from which the sample is to be selected in this study, the population of interest is the registered family owned small and medium manufacturing enterprises by Kenya Association of Manufacturers located in Nairobi City County.

However, there are no records distinguishing family and non-family owned enterprises during business registration process in Kenya. The situation is not only found in Kenya but also in other countries. According to Floren (2003) and Venter (2003), the unavailability of family enterprises databases and their secretive nature makes the field of family businesses a challenging area of study.

Therefore, the only option was to make a preliminary survey of those enterprises registered under KAM to ascertain they are family businesses as per the operational definition of family business. This is a common practice among family business studies facing unreliable database in many countries (Venter, 2003). The population

of the study was based on the listed KAM (2015) members in the manufacturing and production sectors based in Nairobi County. This is because they are in the same area and are exposed to the same business environment.

The sectors include: Chemical and Allied 69, Foods and Beverages 174, Pharmaucetical and Medical Equipment 20, Textiles and Apparels 60, Metal and Allied 80 and Footwear and Leather 7. The total population was 410 enterprises. This provided a suitable representation of the Kenyan economy with varied representation of business ownership hence justifying the selection of this study as shown in Table 3.1 below.

Table 3.1: Target Population

Sector	Target Population	Percentage of the total
Chemical and Allied	69	16.9
Food and Beverages	174	42.4
Pharmaceutical and Medical Equipment	20	4.9
Leather and Footwear	7	1.7
Textiles and Apparels	60	14.6
Metal and Allied Sector	80	19.5
Total	410	100

3.5 Sampling Frame

Sampling frame is a list of all individuals or items to be considered in a particular study (Oso & Onen, 2009). This survey was done from a list provided by KAM in the Kenya Manufacturers and Exporters directory (2015). Due to the unavailability of database on family owned small and medium enterprises defining a sampling unit was done in two stages. The first stage was to develop a family business sampling frame from the trade directory provided by KAM as there are no records on family businesses existing in Kenya. The second stage was to identify family owned SMEs from among the sampling frame.

West-head and Cowling (1999) acknowledges that preliminary survey can be done by use of telephone calls and mailing using two criteria to identify family owned enterprises. The respondents were required to answer Yes/No to two questions whether ownership and management control of the business is dominated by family members and whether the business is perceived to be a family business. This stage is important as the study was focusing on SMFEs as explained in the Kenyan Sessional Paper No 2 of 2005 and by the World Bank. For the purpose of this study, SMFEs are those with less than Ksh 50 million annual turnover and 6-50 employees.

3.6 Sample Size and Sampling Technique

A subset of the total population which can act as a true representative is known as a sample (Oso & Onen, 2009). There are two types of sampling technique, non-probabilistic and probabilistic. In the case of non-probabilistic sampling, the respondents were selected subjectively while in probabilistic sampling, all respondents had an equal chance of being selected (Oso & Onen, 2009).

The study adopted non probability convenience sampling procedure, a process of acquiring sampling units or people who are most conveniently available. This is an effective way of obtaining a large number of completed questionnaires (Zikmund 2005). The sampling technique was used by other researchers who faced the challenge of lack of a national database on family businesses (Sonfield & Lussier 2004; Van & Ellis 2007).

Simple random sampling was used to select 201 SMFEs. According to Schindler te.al (2011), simple random sampling ensures that each unit has an equal probability of being chosen, and the random sample is the most representative of the entire population and least likely to result in bias. It has statistical properties that allow the researcher to make inferences about the population, based on the results obtained from the sample. For a survey design based on a simple random sample, the sample size required can be calculated according to the following formula (Kothari, 2011).

$$n = \frac{Z^2 \times (1-p)}{m^2}$$

$$m^2$$

Where: n = required sample size

Z = confidence level at 95% (standard value of 1.96)

p = estimated percentage prevalence of the population of interest – 10%

m = margin of error at 5% (standard value of 0.05)

Therefore, the sample size was be;

$$n = \frac{(1.96^2 \times 0.5 \times 0.5)}{0.069^2} = 201.$$

$$0.069^2$$

Mathematically the study considered 201 respondents who were drawn from the study target population. Stratified sampling technique was used to draw the respondents from six manufacturing sectors as shown in Table 3.2, as per the sector in which the performance of manufacturing family owned enterprise operates.

Table 3.2: Sample Size

Sector	Sample	Percentage of the total
Chemical and Allied	34	16.9
Food and Beverages	85	42.4
Pharmaceutical and Medical Equipment	10	4.9
Leather and Footwear	4	1.7
Textiles and Apparels	29	14.6
Metal and Allied Sector	29	19.5
Total	210	100

3.7 Research Instruments

A standardized questionnaire was developed that captured the variables under study, and for the independent variables, a modified questionnaire of Hartenian and Gudmundson, (2000) cited by Ojokuku and Sajuyigbe, (2014) was adopted. The questionnaire was divided into 6 sections namely; Background information, Innovativeness, Proactiveness, Risk taking, Competitive Strategy and Firm Performance. The main instrument that was used to collect primary data for this research was a closed-ended and open-ended questionnaire. Creswell (2014), states that closed-ended questions are practical because all individuals answers the questions using the response options provided. This enabled the researcher to conveniently compare responses.

Closed-ended questions were useful for sensitive questions therefore respondents were more comfortable knowing the indicators of response options. They also provided a means for coding responses or assigning a numeric value and statistically analyzing the data. It also facilitated the work of tabulation and analysis after data classification through coding (Kothari, 2013). They helped the respondents and the researcher to make quick decisions to choose among the several alternatives and to code the information easily for subsequent analysis. The closed ended questions were aimed at giving precise information which minimized information bias and facilitated data analysis.

All questions using a nominal, ordinal or Likert or ratio scale were considered closed (Sekaran, 2010). The likert type format was selected because it gives equal-interval data. This allows for the use of more powerful statistics to test the research variables (Kies & Bloomquist, 2009). For the closed ended questions the respondents were required to select answers from among the list provided by the researcher. The open ended questions gave respondents freedom to express themselves.

According to Kothari (2013), the advantages of a questionnaire over other instruments include; there is low cost even when the universe is large and is widely spread geographically, it is free from the bias of the interviewer; answers are in

respondents' own words, the respondents have adequate time to give well thought out answers, respondents, who are not easily approachable, can also be reached conveniently, large samples can be made use of and thus the results can be made more dependable and reliable. Secondary data was collected through evaluation of organizational journals, reports, and publications.

3.8 Data Collection Procedure

The researcher obtained an introductory letter from the University and a research permit from National Research Council. Two research assistants were recruited and trained so that they were able to get quality results. The questionnaires were self-administered. The advantage with self-administered questionnaires is that they cost less than personal interviews and they also enable the researcher to contact participants who might otherwise be inaccessible. The target participants were the SMFEs Founders, the C.E.Os, the Directors and the Managers. These target participants were easy to identify, and they fully understood the enterprises mission and vision, growth history, the strategies adopted in the past, present and the future prospects in order to ensure the continued performance of the enterprises.

The enterprises were first contacted and the intention to drop the questionnaires and the request to do so explained to the C.E.Os/Managers. The research assistants delivered the questionnaires to the respondents and waited for them to be filled. Respondents who were not be in a position to fill questionnaires that day, were given a week after which the research assistants returned to collect them. The number of questionnaires that were utilized to collect data for this study was 201.

3.9 Pilot Testing

To check and improve reliability and validity, a pilot study was undertaken outside the research area to avoid contamination. The purpose of pilot testing was to establish the accuracy and appropriateness of the research design and instrumentation and to provide proxy data for selection of a probability sample (Saunders, Lewis, & Thornhill, 2009).

The questionnaire was pilot tested on 20 respondents which is 10% of the total sample according to Mugenda and Mugenda (2008). The respondents were distributed in 6 enterprises that were purposefully arrived at but which were not targeted during the main study. 18 questionnaires were received back which amounted to 90% of those distributed. The questionnaires received back were referenced and coded to facilitate data entry. This helped the researcher to assess the clarity of the questionnaires. After pilot testing, the questionnaire was revised to incorporate the feedback that was provided. Data validity helps to generalize of the gathered data to reflect the true characteristics of the study problem.

3.9.1 Reliability of the Research Instrument

The questionnaire was pretested to ensure clarity and content validity prior to them being administered. Reliability is the stability or consistency of scores over time and validity refers to the extent to which an instrument truly measures that which it was intended to measure or how truthful the research instruments are (Golafshani, 2003). The need to test for reliability is to ensure that scores from an instrument are stable and consistent. This is because scores should be nearly the same when the researcher administers the instrument multiple times at different times. When an individual answers certain questions in one way, the individual should consistently answer closely related questions in the same way (Creswell, 2014).

According to Kipkebut (2010) cited by Waiganjo (2013), data reliability, which is a measure of internal consistency and average correlation was measured using Cronbach's alpha coefficient which ranges between 0 and 1 as cited by Waiganjo (2013). Higher alpha coefficient values means that scales are more reliable. Since the Cronbach's alpha values of all the variables were above 0.7, this implied that the instruments are sufficiently reliable for measurement. Factor analysis was done and any items that had a factor loading of less than 0.4 were dropped. As a rule of thumb, acceptable alpha should be at least 0.70 or above (Sekaran & Bougie, 2013).

Table 3.3: Cronbach Alpha Ranges

Internal Consistency	Internal Consistency
Excellent	$\alpha \geq 0.9$
Good	$0.8 \leq \alpha < 0.9$
Acceptable	$0.7 \leq \alpha < 0.8$
Questionable	$0.6 \leq \alpha < 0.7$
Poor	$0.5 \leq \alpha < 0.6$
Unacceptable	$0.5 > \alpha$

Source: Sekaran and Bougie (2013)

3.9.2 Validity of the Research Instrument

To ensure validity, the outcome of the pilot study was discussed with the supervisor. Validity had to do with how accurately the data obtained in the study represents the variables of the study. There was need to develop sound evidence to demonstrate that the test interpretation (of scores about the concept or construct that the test is assumed to measure) matched its proposed use (Creswell, 2014). The pilot results led to improvements and additions in the questionnaire. Corrections suggested by the supervisor were adopted into the research instrument before the instrument was used for data collection.

3.10 Data Analysis and Presentation

Sekaran (2010), indicates that there are three objectives in data analysis which include: getting a feel for the data. A feel for the data gives the researcher an idea of how well the respondent have reacted to the questions in the questionnaire and how good the questions or items and measures are. This includes descriptive statistics such as the response rate, mean and standard deviations of the observed variables, it also tests the goodness of the data. Establishing the goodness of the data gives credibility to subsequent analysis and findings since it measures the reliability and validity of the measures used in the study. The third objective is testing hypotheses

developed for the research. When the data is ready for analysis, the researcher is ready to test the hypothesis already developed using appropriate statistical tests (Sekaran, 2010).

All the questionnaires received were referenced and those items in the questionnaires were coded to facilitate data entry. The study generated both quantitative and qualitative data. The quantitative data collected was analysed by calculating response rate with descriptive statistics such as mean, median, standard deviation and proportions using Statistical Package for Social Sciences (SPSS) version 21 and Microsoft Excel. Inferential data analysis was carried out by the use of factor analysis and correlation analysis to determine the strength and the direction of the relationship between the dependent variable and the independent variables. Regression models were fitted and hypothesis testing carried using multiple regression analysis and standard F tests and t tests.

Qualitative data was analysed using content analysis in which keywords and phrases that kept on re-occurring were identified and manual themes developed, which became the basis for coding. The code categories were based on the research questions of the study and were entered into a computer that developed pattern codes to group the summaries of data into a smaller number of sets themes. The researcher used Microsoft Excel, to analyse the frequencies of the emerging themes. The frequency of appearance of a particular idea is obtained as a measure of content (Krishnaswamy, Sivakumar, & Mathirajan, 2006). Data was presented in graphs, tables and pie charts. Descriptions of the dependent, moderating and independent variables were established and test for normality of the dependent variable done.

3.10.1 Statistical Measurement Model

Sekaran (2010), states that multiple regression analysis attempts to determine whether a group of variables predict a given dependent variable and hence attempt to increase the accuracy of the estimate. The multiple regression model for this study

was as follows: Multiple linear regression model with dependent variable (Y) – firm performance, independent variables X₁ (Innovativeness), X₃ (Proactiveness), X₂ (Risk taking), moderating variable Z (Competitive Strategy) were used to show whether the stated independent variables significantly influenced firm performance. Models used in the study was as summarised in Table 3.4.

Table 3.4: Summary of Proposed Research Objectives, Hypotheses and Analytical Models

Objective	Hypotheses	Analytical Models	Interpretation
To examine the effect of innovativeness on the performance of manufacturing family owned enterprise in Nairobi County.	H ₀₁ . Innovativeness has no significant effect on performance of manufacturing family owned enterprises in Nairobi County.	Simple and multiple regression	R ² to test to show the explanatory power of innovativeness on firm performance. Change in R ² to show the moderating effect competitive strategies on relationship between innovativeness and firm performance.
		$Y = \alpha + \beta_1 X_1 + \epsilon$	
To determine the effect of risk taking on the performance of manufacturing family owned enterprises in Nairobi County.	Risk taking has no significant effect on performance of manufacturing family owned enterprises in Nairobi County.	Simple and multiple regression	R ² to test to show the explanatory power of risk taking on firm performance. Change in R ² to show the moderating effect competitive strategies on relationship between risk taking and firm performance.
		$Y = \alpha + \beta_1 X_1 + \beta_4 Z + \beta_5 X_1 * Z + \epsilon$	
		$Y = \alpha + \beta_2 X_2 + \epsilon$	
		$Y = \alpha + \beta_2 X_2 + \beta_4 Z + \beta_6 X_2 * Z + \epsilon$	

Objective	Hypotheses	Analytical Models	Interpretation
To establish the effect of proactiveness on the performance of manufacturing family owned enterprises in Nairobi County.	Proactiveness has no significant influence on performance of manufacturing family owned enterprises in Nairobi County	Simple and multiple regression $Y = \alpha + \beta_3 X_3 + \epsilon$ $Y = \alpha + \beta_3 X_3 + \beta_4 Z + \beta_7 X_7 * Z + \epsilon$	R^2 to test to show the explanatory power of proactiveness on firm performance. Change in R^2 to show the moderating effect competitive strategies on relationship between proactiveness and firm performance.
To establish the moderating effect of competitive strategies on the relationship between entrepreneurial orientation and the performance of manufacturing family owned enterprises.	. Competitive strategies have no significant moderating effect on the relationship between entrepreneurial orientation and the performance of manufacturing family owned enterprises in Nairobi City County.	Multi regression $Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \epsilon$ $Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 Z + \epsilon$ $Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 Z + \beta_5 X_1 * Z + \beta_6 X_2 * Z + \beta_7 X_3 * Z + \epsilon$	R^2 to test to show the explanatory power of entrepreneurial orientation on firm performance. Change in R^2 to show the moderating effect competitive strategies on relationship between entrepreneurial orientation and firm performance.

In Table 3.4,

Y = Firm Performance

β_0 = Constant

Z = Moderating Variable (Competitive Strategy)

X₁ = Innovativeness

X₂ = Proactiveness

X₃ = Risk taking

ε = Error term

β_1 = Regression coefficient of variable X₁

β_2 = Regression coefficient of variable X₂

β_3 = Regression coefficient of variable X₃

β_4 = Regression coefficient of variable Z

β_5 = Regression coefficient of variable X₁ *Z

β_6 = Regression coefficient of variable X₂ *Z

β_7 = Regression coefficient of variable X₃ *Z

3.10.2 Hypotheses Testing

F test (ANOVA- analysis of variance) was done to establish the significance of the multiple linear regression models. This test checked the significance of the whole regression model with the hypothesis that all the independent variables i.e. Innovativeness, Proactiveness, Risk taking and Competitive Strategy had no influence on the dependent variable (firm performance) that is Ho: $\beta_1=\beta_2=\beta_3=\beta_4= \beta_5=$

0 and the alternative hypothesis, that at least one of the independent variable is not equal to zero that is $H_1: \beta_j \neq 0; j=1, 2, 3, 4, 5$.

The null hypothesis is rejected if the p-value is greater than the common alpha level of 0.05, which indicates that it is not statistically significant. In this study, an analysis of partial correlation between variables was also determined. Kothari (2014) points out that partial coefficient of correlation measures separately the relationship between two variables in a way that the effects of other related variables are eliminated; the aim of the analysis is to measure the relationship between an independent variable on the dependent variable holding all other variables constant; thus each partial coefficient of correlation measures the effect of its independent variable on dependent variable as cited by Ojokuku and Sajuyigbe (2014).

3.10.3 Variable Definition and Measurement

To measure the research variables, the study determined first the parameters of each independent variable and employed ordinal/likert scale to measure the independent variables. The scale comprised of an ordinal scale of 1-5 (1=strongly disagree, 2=disagree, 3= neutral, 4=agree, 5= strongly agree). Family Owned Enterprises Performance is the dependent variable of the study which was measured using two dimensions namely; sales volume and net profit of the firm for the last five years.

Innovativeness is the firm's tendency to engage in and support new ideas, novelty, experimentation and creative process which may result in new products, services or technological processes (Lumpkin & Dess, 1996). As an independent variable of the study, it was measured using two dimensions: introduction of new products and adoption of new technology. For the analysis of this study ,the following parameters were used to measure innovativeness; whether the enterprise prefers to scan the market and come up with new and updated products to satisfy emerging markets, number of changes in product design and type, whether the firm encourages research and innovative ideas and always acts on them, if the firm encourages use of the latest production methods and processes, whether the firm always encourages the latest

technology in the industry and if the firm puts strong emphasis on Research and Development and improvements of current products/services.

Risk taking is the degree to which managers are willing to take bold actions by venturing into the unknown, borrowing heavily and committing significant resources to ventures with uncertain environments (Frese & Rauch, 2009). It was an independent variable which was measured by entrance in new markets and the sacrifice for new market share. The parameters used were: firm's inclination for low risk projects, whether the management is quick to take loans for new projects, inclination for risky projects with high rates of return and whether the firm shies away from funding new methods and processes before they are tested in the market and could be risky and whether the firm goes to the extent of sacrificing profit to gain market share.

Proactiveness refers to the ways firms relate to market opportunities in the process of new entry and how they seize such opportunities in order to shape the environment (Wang, 2008). In the analysis of the study, it was also an independent variable measured by the identification and exploitation of new opportunities and the adoption of new modes of payment. The parameters used were; in comparison with others, is the enterprise usually the first to enter into new markets, does the enterprise lead in establishing new production procedures and other activities, whether the firm monitors the market and responds fast to the changes than the competitors and whether the firm adopts the new modes of payments in the market.

Competitive Strategy refers to the organizations' approaches and its initiatives to attract customers as well as to withstand competitive pressures and strengthen its market share (Thompson, 1996). It was the moderating variable of the study measured by variety of products, the overall costs incurred by the business and share of the niche market. The parameters used were; whether the firm tries to maintain the lowest administrative costs, firms appeal to all levels of customers due to low costs, firms' ability to minimize its costs as much as possible, application of price manipulation tactics by the firm, the ability to offer a variety of products in a single product line, the reputation on quality products offered, its ability to track changes in

customer's needs and wants, whether the assortment of products offered helps capture all levels and types of customers and the uniqueness of the firms' products designs. Niche market was measured by the following parameters; whether the firm has centralized its operations, are there special considerations given to certain customers and whether the firm concentrates on developing a specific product line.

Table 3.5: Operationalization of Variables

Variable	Measures	Question/page
Family owned enterprises performance	Sales volume	19
Innovativeness	Net profit	20
	Introduction of new products	12, a, b, c
	Adoption of new technology	12, d, e, f
Risk taking	Entrance in new markets	13,a, b, c
	Sacrifice for new market share	13,d, e
	Identification and exploitation of new opportunities	15, a, b, c
Proactiveness	Adoption of new modes of payment	15,d
	Variety of products	17(i), a, b, c
Competitive Strategy	Overall costs	17(ii) ,a, b, c, d
	Share of niche market	17(iii) ,a, b, c, d

3.11 Research Ethics

Sekaran and Bougie (2013) defines ethics as norms for conduct that distinguish between acceptable and unacceptable behaviour, thereby protecting all the subjects in the research. The study collects sensitive information; therefore, the researcher holds a moral obligation to treat the information with utmost modesty. The researcher assured the respondents confidentiality of the information given to ensure that the respondents were not reluctant to give the information as sought by the study.

Further, the study assured the respondents that the information collected was treated with anonymity. Participation in the study by respondents was voluntary and no forms of incentives or rewards were given to encourage individuals to participate.

Also, the researcher did not pressurize or coerce anyone to participate and assured the respondents that they could withdraw from the study at any point if they felt uncomfortable.

CHAPTER FOUR

RESEARCH FINDINGS AND DISCUSSIONS

4.1 Introduction

The current chapter describes the methods applied in order to achieve the study objectives. The data analysis was carried out in line with the study objectives from which the patterns were investigated, interpretations done and conclusions drawn. The main objective of the study was to find out the effects of entrepreneurial orientation on the performance of small and medium family owned enterprises in Nairobi City County.

Specifically the study sought to: examine the effect of innovativeness on the performance of small and medium family owned enterprises, to determine the effect of risk taking on the performance of small and medium family owned enterprises, to establish the effect of proactiveness on the performance of small and medium family owned enterprises and to establish the moderating effect of competitive strategies on the effect of entrepreneurial orientation on small and medium family owned enterprises performance. Both descriptive and inferential statistics were used to analyse the data. The chapter was organized as follows: response rate, reliability and validity analysis, background information, descriptive analysis, hypotheses testing and discussion of the study findings.

4.1.1 Response Rate

From the data collected, out of the 201 questionnaires administered, 196 were filled and returned, which represents 97.5% response rate. This response rate is considered very satisfactory to make conclusions for the study. Mugenda and Mugenda (2007) have observed that a 50% response rate is adequate, 60% is good while 70% response rate is very good. Babbie (1990) argues that a return of 50% is adequate while Bailey (1987) accepts 75% as adequate. The high response rate recorded can be attributed to the data collection procedures used in the study. The respondents were pre-notified of their possible participation in the study.

The questionnaires were self-administered to the management of small and medium family owned enterprises in Nairobi County. In addition, follow up calls were made so as to clarify all issues which emerged during the process of data collection. Compared with other studies in entrepreneurial orientation, the response rate is better by far. A study by Mehrad et. al (2011) on entrepreneurial orientation and innovation performance had a response rate of 44.5 % while Belgacem (2015) on entrepreneurial orientation and performance on Tunisian firms had 40 % response rate.

Table 4.1: Response Rate

Questionnaire	Frequency	Percentage
Returned	196	97.5
Non-returned	5	2.5
Total	201	100

4.1.2 Reliability and Validity Analysis

The reliability of an instrument refers to its ability to produce consistent and stable measurements. The most common reliability coefficient is the Cronbach's alpha which estimates internal consistency by determining how all items on a test relate to all other items and to the total test - internal coherence of data. The reliability is expressed as a coefficient between 0 and 1.00. The higher the coefficient, the more reliable is the test. In order to ensure the reliability of the research instrument, the Cronbach's Alpha was used in this study. Results in Table 4.2 indicate that the least reliability coefficient was 0.7 and the highest was 0.95 hence the research instrument was reliable.

Table 4.2: Reliability Statistics

Entrepreneurial Orientation	Number of Items	Reliability Cronbach's Alpha	Comments
Innovativeness	6	0.95	Accepted
Risk taking	5	0.70	Accepted
Proactiveness	4	0.85	Accepted
Competitive Strategy	12	0.84	Accepted

Validity refers to the degree to which an instrument measures what it is supposed to measure. The research instrument was discussed with the lecturer prior to piloting. It was further pretested with 20 respondents. Face and content validity were tested through respondents understanding of the research instrument. Through their feedback the research instrument was restructured to improve its clarity and enhance coherence of the questions. In addition, two tests; namely Kaiser-Meyer-Olkin measures of sampling adequacy (KMO) and Bartlett's test of sphericity were applied to test whether the correlation between the study variables exist as shown in Table 4.3. The Kaiser-Meyer-Olkin measures of sampling adequacy show the value of test statistic as 0.678 and p-value <0.5. Bartlett's test of sphericity had a chi-square value of 760.44 p value of 0.000. Since the p value is less than 0.05 then there is a relationship among the study variables to be investigated.

Table 4.3: KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling	0.678
Bartlett's Test of Sphericity	
Approx. Chi-Square	760.44
Df	136
Sig.	0.000

4.2 Descriptive Statistics for Background Information

The respondent's background information was sought. The data collected was on gender, age, highest level of education attained, job title, years of employment in the current firm, age of the firm, legal business ownership, area of business operations, family members engaged in the firm and number of employees working in the firm. Since the responses were in both categorical and dichotomous measurement both frequency and percentage were used to summarise the data which was presented in both tables and figures.

4.2.1 Gender

The pictorial presentation in figure 4.1 depicted that majority; 64% of the respondents were male and 46% were female. This implies that most of the small and medium manufacturing family owned enterprises are usually managed by male family members. The findings concur with those of Hoof and Nandram (2012) who argued that women are less interested in self-employment. On the other hand, Athmann (2011), argued that though gender is an important aspect in entrepreneurship for the survival and sustainability of SMEs, women especially in Africa and other Asian countries are disadvantaged by among other things cultural beliefs. The Kenyan constitution however, recognizes gender equality (RoK, 2010) in all spheres in the economy therefore there is need to encourage women into entrepreneurship as a measure of economic empowerment.

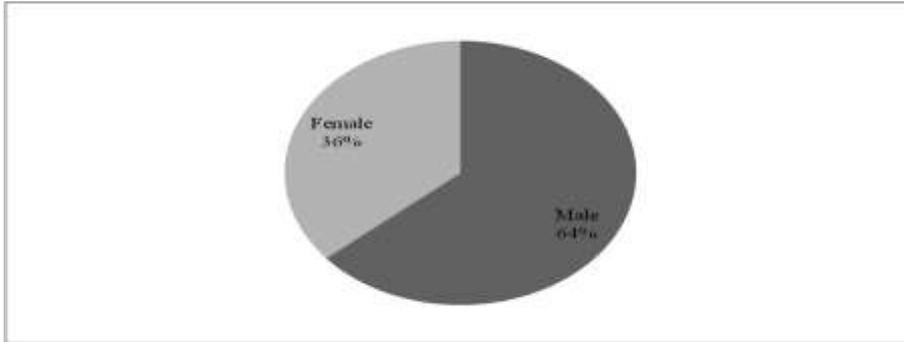


Figure 4.1: Gender

4.2.2 Age

In the study the age groups were categorized into three; 18-35, 36-50 and over 50 years. Figure 4.2 indicate that 54.6% of the respondents aged between 36-50 years, followed by 26% who aged between 18-35 years and 19.4% who aged above 50 years. This implies that most of the small and medium manufacturing family owned enterprises are sources of employment for both middle aged and youthful Kenyans. There is therefore need to come up with incentives so as to attract more youth into entrepreneurship. This will ultimately alleviate the high levels of unemployment, poverty and a reduction of other social evils in the country.

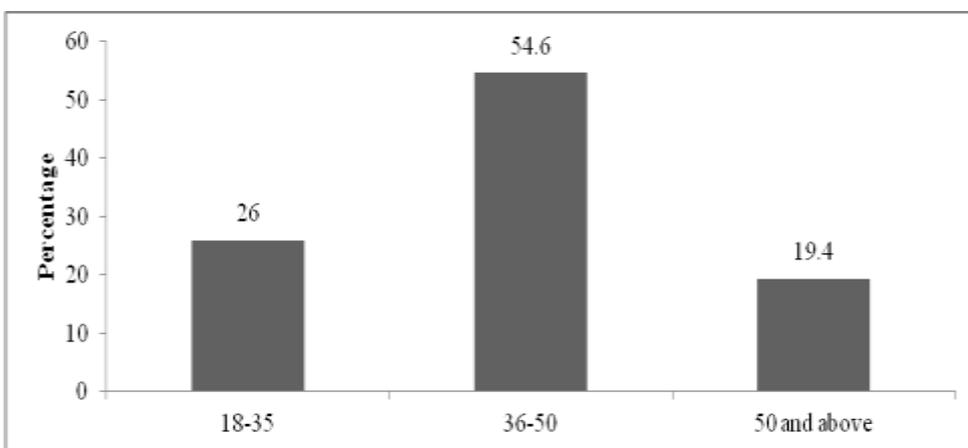


Figure 4.2 :Age

4.2.3 Highest Level of Education Attained

Further, the study sought to examine the highest level of education which was attained by the respondents. Both frequency and percentages were tabulated in Table 4.4. Majority 44.4% of the respondents had attained college education, 32.7% had secondary education and 23% had university education. From the findings, the small and medium manufacturing family owned enterprises are run by people who have had formal education and therefore are knowledgeable and skillful; hence there were better chances of positive performance.

Table 4.4: Highest Level of Education Attained

Education Level	Frequency	Percent
Secondary	64	32.7
College	87	44.4
University	45	23
Total	196	100

4.2.4 Job Title

In addition, most of the respondents, 33.2% were chief executive officers, 26.5% were either directors or managers and 13.8% were the owners of these small and medium manufacturing family owned enterprises. They were therefore very conversant with the vision, the mission, the objectives and the strategies put in place by the firms.

Table 4.5: Job Title

Job Title	Frequency	Percent
Owner	27	13.8
Chief executive officer (CEO)	65	33.2
Director	52	26.5
Manager	52	26.5
Total	196	100

4.2.5 Working Experience

Results in Table 4.6 indicate that majority 29.6% had a job experience of between 6-10 years or 11-15 years, followed by 16.3% who had worked for a period ranging 16-20 years and 12.8% had worked for more than 20 years. From the findings it can be deduced that most of the respondents working in the small and medium manufacturing family enterprises had on the job skills, substantial experience in their work which can be translated to mean that they were competent in their jobs. This can be taken to mean that their performance at work was satisfactory.

Table 4.6: Working Experience

Working Experience	Frequency	Percent
1 - 5 years	23	11.7
6- 10 years	58	29.6
11-15 years	58	29.6
16 - 20 years	32	16.3
More than 20 years	25	12.8
Total	196	100

4.2.6 Business Age

Business age can be categorized as incubation, growth or maturity stage. Results in Table 4.7 shows that most 37.2% of the businesses aged between 11-15 years, followed by 25% which aged between 16-20 years while 17.9% aged more than 20 years. From the findings it can be deduced that only a few businesses were in the incubation stage. This means that the others had successfully gone through the initial business cycles where the cost of operations are very high especially due to low sales as the product is unfamiliar to the customers and high costs of advertising and promotions among others. These were well established businesses, tried and tested, able to attract new customers as well as retaining their loyal customers and thus they are expected to be making substantial profits.

Table 4.7: Age of the Firm

Age of the firm	Frequency	Percent
1 - 5 years	14	7.1
6- 10 years	25	12.8
11-15 years	73	37.2
16 - 20 years	49	25
More than 20 years	35	17.9
Total	196	100

4.2.7 Legal Business Ownership

The diagrammatic representation in Figure 4.3 shows that most (39.3%) of the family owned enterprises were partnerships, followed by 33.7% which were formed as sole proprietorship and 27% which were private limited companies. This implies most families would be benefiting from the heterogeneous skills composition among the family members.

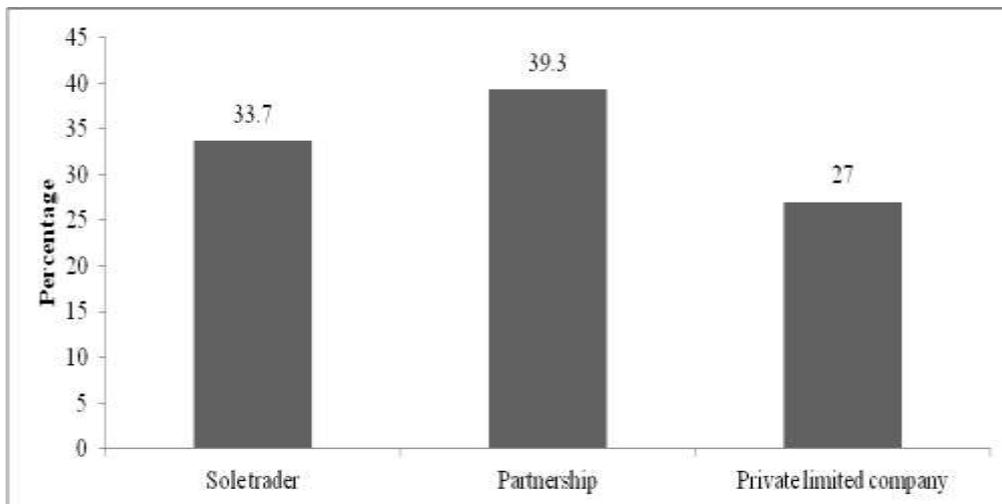


Figure 4.3: Legal Business Ownership

4.2.8 Industry of Operation

There are different manufacturing sectors in which family enterprises are involved in; as shown in Table 4.8 most 45.9% of the enterprises are in food and beverages, 17.3% in chemical and allied, 14.8% in either metal and allied or textile and apparels. This shows that most of the manufacturing firms were involved in food and beverages production.

Table 4.8: Industry of Operation

Industry of operation	Frequency	Percent
Food and beverages	90	45.9
Chemical and allied	34	17.3
Pharmaceutical and medical equipment	10	5.1
Leather and foot wear	4	2.1
Textile and Apparels	29	14.8
Metal and allied	29	14.8
Total	196	100

4.2.9 Family Members Employed in the Business

Family enterprises can be found as the basis for providing employment among the family members. Majority 33.2% reported that they had employed two of their family members, followed by 29.1% who had engaged three family members, 13.3% had engaged four of their family members and only 1% had engaged more than six family members. This implies that there were high chances of sustaining the family enterprises upon the retirement of the founder members. It is important that a firm adopts a high level of participative strategy whereby different generation of those family members who are interested in entrepreneurship are engaged in an open and direct discussion about the innovation and the vision of the business. The larger the

number of generations actively involved in the family business, the stronger the focus of the firm towards innovation (Zahra, 2005).

Table 4.9: Family Members Employed in the Business

Family members	Frequency	Percent
One	18	9.2
Two	65	33.2
Three	57	29.1
Four	26	13.3
Five	13	6.6
Six	15	7.7
More than six	2	1
Total	196	100

4.2.10 Employees Working in The Firm

The number of employees working in a firm can be used as a basis of classification into small, medium or microenterprises. Results in Table 4.10 shows that majority 32.7% had less than 10 employees, followed by 23.5% with between 11-20 employees, 8.7% were solely run by the owners and 1.5% had more than 50 employees. From the findings it can be deduced that most of the manufacturing family enterprises are small and medium enterprises. There is need to increase the resources required to propel their growth so as to create employment opportunities and promote economic growth in the country.

Table 4.10: Employees Working in The firm

Number of employees	Frequency	Percent
None	17	8.7
Less than 10	64	32.7
11-20	46	23.5
20- 30	30	15.3
30- 40	18	9.2
40 – 50	18	9.2
Above 50 employees	3	1.5
Total	196	100

4.3 Entrepreneurial Orientation and Performance of the Small and Medium Family Owned Enterprises

The main objective of the study sought to examine the effect of entrepreneurial orientation on the performance of small and medium family owned enterprises. The study adopted three constructs of EO; innovativeness, risk taking and proactiveness.

4.3.1 Innovativeness and Performance of the Small and Medium Manufacturing Family Owned Enterprises

The first objective of the study sought to examine the effect of innovativeness on the performance of the small and medium manufacturing family owned enterprises in Nairobi County. The respondents were asked whether they prefer to scan the market and come up with new and updated products to satisfy the emerging markets. Since the data was in ordinal scale, mean, standard deviation, frequency and percentages were used to analyse the data as summarized in Table 4.11. Majority, that is 38.3% agreed, while 14.3% strongly agreed that they prefer to scan the market and come up with new and updated products. As observed, the globalization process and liberalization of the markets has changed how business is done today. Every

entrepreneur who wants to be successful in today's world of business must up his/her game by ensuring that he is continuously on the lookout for the changes taking place in the market, identifying new or existing opportunities as well as giving the customers updated and quality products. Businesses must intensify their search for strategies that will give them sustainable competitive advantage which requires that an organization must continuously update its products (Popadiuk & Choo, 2007). As a dimension of innovativeness, new product development is positively correlated with the performance of family firms (Alberti & Pizzurno, 2013). Likewise, product innovation can bring about corporate success (Kraus *et al.*, 2012).

On being asked whether changes in the firm's products both in design and type had been many, 37.8% agreed, 22.4% strongly agreed and 6.1% strongly disagreed. Innovative firms come up with new discoveries and unique product designs that bring about value addition to their products and services as well as enlarging their product lines in order to give their customers a wide range of products to choose from. Oscar *et al.* (2013) argues that innovation is the tool used by entrepreneurs to take advantage of scientific and technological discoveries which when commercialized helps in bringing up new discoveries resulting in value addition of goods and services and processes for the customers.

Whether the firm encourages and supports research and innovative ideas and always acts on them, 41.8% agreed, 25% strongly agreed and 10.2% disagreed that their enterprises does so. In order to always meet the demand for high quality products and also be able to continually be among the first to identify the existence of new or existing opportunities, a firm must intensify its research and development, (Loof & Heshmati, 2006). These firms are able to come up with innovative and unique products and services which gives them a competitive advantage in the market. Mairesse and Mohnen (2009) in their survey also concurred that R & D has a positive effect on firm performance.

On being asked whether the firm encourages the use of the current production methods and processes, majority 39.3% agreed and 38.3% strongly agreed that their firms do so. Today's customer is more enlightened than ever before. Technological

advancement and the growth of information and communication systems means that firms must adapt to the new and upcoming processes and production methods in order to enhance efficiency in their operations as well as to satisfy the ever-changing tastes and preferences of their customers. This also reduces the cost of production for the enterprises.

Whether the firm always adopts the latest technology in the market, 36.2% agreed, 33.2% strongly agreed and 9.7% strongly disagreed. It is worth noting that any new technology replaces an old one. Though it is expensive to buy and install a new technology, it significantly brings about improvements in the firms' operations, enhances business efficiency, reduces production costs, and brings customers satisfaction due to quality goods and services as well as giving the firm a competitive edge (Podler *et al.*, 2010).

Finally, on being asked if the firm puts strong emphasis on research and development and improvement of the current products and services, majority 45.4% agreed, 14.8% strongly agreed and 11.2% disagreed. The globalization process has brought stiff competition in the world markets and shortened product life cycles. This has left the small and medium enterprises with no choice in spite of the capital constraints, but to engage in more research and development about continuously improving and updating their products and services as well as giving their customers unique and quality products worth their money, otherwise they would lose them to the competitors (Artz *et al.*, 2010).

Table 4.11: Innovativeness and Performance of Manufacturing Family Owned Enterprises

	N=196					M	SD
	Sd %	D %	N %	A %	SA %		
We prefer to scan the market and come up with new and updated products to satisfy emerging markets	11.2	10.2	26.2	38.3	14.3	3.7	1.2
Changes in our products have been many both in design and type.	6.1	8.2	9.2	37.8	22.4	3.6	1.1
The firm encourages and supports research and innovative ideas and always acts on them.	5.6	10.2	17.3	41.8	25.1	3.7	1.1
Our firm encourages use of latest production methods and processes.	5.1	8.2	9.2	39.3	38.3	4.0	1.1
Our firm always adopts the latest technology in the industry	9.7	5.6	15.3	36.2	33.2	3.8	1.2
Our firm puts strong emphasis on R and D and improvement of the current products and services	5.0	11.2	19.3	45.4	14.8	3.5	1.1
Overall average						3.7	1.1

**M-Mean SD – Standard deviation, %-Percentage Sd- Strongly disagree, D-Disagree, N-Neutral, A-Agree, SA-Strongly agree*

In addition, the study sought the opinion of the respondents on the influence of innovativeness on firm performance. The pictorial presentation in Figure 4.4 shows that 56.1% reported that innovativeness had a very great influence on firm performance. This was followed by 31.1% who perceived innovativeness to have a great extent. In contrast, 7.1% reported that innovativeness had a low extent against 4.1% who perceived innovativeness to have a very low extent.

The findings concur with Lin and Chen (2007); Hilgers (2011) that innovativeness is an important factor to the success of an organisation. This is because it fuels organizational growth, drives future success and is the engine that allows businesses to sustain their viability in a global economy. Atalay *et al.* (2013) also points out that technological innovation (product and process) has a positive and significant

relationship with firm performance. Innovation brings about the success of the firm, its survival as well as creating a sustainable competitive advantage (Jimenez & Sanz-Valle, 2011). It also provides knowledge about how things can be done better than they are been done currently. Kimani (2015) also proved that innovativeness has a positive effect on firm performance. Therefore, every enterprise that wishes to succeed in the liberalized competitive global, regional and local markets must invest in innovativeness. This will ensure that it's able to satisfy the customers changing tastes and preferences, attracting new ones as well as sustaining its competitive advantage.

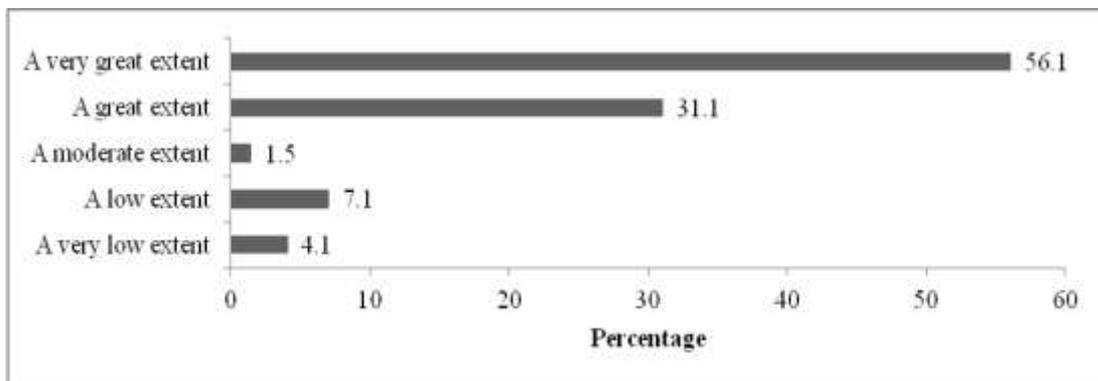


Figure 4.4: Innovativeness and Performance of Manufacturing Family Owned Small and Medium Enterprises

4.3.2 Risk Taking and Performance of Manufacturing Family Owned Small and Medium Enterprises

The second objective of the study sought to determine the effect of risk taking on the performance of manufacturing small and medium family owned enterprises. To achieve this objective, primary data was analyzed using mean, standard deviation, frequency and percentage. The respondents were asked whether the firm has a strong inclination for low risk projects with normal and certain rates of return. Results in Table 4.12 reveal that majority, 49%, (mean =3.7, Standard deviation= 1.2) agreed that their firm has a strong inclination for low risk projects (with normal and certain rates of return). Risk taking is one of the characteristics of entrepreneurs since it

helps enterprises with a foundation to grow and venture into new products without worrying about the outcomes (Lumpkin & Dess, 2006). The firms operating in today's dynamic environment must take risks in order to compete favorably with the competitors and also be able to retain their market share (Clevin & Slevin, 1991).

Secondly, on being asked if the firm's management does not hesitate to take loans for new projects, majority 30.1% agreed and 21.4% strongly agreed that, the management does not hesitate to take loans for new project ventures. An enterprise with risk taking behaviour makes daring decisions to venture into uncertain projects by borrowing huge amounts of money and committing significant resources. The motivation behind such a decision is usually the prospect for better and high returns (Rauch *et al.*, 2009). The risk taking behaviour of a firm portrays the willingness to commit huge amounts of resources to uncertain projects especially in instances where there is a likelihood of very high returns. But this also means that the cost of failure may be very high (Keh *et al.*, 2007; Baker & Sinkula, 2009).

Thirdly, on whether the firm has a strong inclination for high risk projects, 37.8% who were the majority agreed (mean = 4.2, standard deviation = 1.4) that their firm has a strong inclination towards projects with high rates of return. A firm's willingness to adopt to high levels of risk-taking behavior enables SMEs to seize those profitable opportunities even in uncertain environments leading to long term profitability (MacGrath, 2001). Empirically, those firms that take risks are able to realize superior growth and long-term profitability as compared to the risk averse firms (Yang, 2008; Wang & Poutziouis, 2010).

In addition, the respondents were asked if the firm does not shy away from funding new methods and processes even if they have not been tested in the market and could be risky. 56.1% strongly agreed that their firm does not shy away from funding new methods and processes even if they have not been tested in the market and may be risky. In today's highly dynamic business environment and shortened product cycles, there is no guarantee for future profitability of firms from existing operations. This translates that, for continuous sustainability of the profits, firms must

continually seek out new opportunities and invest in projects with high rates of return (Kreiser & Davis, 2010; Zahra & Gavis, 2000).

Finally, on whether the firm goes to the extent of sacrificing profit to gain market share, 43.4% agreed, 36.7 strongly agreed and 7.7% disagreed that their firms goes to the extent of sacrificing profit to gain market share. Kotler (1988) argues that the strategic objective of many firms is to increase their market share as it is believed to bring about greater profitability in future. Empirical studies show that a high market share places a company at a competitive advantage as well as ensuring that the firm benefits from the economies of scale as they receive better prices from suppliers as their purchase in larger quantities among other benefits. The success of the firm is based on the ability to build a growing body of satisfied customers (Cui, Lin & Tang, 2009; Olowale *et al.*, 2017).

Table 4.12: Risk Taking and Performance of Manufacturing Family Owned Enterprises

	N=196						M	SD
	Sd %	D %	N %	A %	SA %			
Our firm has a strong inclination for low risk projects (with normal and certain rates of return)	6.1	13.	6.1	49	25	3.7	1.2	
The firm's management does not hesitate to take loans for new projects ventures	24	19.	4.6	1	21.4	3.8	1.5	
The firm has strong inclination for high risk projects with high rates of return	11.	7	17.	37.	8	27.6	4.2	
The firm does not shy away from funding new methods and processes even if they have not been tested in the market and could be risky	0.5	5.6	4.1	7	33.	56.1	4.4	
Our firm goes to the extent of sacrificing profit to gain market share	1.5	7.7	10.	43.	7	4	36.7	
Overall average						4.0	1.2	

*M-Mean SD – Standard deviation, n-Frequency, %-Percentage Sd- Strongly disagree, D- Disagree, N-Neutral, A-Agree, SA-Strongly agree

Further the study sought to examine the respondent's opinion on the influence of risk taking on firm performance. Figure 4.5 depicted that 42.9% argued that risk taking influenced performance of manufacturing small and medium family owned enterprises to a great extent; this was followed by 29.1% who perceived it to have a very great extent. In contrast 2.6% perceived it to have a very low extent. From the findings, it can be deduced that small and medium family owned enterprises ought to take higher levels of risk in order to enhance their performance.

Ali and Abdel (2014); Verhees, Kloplic and Kuipers (2008) revealed a positive and significant relationship between risk taking and firm performance. Risk taking enables firms to realize a higher growth and long-term profitability in comparison to those firms that avoid taking risks (Abimbisimbwe & Ahabo, 2013; Wambugu, 2015) also showed that risk taking positively contributes to firm success. On the other hand, Wiklund (2010) found that family firms do take risks but at a smaller scale as compared to non-family firms and that risk taking is negatively related to firm performance. A study by Kiprotich (2015), showed that risk taking has no significant effect on SME performance thus agreeing with Wiklund (2010). There is a belief that entrepreneurs are risk takers and that family owned enterprises are risk averse. The underlying fact is that, they do take calculated risks based on the risk return concept. Osborne (1995) reported that entrepreneurs are able to discern the risk levels that they can manage. Entrepreneurial firms take calculated risks. However, they should put in place effective risk management strategies so as to avoid business failure (Cadiuex, 2007). Further, Ansong, (2013) study on risk management argues that risk taking enables the firm to expand its horizon. However, risk management and uncertainty are important entrepreneurial traits. Kyrgidou and Hughes (2009), cited that risk acceptance is an important factor in strategic entrepreneurship. Opportunity recognition and creation involves risk taking, (Ireland et. al., 2003). As a result, SMFEs must not evade risk taking but instead should act entrepreneurially and take moderate risks in order to enlarge their horizons.

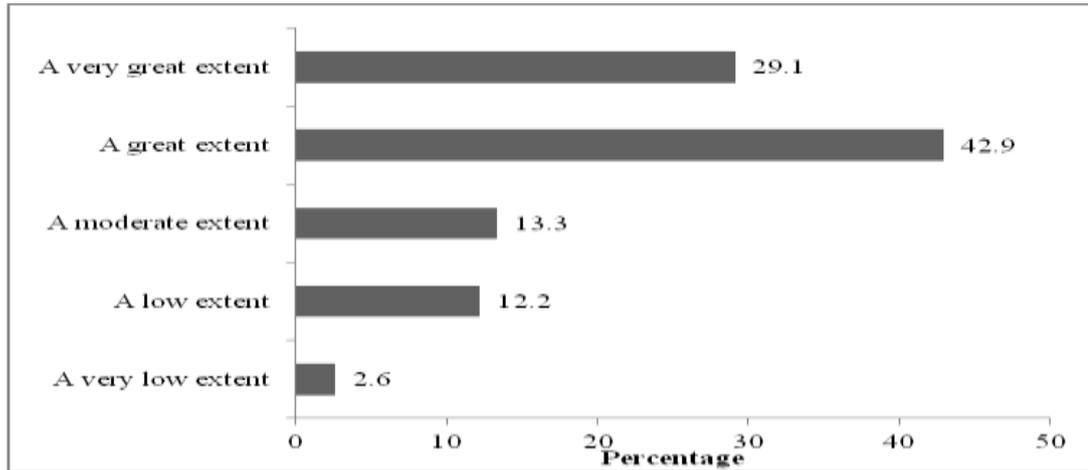


Figure 4.5: Risk Taking and Performance of Manufacturing Family Owned Enterprises

4.3.3 Proactiveness and Performance of Manufacturing Family Owned Enterprises

The third objective of the study sought to establish the effect of proactiveness on the performance of manufacturing small and medium family owned enterprises. To achieve this, the respondents were requested to rate responses on a five-point likert scale and the responses were summarized as shown in Table 4.13 using mean, standard deviation, frequency and percentage. The respondents were asked whether the firm is usually among the first to enter into new markets by introducing new products /services and new methods of production when compared to other firms. Majority (mean =3.9) agreed that, compared to other businesses in the same field, they are usually among the first to enter into new markets by introducing new or improved products and new methods of production. Zahra (1996) argues that proactive firms are usually the pioneers in certain markets and they introduce products/ services that might be in existence but are presented differently or they introduce completely new products/services thus becoming the pioneers in those markets. This gives them the ability to set the standards as well as the power to dictate the rules of the competition. Secondly, on being asked whether the firm tries to be among the leading establishments in the market place to change procedures of

production and other activities in order to lead the market, 45.4% strongly agreed and 39.3% agreed that their firm always tries to do so in order to always lead the market. Technological leadership is one of the benefits acquired by proactive firms. This brings about efficiency and effectiveness in the production process and all other activities in the firm and the overall benefit is a more superior product/services. It is then able to have a competitive advantage over its rivals (Venkatraman, 1989).

The respondents were also asked whether the firm monitors the market and responds more rapidly to the changes than the competitors. 51.5% strongly agreed and 41.8% agreed that they monitor the market and responds more rapidly to the changes than their competitors. Proactive firms will keenly monitor the market and in case there are any changes, they quickly adopt it before the competitors do. This brings about changes in the business environment and such firms are usually among the first to benefit from those efforts (Kraus, 2011).

Finally, on being asked if the firm always adopts the new modes of payment in the industry, 45.4% agreed and 40.3% strongly agreed that the firm always does so. This is based on the fact that entrepreneurs are always on the lookout for any new innovations in form of products, processes, systems and anything else that indicates new opportunities worth of exploitation. Their philosophy is to innovate or die. In the recent past, there has been major transformation in the business environment due to globalization. Thus, organizations have intensified their search for new strategies that will give them a competitive advantage over its rivals (Popadiuk & Choo, 2007; Mehrdad *et al.*, 2011).

Table 4.13: Proactiveness and Performance of Manufacturing Family Owned Enterprises

	N=196					M	SD
	Sd %	D %	N %	A %	SA %		
Compared to other businesses in the same field we are usually among the first to enter into new markets and to introduce new products and new methods of production	3.6	9.7	12.2	38.3	36.2	3.9	1.1
The firm always tries to be among the leading establishments in the market place to change procedures of production and other activities in order to lead the market		6.6	8.7	39.3	45.4	4.2	0.9
The firm monitors the market and responds more rapidly to the changes than our competitors	0.5	1	5.1	41.8	51.5	4.4	0.7
We ensure that the firm has adopted the new modes of payment in the industry	1	3.6	9.7	45.4	40.3	4.2	0.8
Overall average						4.2	0.9

*M-Mean SD – Standard deviation, %-Percentage Sd- Strongly disagree, D-Disagree, N-Neutral, A-Agree, SA-Strongly agree

Results in Figure 4.6 shows that 45.4% perceived proactiveness to have a very strong extent on performance of family owned enterprises, 33.7% rated it to have a great extent and in contrast 5.1% perceived it to have a low extent and 5.6% had a very low extent.

The findings agree with those of Coulthard (2007) that proactiveness is an important ingredient of entrepreneurship. Dean, Shook and Payne (2007) studied the past, present and the future of entrepreneurship research data, analytic trends and training and they found that firms with a proactive posture will always act entrepreneurially and are thus likely to post superior performance. This is supported by a study by Oni (2012) that showed that proactiveness positively affects firm performance. A proactive firm makes bold moves, initiates change, shapes the competitive landscape

rather than just reacting on the moves of others, actively drives demand and markets and it is an industry leader not a follower, (Bateman et.al 1999). Such firms come up with proactive strategies such that when utilized maximally, brings about effectiveness and efficiency in all the organisations operations thus gaining a competitive advantage (Zahra, 1991).

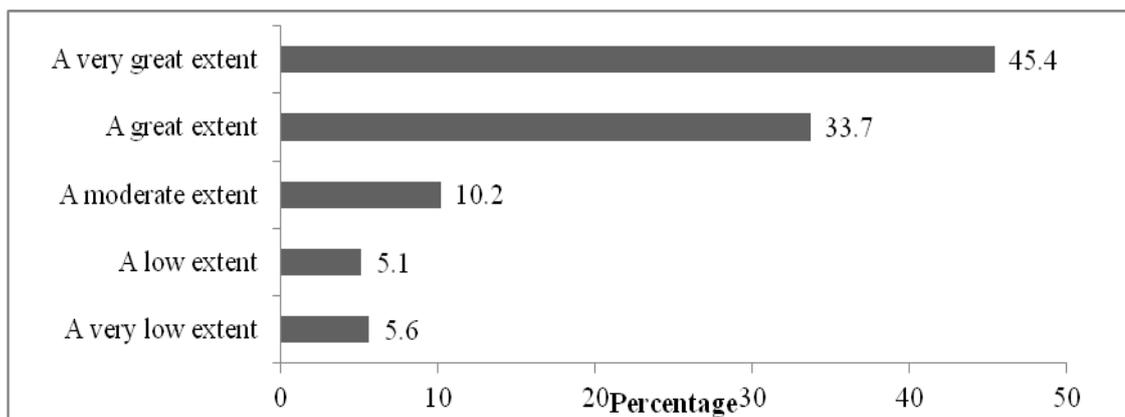


Figure 4.6: Proactiveness and Performance of Manufacturing Family Owned Enterprises

4.3.4 Competitive Strategy and Performance of Manufacturing Family Owned Enterprises

The fourth objective of the study sought to establish the moderating effect of competitive strategies on the relationship between entrepreneurial orientation and the performance of manufacturing small and medium family owned enterprises. The respondents were asked if the firm tries to maintain the lowest administrative costs possible. Majority 49.5% strongly agreed, 30.6% agreed and 3.6% strongly disagreed that the firm tries to maintain the lowest administrative costs possible. Porter argues that for a firm to be able to achieve low cost strategy, it must be able to get rid of all those activities/operations that are not cost effective. It will therefore offer a low level of differentiation, will use that knowledge that has been acquired from the past experience and can only add new products if the customers/market demands. Also, it

should consider outsourcing certain services/activities to and from other firms with a cost advantage (Malburg, 2000).

Secondly, on being asked if the firm appeals to all levels of customers due to low costs, majority 46.9% agreed and 2% disagreed that their firm appeals to all levels of customers due to lower costs. A sustainable low-cost strategy will only be possible if the firm has a large market share. This will enable it to take advantage of the economies of scale, to have access to the capital needed to invest in technology, and the company must have a very efficient logistics and also the cost of labour, materials and other facilities should be low (Hyatt, 2001).

Thirdly, on being asked whether the firm aims at minimising its costs as much as possible, 40.8% agreed and 18.4% strongly agreed that the firm does so. Porter argues that only one firm can be the cost leader in a market (Venu, 2001; Sy, 2002). The low-cost strategy is aimed at creating organisation's efficiency. This entails the organisation's ability to produce goods and services at a lower cost than the competitors. The main objective is usually to have a competitive advantage by offering more goods and services at lower prices. When the firm becomes a cost leader, it has the ability to prevent others from entering the market. However, this low-cost leadership is known to create little customer loyalty and the firm may eventually lose revenue if they lower the prices to a larger extent (Cross, 1999).

The respondents were asked if the firm applies price manipulation tactics. 52% strongly agreed and 27.6% agreed that the firm does apply price manipulation tactics. Porter argues that a firm must try to gain competitive advantage by having the lowest cost in the industry. Regarding the product variety the respondents were asked if the firm offers a variety of products in a single line. 43.4% agreed, 23% strongly agreed that their firm does offer. Miller (2008) posits that a firm must invest heavily in Research and Development activities in order to Product variety is said to create a perceived value among the customers and potential customers. This strategy focuses on value therefore highlighting the cost savings and the durability of the product in comparison to other products (White, 1986).

On being asked if the firm has a good reputation about the quality of the products it offers, majority 41.8% agreed and 36.7% strongly agreed that their firm has a good reputation about the quality of the product it offers. Brand loyalty is created once the customers are assured of the quality of the product. They hold the product in high regard without a perceived substitute. This enables the firm to charge premium prices for their products (Johnson & Scholes, 2011).

The respondents were also asked if the firm's ability to track changes in the customer's needs and wants is good. The majority 43.9% agreed and 32.1% strongly agreed that they are able to do without much problem. Through research and development, a company is able to track the changing customer's tastes and preferences by channelling all its resources towards their fulfilment. Once the individual needs are met, it enhances customer loyalty. This increases the firm's earnings and maintains the competitive advantage of the enterprise (Adrian, *et al.*, 2012).

On being asked if the assortment of products helps the firm to capture all levels and types of customers, 31.1% agreed and 24.5% strongly agreed that they actually do. The assortment of products gives all types and all levels of customers a variety of products to choose from, that will cater for their individual size, taste, style, their needs and wants at every particular time. This gives the customers value for their money as it stands out from the substitutes thus achieving competitive advantage (Shammot, 2011).

Finally, 34.7% agreed that their products and designs are unique. In order to come up with unique products, an enterprise must prioritise innovation efforts since customers consistently want new features in a product. Bauer and Colgan, (2001), argue that differentiation strategy helps the firm to focus its efforts in giving the customers a unique product/service. This uniqueness of the product design assures customers of the high quality of the organisation's product. This ultimately results in higher customer satisfaction. The products/services are tailor made to meet the customer's

preferences and the firm is able to charge a premium price to capture the market share and sustaining its competitive advantage (Hlavacka *et al.*, 2001; Johnson *et al.*, 2011).

Further, regarding the niche market; the respondents were asked if their firm has centralised its operations. The majority 25.5% strongly agreed and 24% agreed that their firm has centralised its operations. Porter argues that serving a particular market enables the firm to serve that segment more effectively and efficiently. The organisation that is able to serve a few customers will be more competent and they will be able to know the customers tastes and preferences in a clearer way (Parrish *et al.*, 2006).

Secondly, on being asked if the firm gives special consideration to certain customers, 26.5% agreed and 32.1% strongly agreed that the firm does so. Every successful firm has certain customers who routinely use the firm's brand. Empirical studies have shown that these loyal customers bring in more profits to the firm than the one-time customer. It is therefore important to give them incentives/special considerations in order to safeguard their loyalty (Allen, 2006).

Finally, on being asked if the firm concentrates on developing a specific product line, 37.2% agreed and 44.4% strongly agreed that the firm does that. Singer *et al.* (2007) points out that this focus strategy/niche market helps a firm to concentrate all its efforts, activities and policies at a small segment rather than the entire market. This long tail phenomenon ensures that the firm sells smaller quantities of a wide range of goods that are designed to meet the different customer's tastes and preferences. As a result, it generates revenue above average (Wall Street Journal, 2015).

Pulaj *et al.* (2015) found that competitive strategy has a significant positive influence on firm performance. This was supported by (Kyengo, 2016) whereby cost leadership strategy was the most significant followed by differentiation and market focus strategy respectfully. On the other hand, Yasar, (2010) study found no significant effect of competitive strategy on firm performance.

Table 4.14: Competitive Strategy and Performance of Family Enterprises

	N=196						
	Sd	D	N	A	SA	M	SD
	%	%	%	%	%		
Overall cost							
The firm tries to maintain the lowest administrative costs possible.	3.6	2	14.3	30.6	49.5	4.2	1
The firm appeals to all levels of customers due to low costs.	6.6	2	29.1	46.9	15.3	3.6	1
The firm aims at minimising its costs as much as possible.	5.6	1	34.2	40.8	18.4	3.7	1
The firm usually applies price manipulation tactics	2.6	7.1	10.7	27.6	52	4.2	1.1
Overall average						3.9	1.0
Product variety							
We offer a variety of products in a single product line.	5.1	4.1	24.5	43.4	23	3.8	1
The firm has a good reputation about the quality of the products it offers.	0.5	3.6	17.3	41.8	36.7	4.1	0.9
Our ability to track changes in customer needs and wants is good.	2.6	7.7	13.8	43.9	32.1	4	1
The assortment of products helps the firm capture all levels and types of customers.	10.7	10.7	23	31.1	24.5	3.5	1.3
Our product designs are unique	17.3	15.3	19.9	34.7	12.8	3.1	1.3
Overall average						3.7	1.1
Niche Market							
Our firm has centralized its operations.	18	18	14.7	24	25.5	3.2	1.5
The firm gives special considerations to certain customers	10	18	13.1	26.5	32.1	3.5	1.4
The firm concentrates in developing a certain product line	3.6	5	10.1	37.2	44.4	4.1	1
Overall average						3.6	1.3

*M-Mean SD – Standard deviation, %-Percentage Sd- Strongly disagree, D-Disagree, N-Neutral, A-Agree, SA-Strongly agree

4.3.5 Performance of Manufacturing Family Owned Enterprises

The pictorial presentation in Figure 4.7 shows the summary of performance of manufacturing small and medium family owned enterprise in the period ranging 2010 to 2014. Performance of manufacturing small and medium family owned

enterprise was categorized into 5-10%, 11-20 %, 21-30 % and over 30%. In 2010 majority 60.7% of the firms had over 30% followed by 26.5% which had an average growth of between 21-30 % and only 4.6% had a growth of between 5-10 %.

In the year 2011 56.1% of the firms had an average performance of manufacturing small and medium family owned enterprises of more than 30% growth. Followed by 34.2% with an average growth ranging between 20-30%, this implies there was an increase in the firms growing at a rate of 21-30 % while those growing at more than 30% declined.

In the year 2012, 47.4% of the firms had an average growth of more than 30%, 35.4% had an average growth ranging on 21-30%, 11.2% had a growth rate of 11-20% and 5.6% grew at a rate of 5-10%. This implies there was a downward trend on firms which grew at a rate greater than 30% while that growth rate registered a growth in number of firms.

In the year 2013, the average growth rate among most 55.1% of the firms was more than 30%, this was followed by 34.2% had an average growth rate ranging between 21 -30%. From the findings it can be deduced that there was an increase in number of firms which registered a growth rate more than 30%.

In the year 2014, there was a decline in the number of firms whose growth rate was more than 30% to 35.7%, this was followed with an increase to 41.8% of firms whose growth rate was between 21-30 %. Similarly, 17.9% of the firms registered an average growth rate of 11- 20 %. There is a mixed growth trend matched by upward and downward business cycles as far as the performance of the firms is concerned.

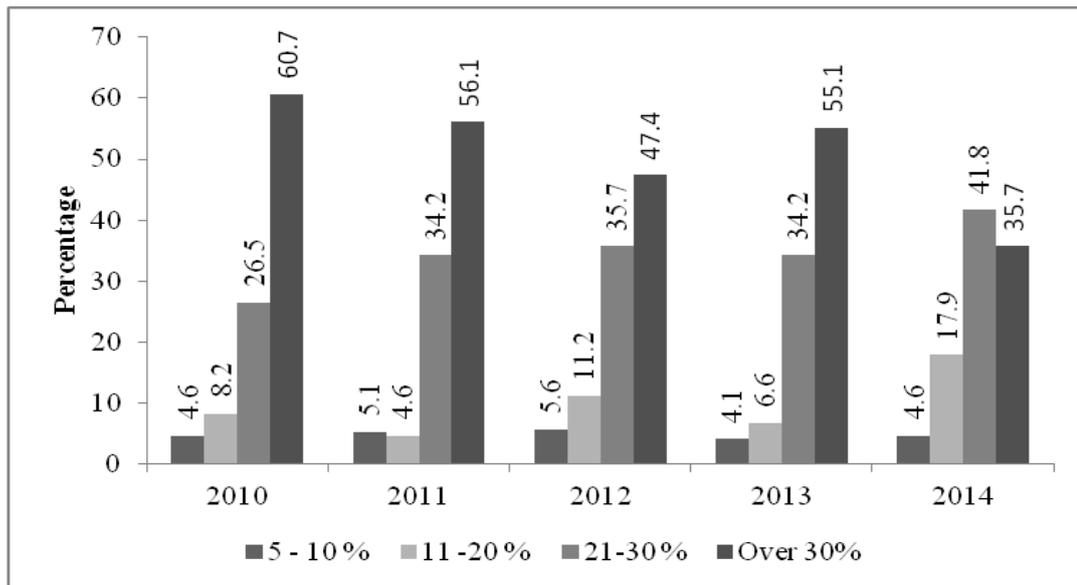


Figure 4.7: Performance of Manufacturing Family Owned Enterprises

4.4 Inferential Statistics

When a study analysis involves exploration of beyond descriptive statistics, there is always a tendency to examine the relationship between dependent and independent variables (Sekaran, 2010). In the current study, both correlation and regression analysis were employed as inferential statistics. Pearson correlation analysis was used to examine the strength of the relationship between entrepreneurial orientation and small and medium family owned enterprises performance, and regression analysis showed the nature of the relationship between EO and SMFE performance. From the information, a significance of $p=0.05$ is the generally accepted conventional level in social science research. This indicates that 95 times out of 100, the researcher can be sure that there is a true or significant correlation between the two variables and there is only a 5% chance that the relationship does not truly exist (Sekaran, 2010).

4.4.1 Correlation Analysis

Correlation analysis was used to examine the strength of the relationship between innovativeness, risk taking, proactiveness, competitive strategy and SMFE

performance. To achieve this, Product moment correlation coefficient was used as the measure of the strength of the relationship since both dependent and independent variables were in ratio scale. According to Kothari (2013), product moment correlation should be carried out if and only if both dependent and independent variables are in either ratio or interval scale. Correlation coefficient as measured by rho ranges between $-1 < \rho < +1$. The closer the coefficient is to either + 1 or – 1 the stronger the relationship and vice versa. A negative coefficient indicates an increase in one variable is associated with a decrease in another variable while a positive coefficient indicates an increase in dependent variable is associated with an increase in the independent variable.

There was a positive and significant relationship between innovativeness and performance of manufacturing family owned small and medium enterprises ($\rho = 0.202$, $p \text{ value} < 0.05$). This implies that a unit change in innovativeness increases performance of manufacturing family owned enterprise by 0.202 units. Secondly, there was a strong positive and significant relationship between risk taking and performance of manufacturing family owned enterprise ($\rho = 0.834$, $p \text{ value} < 0.05$). This implies that a unit change in risk taking increases performance of manufacturing family owned small and medium enterprises by 0.834 units. Thirdly, there was a strong positive and significant relationship between proactiveness and performance of manufacturing family owned small and medium enterprises ($\rho = 0.882$, $p \text{ value} < 0.05$). This implies that a unit change in proactiveness increases performance of manufacturing family owned enterprise by 0.882 units. Finally, competitive strategy had a positive and significant relationship between competitive strategy and performance of manufacturing family owned small and medium enterprises ($\rho = 0.676$, $p \text{ value} < 0.05$). This implies that a unit change in competitive strategy increases performance of manufacturing family owned enterprise by 0.676 units.

Table 4.15: Correlation Analysis

	Performance of Manufacturing				Competitive Strategy
	Family enterprise	Innovation	Risk Taking	Pro activeness	
Performance of Manufacturing Family enterprise	1				
Innovation	.202** 0.005	1			
Risk Taking	.834** 0.000	0.093 0.194	1		
Pro activeness	.882** 0.000	0.052 0.472	.584** 0.000	1	
Competitive Strategy	.676** 0.000	-0.007 0.918	.501** 0.000	.624** 0.000	1

** . Correlation is significant at the 0.01 level (2-tailed).

4.4.2 Regression Analysis

In the following section, regression analysis was used to test the hypotheses of the study, both results and diagnostic tests results were presented.

Regression Diagnostic Tests

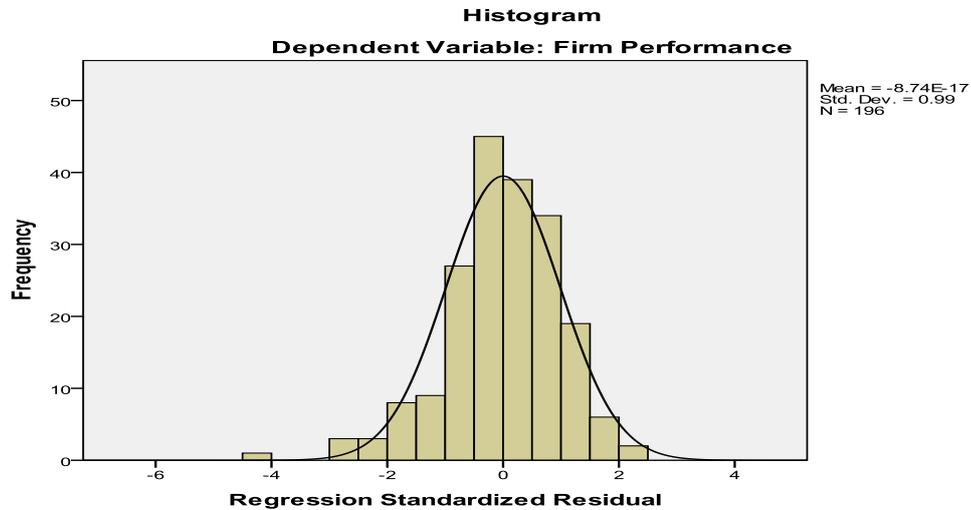


Figure 4.8: Normality Test

Normality test was tested using histogram, shown in Figure 4.8, since the mean was 0 and standard deviation 1, the data was normally distributed hence no need for transformation. Multicollinearity of the independent variables was tested using both tolerance limits and variance inflation factors (VIF). Results in Table 4.16 revealed that none of the VIF was greater than 10 and the tolerance coefficients were greater than 0.1 which indicates that all the independent variables were not correlated and thus no need for model respecification or data transformation. According to Gujrati (2012) independent variables are said to be correlated if at least the variance inflation is greater than 10 or the tolerance coefficients are less than 0.1.

Table 4.16: Multicollinearity

	Collinearity Statistics	
	Tolerance	VIF
Innovativeness	0.987	1.014
Risk Taking	0.623	1.605
Pro activeness	0.512	1.953
Competitive Strategy	0.58	1.725

4.4.3 Test for Significance of Innovativeness and Performance of Manufacturing Family Owned Enterprise

Hypothesis one:

Null hypotheses: H_{01} . Innovativeness has no significant effect on performance of manufacturing family owned enterprises in Nairobi County.

Alternative hypotheses: H_{11} . Innovativeness has a significant effect on performance of manufacturing family owned enterprises in Nairobi County.

Results in Table 4.17 shows the model explanatory power as measured using R squared (coefficient of determination). An R squared of 4% shows that innovativeness explains 4% of the variation on performance of manufacturing family owned enterprise while the remaining percentage can be explained by other factors excluded in the model. Moreover, 50% of the variation in the SMFE performance can be explained by innovativeness, competitive strategy and competitive strategy * innovativeness while the remaining percentage can be explained by other factors and since the coefficient was within 1.5 – 2.5 which indicates the variables are not auto correlated then there was no auto correlation.

Table 4.17: Innovativeness and Performance of Manufacturing Family Owned Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.202a	0.04	0.04	0.98	
2	.707b	0.50	0.49	0.71	1.84

a. Predictors: (Constant), Innovativeness

b. Predictors: (Constant), Innovativeness, Competitive Strategy, Innovativeness * Competitive Strategy

c. Dependent Variable: Performance of Manufacturing Family owned enterprise

Results on Table 4.18 show the analysis of variance which tests whether the independent variables have a joint significant influence on performance of manufacturing family owned enterprise. Model 1 shows that there was a significant relationship between innovativeness and family owned performance. Model 2 shows that there was a significant relationship between innovativeness, competitive strategy and performance of family owned enterprise.

Table 4.18: Innovativeness and Performance of Manufacturing Family Owned Enterprise ANOVA

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression					
	n	7.955	1	7.955	8.251	.005a
	Residual	187.045	194	0.964		
	Total	195	195			
2	Regression					
	n	97.573	3	32.524	64.095	.000b
	Residual	97.427	192	0.507		
	Total	195	195			

a. Predictors: (Constant), Innovativeness

b. Predictors: (Constant), Innovativeness, Competitive Strategy, Innovativeness * Competitive Strategy

c. Dependent Variable: Performance of Manufacturing Family owned enterprise

Results in Table 4.19 show the regression coefficients which indicate the nature of the relationship between independent variable and dependent variable. Model 1 indicates that there a positive and significant relationship between innovativeness and performance of manufacturing family owned enterprise ($\beta = 0.202$, p value <0.05). This implies that a unit change in innovativeness increases performance of manufacturing family owned enterprise by 0.202 units.

Model 2 was used to test the moderating effect of competitive strategy on the relationship between innovativeness and firm performance. The results indicate that there was a positive and significant relationship between competitive strategy and performance of manufacturing family owned enterprise ($\beta = 0.67$, p value < 0.05). Moreover, there was a positive and significant moderating effect of competitive strategy on performance of manufacturing family owned enterprise ($\beta = 0.02$, p value < 0.05). Competitive strategy strengthened the relationship between innovativeness and performance of manufacturing family owned enterprise since the slope coefficient increased from 0.202 to 0.212.

The results of the current study go hand in hand with findings of previous scholars (Fairoz *et al.*, 2010; Azlin *et al.*, 2014; Otieno, 2012). Even though the populations under study were different, there is a common agreement. Competitive strategy has also been found to moderate the association between EO and family owned business performance. As Porter (1980) argued, in a competitive environment, firms ought to acquire strategies that will help them get an advantage over the others. This has proved to be an effective way for the entrepreneurs to develop new tactics that will see the business enjoy loyalty from its customers. This serves to explain why all the three dimensions of EO had a significant relationship with business performance.

The results of the impact created by innovativeness on the family business performance have not only been found to be positive but also significant. This means that for a higher performance in the manufacturing small and medium family-owned businesses, a higher level of innovativeness, as depicted in the act of producing new products or offering unique services from time to time, finding novel solutions to the upcoming challenges and by the use of new techniques in the administration and operations, need to be observed. This study has shown the relevance of encouraging and supporting research and innovative ideas from the employees as a tactic that helps increase the sales volume and profits to be realized by the business. Just like Hilgers (2011) who studied Netherlands' manufacturing firms, innovative businesses performed better than other firms that adopted different dimensions of EO.

Similarly, the current study confirms the findings of Ali and Abdel (2014) and Yong *et al.* (2008) that found innovative businesses do have a weak positive relationship with firm performance. Further, despite Verhees' *et al.* (2008) study failing to establish whether creativity/innovativeness has a significant impact on the firm performance, they seem to agree with this study that the relationship exhibited by the two variables is positive.

In addition, firms that are able to offer a new combination in their output generation and those that complements customers with updated and advanced products/services will always win the hearts of their customers and hence the increase in sales volume and ultimately the profits. The finding in this study concurs with Schumpeter's theory of innovation of 1939 which argues that an entrepreneur must act innovatively in order to bring about radical changes that continue to happen in a circular flow. Lin and Chen (2007) posits that innovation fuels organizational growth, drives future success and is the engine that allows businesses to sustain their viability in a global economy therefore it is a key factor to the success of the business. A sustainable competitive advantage will only be realized when an enterprise intensifies its competitive strategies which will result to updated and improved products (Popadiuk & Choo, 2007). Research and Development (R &D), should be given priority by small and medium family owned enterprises as it would result to innovative and unique products and ultimately leading to a positive firm performance. (Loof & Heshmati, 2006, Mairesse & Mohnen, 2009)

Table 4.19: Innovativeness and Performance of Manufacturing Family Owned Enterprise Regression Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	T	Sig.
1	(Constant)	-2.56E-16	0.07		0.00	1
	Innovativeness	0.202	0.07	0.202	2.87	0.00
2	(Constant)	0.000	0.051		-0.00	0.1
	Innovativeness	0.212	0.053	0.212	4.03	0.00
	Competitive Strategy	0.67	0.055	0.67	12.3	0.00
	Innovativeness * Competitive Strategy	0.02	0.006	0.021	3.38	0.00

a. Dependent Variable: Performance of Manufacturing Performance of manufacturing family owned enterprise

4.4.4 Test for Significance of Risk Taking and Performance of Manufacturing Family Owned Enterprise

Hypotheses two:

Null hypotheses: H₀₂. Risk taking has no significant effect on performance of manufacturing family owned enterprises in Nairobi County.

Alternative hypotheses: H₁₂. Risk taking has a significant effect on performance of manufacturing small and medium family owned enterprises in Nairobi County.

Results in Table 4.20 shows that 69.5% of the variation in performance of manufacturing family owned enterprise can be explained by risk taking while the remaining percentage can be accounted for by other factors excluded in the model. Secondly, 80.4% of the variation in performance of manufacturing family owned enterprise can be explained by risk taking, competitive strategy and risk taking *

competitive strategy while the remaining percentage can be explained by other factors excluded in the model.

Table 4.20: Risk Taking and Performance of Manufacturing Family Owned Enterprise Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.834a	0.695	0.694	0.553259	
2	.896b	0.804	0.801	0.446639	1.773

a. Predictors: (Constant), Risk Taking

b. Predictors: (Constant), Risk Taking, Risk taking * Competitive Strategy, Competitive Strategy

c. Dependent Variable: Performance of manufacturing family owned enterprise

The analysis of variance results in Table 4.21 show that there is a significant relationship between risk taking and firm performance. Secondly, there is a joint significant influence between risk taking, competitive strategy and risk taking * competitive strategy. The analysis of variance results in Table 4.21 show that there is a significant relationship between risk taking and firm performance. Secondly, there is a joint significant influence between risk taking, competitive strategy and risk taking * competitive strategy.

Table 4.21: Risk Taking and Performance of Manufacturing Family Owned Enterprise ANOVA

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	135.617	1	135.617	443.056	.000a
	Residual	59.383	194	0.306		
Total		195	195			
2	Regression	156.699	3	52.233	261.836	.000b
	Residual	38.301	192	0.199		
Total		195	195			

a. Predictors: (Constant), Risk Taking

b. Predictors: (Constant), Risk Taking, Risk taking * Competitive Strategy, Competitive Strategy

c. Dependent Variable: Performance of manufacturing family owned enterprise

There was a positive and significant relationship between risk taking and performance of manufacturing family owned enterprise ($\beta = 0.834$, p value < 0.05). This implies there is a positive and significant relationship between risk taking and performance of manufacturing family owned enterprises.

Secondly, there was a positive and significant relationship between competitive strategy and performance of manufacturing family owned enterprise ($\beta = 0.961$, p value < 0.05). Moreover, there was a positive and significant relationship between moderated risk taking (risk taking * competitive strategy) and performance of manufacturing family owned enterprise ($\beta = 0.1$, p value < 0.05). A close scrutiny indicated that competitive strategy strengthened the relationship between risk taking and performance of manufacturing family owned enterprise since the slope coefficient increased from 0.834 to 0.961.

Motivation to earn attractive returns has been the quest as to why many entrepreneurs engage in risk taking behaviors that if executed as planned will result in high returns, otherwise it would be a disaster in waiting. A wise investor would only undertake

calculated and tolerable level of risk to remain on the safe side (Brockhaus, 1980). The results of the study have shown risk taking has a significant and strong positive association with performance of family owned enterprises. These results agree with Ali and Abdel's (2014) study that found risk taking and business performance has a significant and positive linkage.

Wiklund's (2010) study that compared family owned and non-family owned Swedish enterprises discovered that the difference between their performance was mainly determined by the risk-taking dimension. Performance of family owned businesses differed in that they tend to take less risks as they perceive a higher level of risk to be detrimental in case the worst happens. Unlike their counterparts, non-family owned enterprises consider risk taking as a positive move depending on the returns expected whenever there is a change in level of risk. Contrary to this study findings, an explanatory study of SMEs performance in the Nakuru County by Kiprotich et al., (2015) revealed that risk taking behaviour is insignificant even though there exist a moderate positive effect on SMEs performance.

Table 4.22: Risk Taking and Performance of Manufacturing Family Owned Enterprise Regression Coefficient

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	T	Sig.
1	(Constant)	1.22E-16	0.04		0.00	1
	Risk Taking	0.834	0.04	0.834	21.049	0.00
2	(Constant)	0.05	0.034		1.467	0.144
	Risk Taking	0.961	0.039	0.61	15.726	0.00
	Competitive Strategy	0.286	0.039	0.286	7.251	0.00
	Risk taking * Competitive Strategy	0.1	0.023	-0.168	4.334	0.00

a. Dependent Variable: Performance of manufacturing family owned enterprise

4.4.5 Test for Significance of Proactiveness and Performance of manufacturing family owned enterprise

Hypotheses three:

Null hypotheses: H_{03} . Proactiveness has no significant influence on performance of manufacturing family owned enterprises in Nairobi County.

Alternative hypotheses: H_{03} . Proactiveness has significant influence on performance of manufacturing family owned enterprises in Nairobi County.

Results in Table 4.23 shows that 78% of the variation in performance of manufacturing family owned enterprise can be explained by proactiveness while the remaining percentage can be explained by other factors excluded in the model. Secondly, 82% of the variation in performance of manufacturing family owned enterprise can be jointly explained by proactiveness, competitive strategy and proactiveness * competitive strategy.

Table 4.23: Proactiveness and Performance of manufacturing family owned enterprise Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.882a	0.78	0.78	0.47
2	.904b	0.82	0.82	0.43

a. Predictors: (Constant), Pro activeness

b. Predictors: (Constant), Proactiveness, Proactiveness * Competitive Strategy, Competitive Strategy

Analysis of variance in Table 4.24 shows that proactiveness has a significant influence on performance of manufacturing family owned enterprise since the p value was less than 0.05. Secondly, proactiveness, competitive strategy, competitive strategy * proactiveness all have a combined joint significant influence on

performance of manufacturing family owned enterprises ($F = 287.721$, P value <0.05).

Table 4.24: Proactiveness and Performance of Manufacturing Family Owned Enterprise ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	151.718	1	151.718	680.028	.000a
	Residual	43.282	194	0.223		
Total		195	195			
2	Regression	159.517	3	53.172	287.721	.000b
	Residual	35.483	192	0.185		
Total		195	195			

a. Predictors: (Constant), Proactiveness

b. Predictors: (Constant), Proactiveness, Proactiveness * Competitive Strategy, Competitive Strategy

c. Dependent Variable: Performance of manufacturing family owned enterprise

There was a positive and significant relationship between proactiveness and performance of manufacturing family owned enterprise among family owned enterprises ($\beta = 0.882$, p value < 0.05). Secondly, there was a positive and significant relationship between competitive strategy and performance of manufacturing family owned enterprise ($\beta = 0.16$, p value < 0.05). Thirdly, there was positive and significant moderating effect between proactiveness * competitiveness and performance of manufacturing family owned enterprise ($\beta = 0.08$, p value < 0.05). Moreover, competitive strategy enhanced the relationship between proactiveness and performance of manufacturing family owned enterprise since the slope coefficient changed from 0.882 to 0.969.

Proactiveness as demonstrated by how enterprises identify and exploit new opportunities and the way new modes of payment are adopted had a significant and positive relationship with the performance of the family owned businesses. This

agrees with Venter and Callagan (2011) study of South African traders that found similar study when regression analysis was conducted on the data about the traders. Many of the firms were willing to grow, especially in the informal business sectors. Small businesses are in most cases planned to start small based on the principle of “think small and grow big” hence the high rate of proactiveness will explain better the increase in performance of such ventures/enterprises.

Assessing how firms explore market opportunities through the projects initiated over time is a clear indication of the firms that are proactive. Using the same notion, Yong *et al.*, (2008) observed that firms listed in Taiwan exhibit proactiveness that can be related positively to a firm’s own performance thus confirming the current study findings. With an expounding fact from Dutch SMEs, Kraus *et al.*, (2011) argues that irrespective of the environment under which firms continued to operate, proactiveness will in most cases if not all, yield positive returns, even in economic turbulent moments. Mentzer *et al.* (2008) echoes that SMEs proactiveness is another strong strategy that uniquely relies on how the marketing and sales resources, skills and processes take place.

Table 4.25: Proactiveness and Performance of Manufacturing Family Owned Enterprise Regression Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	-1.51E-16	0.03		0.00	1.00
	Pro activeness	0.88	0.03	0.88	26.10	0.00
2	(Constant)	0.05	0.03		1.50	0.10
	Proactiveness	0.97	0.04	0.69	16.26	0.00
	Competitive Strategy	0.16	0.04	0.16	3.80	0.00
	Proactiveness * Competitive strategy	0.08	0.02	0.16	3.85	0.00

a. Dependent Variable: Performance of manufacturing family owned enterprise

4.4.6 Overall Regression Model

The model summary for the overall model shows that 95.6% of the variation in performance of manufacturing family owned enterprise can be explained by competitive strategy, innovativeness, risk taking and proactiveness while the remaining percentage can be explained by other factors excluded in the model.

Table 4.26: Overall Model Summary

	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				Sig. F Change	DW
					R Square Change	F Change	df1	df2		
1	.97a	0.95	0.95	0.23	0.95	1173.	3	192	0.00	
2	.98b	0.96	0.96	0.21	0.01	32.80	1	191	0.00	
3	.98c	0.96	0.96	0.20	0.00	6.09	3	188	0.00	1.79

a. Predictors: (Constant), Pro activeness, Innovativeness, Risk Taking

b. Predictors: (Constant), Pro activeness, Innovativeness, Risk Taking, Competitive Strategies

c. Predictors: (Constant), Pro activeness, Innovativeness, Risk Taking, Competitive Strategy, Innovativeness * Competitive Strategy, Risk taking * Competitive Strategy, Pro activeness * Competitive Strategy

d. Dependent Variable: Firm Performance

The analysis of variance in Table 4.27 shows that competitive strategy, innovativeness, risk taking and proactiveness all have a joint significant influence on SMFE performance since the p value was less than 0.05 (F = 1033.712, P value < 0.05).

Table 4.27: Overall ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	184.912	3	61.637	1173.086	.000a
	Residual	10.088	192	0.053		
	Total	195	195			
2	Regression	186.39	4	46.598	1033.712	.000b
	Residual	8.61	191	0.045		
	Total	195	195			
3	Regression	187.152	7	26.736	640.495	.000c
	Residual	7.848	188	0.042		
	Total	195	195			

a. Predictors: (Constant), Pro activeness, Innovativeness, Risk Taking

b. Predictors: (Constant), Pro activeness, Innovativeness, Risk Taking, Competitive Strategy

c. Predictors: (Constant), Pro activeness, Innovativeness, Risk Taking, Competitive Strategy, Innovativeness * Competitive Strategy, Risk taking * Competitive Strategy, Pro activeness * Competitive Strategy

d. Dependent Variable: Firm Performance

There was a positive and significant relationship between innovativeness and performance of manufacturing family owned enterprise ($\beta = 0.13$, p value < 0.05). This implies that a unit change in innovativeness while holding other factors constant increases SMFE performance by 0.13 units.

Secondly, there was a positive and significant relationship between risk taking and SMFE performance ($\beta = 0.45$, p value < 0.05). This implies that a unit change in risk taking increases performance of manufacturing family owned enterprise by 0.45 units while holding other factors constant.

Thirdly, there was a positive and significant relationship between proactiveness and performance of manufacturing family owned enterprise ($\beta = 0.54$, p value < 0.05). This implies that a unit change in proactiveness increases SMFE performance by 0.54 units while holding innovativeness, risk taking and competitive strategy constant.

Finally, there is a positive and significant relationship between competitive strategy and SMFE performance ($\beta = 0.11$, p value < 0.05). This implies that a unit change in competitive strategy increases performance of manufacturing family owned enterprise by 0.11 units while holding risk taking, innovativeness and pro activeness constant.

A general approach on entrepreneurial orientation and the family business performance has been proved to be relevant by the results of this study. Entrepreneurial orientation as proxied by innovativeness, risk taking and proactiveness has proven to be a strong predictor of changes in sales quantity and subsequently profit for the firm as shown by the coefficient of determination. Similar results were reported by Kraus *et al.* (2011) who studied small and medium enterprises' performance in Netherlands. As documented by Kimani (2015) most of the SMEs are owned by the members of the same family and therefore the results of the study validate earlier researches by adding knowledge specifically to those enterprises that are family owned.

Unlike the other variables, the moderating effect of competitive strategy on the relationship between EO and performance of family owned enterprises was found to be insignificant. Even so, the moderation effect of competitive strategy had a strengthening impact on the relationship between innovativeness and enterprise performance as proxied by sales volume and net profit. This implies that the strategies employed by the firm to attract customers and compete with others should be combined with innovativeness to the firm to realize high performance. As pointed out by Mutuku (2015) business performance is all dependent on the strategies that have been put in place.

Table 4.28: Overall Regression Coefficients

Model		Unstandardized		Standardized		
		Coefficients		Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	1.10E-17	0.02		0.00	1
	Innovativeness	0.13	0.02	0.13	7.71	0.00
	Risk Taking	0.47	0.02	0.47	23.25	0.00
	Pro activeness	0.60	0.02	0.60	29.67	0.00
2	(Constant)	-1.36E-17	0.02		0.00	1
	Innovativeness	0.13	0.02	0.13	8.70	0.00
	Risk Taking	0.45	0.02	0.45	23.22	0.00
	Pro activeness	0.54	0.02	0.54	25.54	0.00
	Competitive Strategy	0.11	0.02	0.11	5.73	0.00
3	(Constant)	0.03	0.02		1.73	0.09
	Innovativeness	0.13	0.02	0.13	8.25	0.00
	Risk Taking	0.44	0.02	0.44	22.88	0.00
	Pro activeness	0.52	0.02	0.52	23.96	0.00
	Competitive Strategy	0.09	0.02	0.09	4.28	0.00
	Innovativeness *					
	Competitive Strategy	0.05	0.02	0.04	2.23	0.00
	Risk taking * Competitive					
	Strategy	0.04	0.02	0.03	2.16	0.00
	Pro activeness *					
Competitive Strategy	0.04	0.02	0.06	2.05	0.04	

a. Dependent Variable: Firm Performance

Table 4.29: Summary of Key Study Findings

Hypotheses	Findings	Interpretation
H01. Innovativeness has no significant effect on performance of manufacturing family owned enterprises in Nairobi County.	$\beta=0.202$, p value <0.05	There was positive and significant effect of innovativeness on firm performance of family owned enterprises in Nairobi County
Risk taking has no significant effect on performance of manufacturing family owned enterprises in Nairobi County.	$\beta=0.834$, p value <0.05	There was positive and significant effect of risk taking on firm performance of family owned enterprises in Nairobi County
Proactiveness has no significant influence on performance of manufacturing family owned enterprises in Nairobi County	$\beta=0.882$, p value <0.05	There was positive and significant effect of proactiveness on firm performance of family owned enterprises in Nairobi County
Competitive strategies have no significant moderating effect on the relationship between entrepreneurial orientation and the performance of manufacturing family owned enterprises in Nairobi City County.	$\beta=0.02$, p value <0.05	Competitive strategy had positive and significant moderating influence on effect of innovativeness on firm performance of family owned enterprises in Nairobi County
	$\beta=0.1$, p value <0.05	Competitive strategy had positive and significant moderating influence on the effect of risk taking on firm performance of family owned enterprises in Nairobi County
	$\beta=0.08$, p value <0.05	Competitive strategy had positive and significant moderating influence on the effect of proactiveness on firm performance of family owned enterprises in Nairobi County

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

The current chapter summarizes the findings of the study as guided by the specific objectives, from which both conclusions and recommendations were drawn. It gives the summaries of the major findings as per the output of the descriptive and inferential statistics. Suggestions for future research directions are given drawn from the gaps identified in the current study.

5.2 Summary of the Findings

The main objective of the current study was to find out the effect of entrepreneurial orientation on family owned enterprises performance in Nairobi County. The current study was based on the fact that there was a research gap identified from the previous studies. Majority had established a significant relationship between entrepreneurial orientation and performance of manufacturing family owned enterprise though they had not examined the moderating effect of competitive strategy. Though both empirical and theoretical review had established EO influence on firm performance, none had been documented on manufacturing small and medium family owned enterprises in Nairobi County.

In addition, most of the past studies had limited their data analysis to descriptive statistics but the current study has combined both descriptive and inferential statistics (correlation and regression analysis). Simple random sampling was used to select 201 respondents and 196 questionnaires were fully filled and returned forming a response rate of 97.5%. Primary data was collected using closed ended questionnaire. Data collection instrument was developed according to the study specific objectives which were:

5.2.1 Innovativeness and Performance of Manufacturing Family Owned Enterprise

The first objective of the study sought to examine the effect of innovativeness on the small and medium family owned firm performance. To achieve this, mean, standard deviation, frequency, percentage, correlation and regression analysis were used. On average most of the respondents agreed that innovativeness had an influence on firm performance. Correlation analysis revealed a positive and significant relationship between innovativeness and performance of manufacturing small and medium family owned enterprises ($\rho = 0.202$, p value < 0.05). Similarly, regression analysis showed a positive and significant relationship between innovativeness and the performance of manufacturing small and medium family owned enterprises and the model explained 4% of the changes in firm performance.

As technology advances customers tastes and preferences keep changing, markets expand or take a different shape for instance globalization and liberalization witnessed in the recent past. Therefore to realize good performance which is sustainable, an organization must come up with innovative strategies that will ensure that they continually improve on their products as well as come up with new updated ones. They must also buy the technology that is most efficient, effective and cost cutting so as to give their customers quality goods and services.

The study findings reveal that although innovativeness had a positive and significant effect on the performance of the small and medium family owned enterprises, it contributes a very small percentage that is, only 4%. This means that these enterprises are not as innovative as they ought to be. Innovation is the tool used by entrepreneurs to take advantage of scientific and technological discoveries which brings about value addition of goods and services (Oscar et. al., 2013). They must also invest in a Research and Development (R&D) department which was found to be lacking.

For an organization to continually offer high quality goods and services and to be able to discover new and existing entrepreneurial opportunities, it must intensify its R and D (Loof & Heshmati, 2006). R and D has a positive effect on firm

performance (Mairesse & Mohnen, 2009) The findings also concur with Schumpeter's theory that points out that an entrepreneur must be innovative in the creation of new goods, processes, markets as well lead others in entrepreneurial activities.

5.2.2 Risk Taking and Performance of Manufacturing Family Owned Enterprise

The second objective of the study sought to determine the effect of risk taking on the performance of manufacturing family owned enterprises in Nairobi County. Descriptive analysis revealed that majority agreed since the mean ranged between 3.5 to 4, that risk taking had an influence on the performance of manufacturing small and medium family owned enterprises in Nairobi County. Correlation analysis revealed a positive and significant relationship between risk taking and performance of manufacturing family owned enterprise ($\rho = 0.834$, p value <0.05). Similarly, regression analysis showed a positive and significant relationship between risk taking and firm performance. Moreover, the risk taking accounted for 69.5% of the variation in firm performance.

Firms with a high risk propensity are said to realize higher performance, (Leko-Simi & Horvat, 2006). Risk taking, however should be carried out cautiously, with effective risk management strategies put in place to avoid business failure (Cadiuex, 2007). The study concurs with the psychological entrepreneurship theory that considers risk taking as one of the traits of successful entrepreneurs. The high need for achievement makes it possible to engage in investments that are uncertain. However good judgement, foresight, management skills among others are essential (Coon, 2004).

5.2.3 Proactiveness and Performance of Manufacturing Family Owned Enterprise

Thirdly the study sought to determine the effect of proactiveness on the performance of manufacturing small and medium family owned enterprises in Nairobi County.

Descriptive analysis revealed that majority of the respondents agreed that proactiveness had an influence on firm performance. Correlation analysis showed a positive and significant relationship between proactiveness and performance of manufacturing family owned enterprise ($\rho = 0.882$, $p \text{ value} < 0.05$). An r squared of 78% revealed that proactiveness explained 78% of changes on firm performance. The slope coefficient revealed a positive and significant relationship between proactiveness and firm performance.

Of all the entrepreneurial orientation dimensions, the study findings indicate that as far as performance in small and medium family owned enterprises is concerned, proactiveness has the highest effect on firm performance, which is 78%. This is partly because these enterprises do not need to go a through bureaucratic system before making decisions. The owners of the businesses do not need to consult much since they carry the vision of the business. They thus direct all the firm's efforts into seizing new markets before their competitors, anticipate the future market demands and at the same time shaping the external environment to its advantage in terms of technology, innovation, customers, competition, processes among others, (Lumpkin & Dess, 2006)

As Parker's theory argues, the motivation to enter into new markets is the fact that one is running his/her business or family owned (Parker & William, 2006). If it succeeds, the whole family benefits in the long run. As the firms engage in the proactive behavior, their aims are driven by the need for achievement, need for power and affiliation as stipulated in the McClelland theory.

5.2.4 Moderating Effect of Competitive Strategy on the Relationship between Entrepreneurial Orientation and Performance of Manufacturing Family Owned Enterprise

The fourth objective of the study sought to examine the moderating effect of competitive strategy on the relationship between EO and firm performance. Although competitive strategy moderation was not significant, it enhanced the relationship between innovativeness and performance of manufacturing small and medium family

owned enterprises since the slope coefficient increased from 0.202 to 0.212. A close scrutiny indicated that competitive strategy strengthened the relationship between risk taking and performance of manufacturing family owned enterprise since the slope coefficient reduced from 0.834 to 0.961. Moreover, competitive strategy enhanced the relationship between proactiveness and performance of manufacturing small and medium family owned enterprises since the slope coefficient changed from 0.882 to 0.969.

Globalisation and liberalization of markets has brought a scenario whereby organizations must actively compete for their share in the markets. RBV argues that a firm should gain sustainable competitive advantage by creating value in a way that is rare and difficult for the competitors to imitate. An organization must be able to maximally utilize its internal strengths in order to be able to respond favorably to the external environmental threats as well as its internal weaknesses (Mooney, 2007). As Porter (2008) points out, the generic strategies of cost leadership, differentiation and focus enables organizations to develop competitive advantage in a competitive environment. These strategies involves both offensive and defensive actions changing according to the market forces.

5.3 Conclusion

The study aimed at establishing the relationship between Entrepreneurial Orientation and the performance of small and medium family owned enterprises in Nairobi County. The degree of EO was moderate in the majority of the SMFEs and there was a significant and positive relationship between innovativeness, risk taking and proactiveness with firm performance. From the findings it can be concluded that there is need to examine the innovativeness employed by manufacturing companies. This is especially so considering the need to gain competitive advantage and foster positive firm performance. Since innovativeness has a significant influence on performance of manufacturing small and medium family owned enterprises, manufacturing companies should adopt measures aimed at gathering knowledge geared towards developing customized products to increase customer satisfaction and minimizing the production costs.

Although, risk taking enhances manufacturing company's performance, there is need to have an elaborate risk management procedure. Manufacturing small and medium family owned companies must evaluate the risk levels they are willing to tolerate, the treatment procedures, transfer options available and termination approaches that exist. The management must evaluate the risk communication strategies put in place. The risk assessment procedure ought to be able to assess the risk status before mitigation, evaluate the risk after the application of a given mitigation, the possibilities of the risk recurrence in future and how it can be mitigated. The management should be preparing a risk register detailing the previous risk and how they were mitigated and future opportunities which can be explored by manufacturing companies.

The management of manufacturing companies should be proactive so as to foster positive performance among small and medium family owned enterprises. Those in charge must launch new initiatives, generate constructive changes and lead in a proactive fashion. There is need to discourage the management from retaining the status quo in the current business environment and avoidance of conformity in the current models of business management. The management should not only anticipate organizational changes but also create it, through adoption of creative management procedures associated with dynamic business environment. All family members should be participants and agents of change in a given business issue and the culture of sitting back, waiting for the others to explore and give options and being expectant of better results due to changes imposed by others, should be discouraged.

Since the competitive strategies are geared towards enhancing the firm performance, it is important to note that competitive strategies strengthened the relationship between entrepreneurial orientation and performance of manufacturing small and medium family owned enterprises among the manufacturing companies in Kenya. Family owned enterprises ought to develop customized production strategies which are geared towards minimization of operational costs and indirect costs. Such measures may include adoption of current production strategies, engagement in horizontal alliances and execution of mergers and acquisition. There is need for

development of unique products geared towards customer's loyalty and customer satisfaction. For this to be achieved, there must be a robust research and development department which is continuously developing new products and services. All family enterprises must fight for a given market niche in which the rivals cannot easily penetrate and if they penetrate they must not be in a position to eliminate the parent company's market share.

5.4 Recommendations

The first objective was to examine the effect of innovativeness on the performance of the manufacturing small and medium family owned enterprises. The study findings indicated that innovativeness had an effect on the performance of manufacturing small and medium family owned enterprises. The research thus recommended that SMFEs owners should now more than ever, regard the innovation process as one of the priorities in their organisation's strategies. The shorter product life cycle, the stiff competition, the ever-changing technology, increase in customer's tastes, preferences and demands leaves enterprises with no choice but to continually innovate in order to sustain their businesses.

The second objective was to determine the effect of risk taking on the performance of manufacturing family owned enterprises. The study findings indicate that risk taking influences firm's performance. Globalization, liberalization and other forces have changed how business is done today. The research recommended that SMFEs should not shy away from taking well calculated risks to enhance their business performance.

The third objective was to establish the effect of proactiveness on the performance of manufacturing small and medium family owned enterprises. The study revealed that proactiveness positively affects a firm's performance. The research recommended that SMFEs should always be on the ground so that they are able to detect the changing trends in their markets and thus proactively satisfy their customer's needs. This will ensure that they would be among the first to benefit from the new ideas or innovations thus becoming the market or industry leaders. This can be achieved

through visiting trade fairs, workshops, seminars and following the latest trends in their environment.

The fourth objective was to establish the moderating effect of competitive strategy on the relationship between entrepreneurial orientation and the performance of the manufacturing small and medium family owned enterprises. The study findings showed that competitive strategy enhances a firm's performance. The research recommended that the business owners /founders must be original and creative in order to be able to develop competitive strategies that are unique and novel in the industry. They must always strive for continuous improvement (kaizen in Japanese) so that they stay ahead of the competitors and ultimately achieve superior performance.

SMEs are said to be more innovative than large enterprises but they lack the capacity to develop their ideas. The policy makers should create an enabling legal and regulatory business environment so as to encourage SMEs-large enterprise linkages and partnerships in order to maximise resource utilization. The government should invest more in Research and Development institutions like KIRDI, KIE, KARI among others, so that more business ideas are developed to help in the economic growth of the country.

In an effort to encourage self-employment, reduce poverty, raise the standard of living of the people and create employment, entrepreneurship education should be included in the school curriculum at all education levels; primary, secondary, tertiary colleges and in the university so as to equip the learners with the knowledge and skills required to start their own enterprises. For those already in businesses, the county governments can occasionally organise for workshops, seminars, trade exhibitions and trade fairs among others to update and train them on new innovations, technologies, knowledge and skills in the markets.

The stakeholders like Kenya Manufacturers Association (KAM) are best placed to provide business networks as it coordinates small and medium enterprises. This will

help the enterprises learn from each other, get customers through referrals, look for other markets among other benefits.

5.4.1 Suggestion for Further Studies

A comparative study ought to be carried out to examine the moderating effect of competitive strategy on the performance of small and medium manufacturing family owned enterprises located in different counties in Kenya. Secondly, the current study focused on the entrepreneurial orientation in the small and medium manufacturing family owned enterprises. Another study can be carried out to examine the effect of entrepreneurial orientation in both family owned small and medium enterprises and non family small and medium manufacturing enterprises in Kenya. The study used the C.E.Os, owners, directors and managers as the respondents. Another study can be done targeting employees in order to rule out any biased information given on EO and firm performance. The current sample size was 201. There is need to increase the sample size and include small and medium enterprises in other sectors like production for a more comprehensive conclusion. There is need to consider use of longitudinal data rather than cross sectional data which may be prone to human biasness. Through longitudinal data, patterns and past trends would be examined upon the execution of a given strategy.

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APPENDICES

Appendix I: Letter of Introduction

Racheal Mugure,

P.O. Box-465-00400,

Nyeri.

Date

Name of Respondent-----

Company Name and address-----

Dear Sir/ Madam,

RE: REQUEST FOR RESEARCH DATA

I am a doctorate student at Jomo Kenyatta University of Agriculture and Technology, undertaking a Research Thesis on the “**The Effects of Entrepreneurial Orientation on the Performance of Family Owned Enterprises in Nairobi City County.**”

The research is being carried out as part of the requirements of obtaining the degree. You have been selected to form part of this study and are kindly requested to assist in data collection by responding to the questions in the accompanying questionnaire. The information provided will exclusively be used for academic purposes only and will be treated with utmost confidence. As a participant, you are free to request for a soft copy which can be sent to you via email. Your cooperation and assistance will be highly appreciated.

Yours faithfully,

Racheal Mugure

(PHD. Student)

8. Which of the following best describes the legal business ownership of your firm/business?

Sole trader Private limited company

Partnership

Any other (specify).....

9. From list shown below, which industry do you operate in?

Food and Beverages

Chemical and Allied

Pharmaceutical and Medical Equipment

Leather and Footwear

Textile and Apparels

Metal and Allied

10. How many family members are in this business?

One Two

Three Four

Five Six

More than six

11. How many employees do work in your firm?

None Less than 10 11-20

20- 30 30- 40 40 – 50

Above 50 employees

Part B: Entrepreneurial Orientation

Section 1: Innovation

12. Kindly indicate your level of agreement with the following aspects regarding innovation in your firm? Use a scale of 1-5, where 1- strongly disagree, 2- disagree, 3- neutral, 4- agree, 5- strongly agree.

		1	2	3	4	5
a	We prefer to scan the market and come up with new and updated products to satisfy emerging markets					
b	Changes in our products have been many both in design and type.					
c	The firm encourages and supports research and innovative ideas and always acts on them.					
d	Our firm encourages use of latest production methods and processes.					
e	Our firm always adopts the latest technology in the industry.					
f	Our firm puts strong emphasis on R and D and improvement of the current products/services					

13. In your own opinion, indicate the extent to which you think that innovation influences the performance of your firm?

- (a) A very low extent [] (b) A low extent []
- (c) A moderate extent [] (d) A great extent []
- (e) A very great extent []

Section 3: Proactiveness

15. Please indicate the extent to which you agree with the following statements regarding pro-activeness in your firm. Use a scale of 1-5, where 1- strongly disagree, 2- disagree, 3- neutral, 4- agree, 5- strongly agree.

		1	2	3	4	5
a	Compared to other businesses in the same field we are usually among the first to enter into new markets and to introduce new					
b	The firm always tries to be among the leading establishments in the market place to change procedures of production and other activities in order to lead the market					
c	The firm monitors the market and responds more rapidly to the changes than our competitors					
d	We ensure that the firm always adopts the new modes of payment in the industry.					

16. In your own opinion, to what extent do you think that proactiveness influences the performance of your firm?

A very low extent []

A low extent []

A moderate extent []

A great extent []

A very great extent []

Section C: Competitive Strategy

17. Please indicate the extent to which you agree with the following statement regarding competitive strategy in your firm. Use a scale of 1-5, where 1- strongly disagree, 2- disagree, 3- neutral, 4- agree, 5- strongly agree.

	Overall Costs	1	2	3	4	5
a.	The firm tries to maintain the lowest administrative costs possible.					
B	The firm appeals to all levels of customers due to low costs.					
C	The firm aims at minimising its costs as much as possible.					
D	The firm usually applies price manipulation tactics					
	Product variety					
a.	We offer a variety of products in a single product line.					
b.	The firm has a good reputation about the quality of the products it offers.					
c.	Our ability to track changes in customer needs and wants is good.					
d.	The assortment of products helps the firm capture all levels and types of customers.					
e.	Our product designs are unique					
	Niche market					
a.	Our firm has centralized its operations.					
b.	The firm gives special consideration to					
c.	The firm concentrates on developing a					

18. In your own opinion, to what extent do you think that competitive strategy influences the performance of your firm?

(a) A very low extent []

(d) A low extent []

(b) A moderate extent []

(e) A great extent []

(c) A very great extent []

Part C: Family owned enterprises performance

19. What has been your sales volume for the last five years in percentage?

2010.....% 2011.....% 2012.....% 2013.....%

2014.....%

20. Kindly indicate your net profit in the last five years.

Percentage/year	2010	2011	2012	2013	2014
5-10					
11-20					
21-30					
Over 30					

21. Generally, in your own opinion, how would you rate the general performance of your enterprise?

Very high []

High []

Satisfactory []

Low []

Very low []

Appendix III: Determination of sample size (s) given population (N)

N	S								
10	10	100	80	280	162	800	260	2800	338
15	14	110	86	290	165	850	265	3000	341
20	19	120	92	300	169	900	269	3500	346
25	24	130	97	320	175	950	274	4000	351
30	28	140	103	340	181	1000	278	4500	354
35	32	150	108	360	186	1100	285	5000	357
40	36	160	113	380	191	1200	291	6000	361
45	40	170	118	400	196	1300	297	7000	364
50	44	180	123	420	201	1400	302	8000	367
55	48	190	127	440	205	1500	306	9000	368
60	52	200	132	460	210	1600	310	10000	370
65	56	210	136	480	214	1700	313	15000	375
70	59	220	140	500	217	1800	317	20000	377
75	63	230	144	550	226	1900	320	30000	379
80	66	240	148	600	234	2000	322	40000	380
85	70	250	152	650	242	2200	327	50000	381
90	73	260	155	700	248	2400	331	75000	382
95	76	270	159	750	254	2600	335	100000	384

N-Target population S-Sample Source: Krejcie & Morgan, 1970

Appendix IV: List of KAM Enterprises

Food and Beverages Sector

1. Africa Spirits Ltd
2. Agriner Agricultural Development
3. Al- Mahra Industries Ltd
4. Alpine Coolers Ltd
5. Aquamist Ltd
6. Bakers Corner Ltd
7. Belfast Millers Ltd
8. Beverage Services (K) Ltd
9. Beverage Services (K) Ltd
10. Bio Food Products Ltd
11. Bounty Ltd
12. C.Czarnikow Sugar East Africa Ltd
13. C.Dormans Ltd
14. Cadbury Kenya Ltd
15. Candy Kenya Ltd
16. Chirag Kenya Ltd
17. Danone Baby Nutrition Africa & Overseas
18. Deepa Industries Ltd
19. DPL Festive Ltd
20. Dutch Water Ltd
21. Edible Oil Products
22. Elekea Ltd
23. Ennsvalley Bakery Ltd
24. Equator Bottlers Ltd
25. Erdemann Co.(K) Ltd
26. Europack Industries Ltd
27. Excel Chemicals
28. Farmers Choice Ltd
29. Frigoken Ltd
30. Giloil Company Ltd
31. Glacier Products
32. Global Fresh Ltd
33. Gold Crown Beverages(K) Ltd
34. Gold Crown Foods (EPZ) Ltd
35. Gonas Best Ltd
36. Green Forest Foods Ltd

37. Highlands Cannery Ltd
38. Insta Products (EPZ) Ltd
39. Jambo Biscuits (K) Ltd
40. Kamili Packers Ltd
41. Kapa Oil Refineries Ltd
42. Kenafic Industries Ltd
43. Kentaste Products
44. Kenya Sweets Ltd
45. Kenya Wine Agencies Ltd
46. Kevian Kenya Ltd
47. Koba Waters Ltd
48. Kuguru Food Complex Ltd
49. Kwality Candies & Sweets Ltd
50. London Distillers (K) Ltd
51. Manji Food Industries Ltd
52. Mastermind Tobacco (K) Ltd
53. Mini Bakeries (Nbi) Ltd
54. Mini Bakeries(Nbi) Ltd
55. Miritini Kenya Ltd
56. Mzuri Sweets Ltd
57. Nairobi Flour Mills Ltd
58. Nestle Foods Kenya Ltd
59. Norda Industries Ltd
60. Nutro Manufacturers EPZ Ltd
61. Palmhouse Diaries Ltd
62. Patco Industries Ltd
63. Pearl Industries Ltd
64. Premier Flour Mills Ltd
65. Premier Food Industries Ltd
66. Proctor & Allan (E.A) Ltd
67. Promasidor Kenya Ltd
68. Rafiki Millers Ltd
69. Salim Wazarani Kenya Company Ltd
70. Sameer Agriculture & Livestock (Kenya) Ltd
71. SBC Kenya Ltd
72. Selecta Kenya Gmbh & Sons.
73. Spice World Ltd
74. Supa Sweets Ltd
75. The Breakfast Cereal Company (K) Ltd
76. Tropical Brand(Africa) Ltd
77. Trufoods Ltd

78. Unga Group Ltd
79. United Millers & Vinters
80. Usafi Services Ltd
81. Valuepak Foods
82. Wanji Food Industries Ltd
83. Winnie Pure Health
84. Wrigley Company Ltd
85. Xpressions Flora Ltd

Chemical and Allied Sector

1. Bayer East Africa Ltd
2. Beiersdorf East Africa Ltd
3. Blue Ring Products Ltd
4. Buyline Industries Ltd
5. Canon Chemicals Ltd
6. Carbacid (CO₂) Ltd
7. Chemical and Solvents (EA) Ltd
8. Continental Products Ltd
9. Cooper K-Brands
10. Crop Nutrition Laboratory Services Ltd
11. Crown Gases Ltd
12. Crown Paints (Kenya) Ltd
13. Darfords Industries Ltd
14. Decase Chemicals Ltd
15. Deluxe Inks Ltd
16. Desbro Kenya Ltd
17. Doric Industries Ltd
18. Eastern Chemicals Industries Ltd
19. Elex Products Ltd
20. Eveready Batteries East Africa Ltd
21. Haco Tiger Brands (EA) Ltd
22. Johnson Diversity East Africa Ltd
23. Kamili Packers Ltd
24. Ken Nat Ink & Chemicals Ltd
25. Kip Melamine Co.Ltd
26. L'Oreal East Africa Ltd
27. Milly Glass Works Ltd
28. Murphy Chemicals Ltd

29. Orbit Chemicals Industries Ltd
30. Osho Chemicals Industries Ltd
31. PZ Cussons EA Ltd
32. Reckitt Benckiser (EA) Ltd
33. SC Johnson & Son Kenya Ltd
34. Vitafoam Products Ltd

Pharmaceutical & Medical Equipment Sector

1. Alpha Medical Manufacturers Ltd
2. Autosterile (EA) Ltd
3. Beta Healthcare International
4. Dawa Ltd
5. Global Merchants Ltd
6. Manhar Brothers Ltd
7. Medivet Products Ltd
8. Pharm Access Africa Ltd
9. Regal Pharmaceuticals Ltd
10. Zain Pharmaceuticals

Leather & Footwear Sector

1. Alpharama Ltd
2. Bata Shoe Company (Kenya) Ltd
3. Sandstorm Africa Ltd
4. Zingo Investments Ltd

Textile & Apparels Sector

1. Adpack Ltd
2. Alltex EPZ Ltd
3. Alpha Knits Ltd
4. Dharamshi & Co. Ltd

5. Forces Equipment (Kenya) Ltd
6. Future Garment EPZ Ltd
7. Insight Kenya
8. Kema (EA) Ltd
9. Kenya Tents Ltd
10. Kikoy Co. Ltd
11. Kikoy Mall EPZ Ltd
12. Le Stud Ltd
13. Midco Textiles (EA) Ltd
14. Ngecha Industries Ltd
15. Oriental Mills Ltd Old
16. Penny Galore Ltd
17. Premier Industries Ltd
18. Spin Knit Ltd
19. Spinners & Spinners Ltd
20. Straightline Enterprises
21. Straightline Enterprises
22. Sunam Shakti
23. Sunflag Textiles & Knitwear Mills Ltd
24. Tarpo Industries Ltd
25. Teita Estate Ltd
26. Thika Cloth Mills Ltd

27. TSS Spinning & Weaving Ltd
28. United Aryan (EPZ) Ltd
29. Vajas Manufacturers Ltd

Metal & Allied Sector

1. Allied East Africa Ltd
2. Alloy Steel Casting Ltd
3. Apex Steel Ltd
4. Ashut Engineers Ltd
5. ASL Ltd Steel Division
6. ASP Company Ltd
7. Athi River Steel Plant Ltd
8. Davis & Shirliff Ltd
9. Wire Products Ltd
10. Devki Steel Mills Ltd
11. East Africa Foundry Works(K) Ltd
12. East Africa Glassware Mart Ltd
13. Easy Clean Africa Ltd
14. Friendship Container Manufacturers Ltd
15. Hobra Manufacturing Ltd
16. Iron Art Ltd
17. Khetshi Dharamshi Co. Ltd
18. Mecol Ltd
19. Napro Industries Ltd
20. Ngeru Holdings Ltd
21. Orbit Engineering Ltd
22. Rolmil Kenya Ltd
23. Specialised Engineering Co. Ltd
24. St. Theresa Industries
25. Steel Structures Ltd
26. Technosteel Industries Ltd
27. Towertech Africa Ltd
28. Viking Industries Ltd
29. Warren Enterprises Ltd
30. Zenith Steel Fabricators Ltd