SMALL FIRM GROWTH: A CASE OF ‘MAMA MBOGA’ MICRO AND SMALL ENTREPRENEURS AT KASARANI AND CITY PARK HAWKERS MARKET

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UNITED STATES INTERNATIONAL UNIVERSITY - AFRICA

SUMMER 2015
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A Research Report Submitted to the Chandaria School of Business in Partial Fulfillment of the Requirement for the Degree of Masters in Business Administration (MBA)

UNITED STATES INTERNATIONAL UNIVERSITY - AFRICA

SPRING 2015
DECLARATION

I, the undersigned, declare that this is my original work and has not been submitted to any other college, institution or university other than the United States International University - Africa in Nairobi for academic credit.

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This research report has been presented for examination with my approval as the appointed supervisor.

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ABSTRACT

The purpose of this study was to investigate the effect of factors of growth on ‘mama mboga’ micro and small businesses at Kasarani and City Park Hawkers’ Markets in Nairobi. The study was focused on answering the following research questions: what are the antecedents and determinants of growth for micro and small businesses?; how does the environment affect the growth of the small firm?; does entrepreneurial orientation affect growth of small businesses?; and does the availability of underlying resources foster the growth of small businesses?

This study adopted a descriptive research design. The population of interest was the ‘mama mboga’ entrepreneurs who do business on the sides of the road at Kasarani and those located at City Park Market in Parklands, Nairobi. The population size at Kasarani was 900 while City Park Market had a population size of 1500. The sample frame of this study was the list of all registered ‘mama mboga’ businesses in Kasarani Ward and City Park Market registered with the County Council of Nairobi. The researcher used systematic random probability sampling techniques. The sample size of the study was 216. Primary data was gathered through questionnaires. The data collected was analyzed by use of Statistical Package for Social Sciences (SPSS) and Excel programmes and presented in form of tables and figures.

The findings on measures of micro and small businesses revealed that the entrepreneurs were positive about growth of their businesses with more than 60 percent attributing growth to increases in sales, profits, and business assets. Some of the factors that the entrepreneurs considered as important for growth of their businesses were; that business growth increased as the age and size of the firm increased, favorable location of the business positioned their businesses to grow and, management know-how and being able to motivate employees. However, legal registration of the businesses had not affected growth of the businesses positively. ‘Mama mboga’ entrepreneurs had the desire/plan to expand their businesses in the region or neighboring countries in order to increase opportunity for growth. They perceived that government institutions - like county council, KRA, and others had not contributed positively to increasing their businesses.

Concerning measures of entrepreneurial orientation, More than 70 percent of the entrepreneurs eluded that introduction of unique products and processes that customers liked had helped their sales to increase, they went into new locations, tried out new items for sale...
verses waiting for the wholesalers to supply, and that they regularly monitored and evaluated the latest trends for opportunities for growth; portraying innovation and pro-activeness. The entrepreneurs were high risk-takers because more than 90 percent acknowledged to noticing new business opportunities and pursuing them for business growth, and introduced new things into their businesses with little consultation as long it provided increase of business. The entrepreneurs did not indicate competitive aggressiveness in that the business relationship between the entrepreneurs and their competition was characterized by cooperation and coexisting verses fighting. However, they regularly monitored and evaluated latest trends for opportunities and introduced them before their competitors did, and most of them spied to know what their competition was planning, then outdid them so that their businesses would grow. The entrepreneurs’ attitude towards growth for their businesses is highly positive because for more than 95 percent of them, it was important that the firm’s sales and the number of employees to increase, had desire to open more outlets, and to get self-fulfillment from growth of their businesses.

Concerning measures on environment, findings revealed that political changes like introduction of counties had not brought new opportunities for business. Government institutions did not provide assistance for the entrepreneurs’ businesses to gain markets for their products, their businesses were negatively affected by levies charged by the county council, and the procedure for paying those levies was not favourable for doing business. The interest rates charged by the banks were very high compared to returns from sales and the cost of living exceeded their income most of the time. More than half of the entrepreneurs could not access the finances they needed for business expansion, and more than 90 percent disagreed that political instabilities provide business opportunities for growth. Government did not assist the entrepreneurs with trainings aimed at helping them become better business people; the availability and cost of business premises was not prohibitive to almost half of the entrepreneurs; and entrepreneurs could attribute growth of their businesses from the business they got from social organizations. Due to environmental hostility, there was decreased demand for the entrepreneurs’ products in the local market attributed to rivalry of competition; entrepreneurs’ sales and opportunities often suffered due to effects of new entrants in the market, and that the business environment was constantly threatened by price competition.
Regarding measures of underlying resources, financial capital was considered to be most important type of resource that would enable growth, but, availability of capital had been insufficient and a great impediment for their business development. Micro credit was noted to be the most important lending facility that contributed to growth of the entrepreneurs’ businesses. Technical training for entrepreneurs or that of their employees would enable to increase their business activity, and if offered, the entrepreneurs’ would take and apply business advice and support in order to grow their business. Concerning network capital, a large majority agreed that forming associations with other business people facilitated development and higher growth rate and that being a member of a *chama*, increased business opportunities for the entrepreneurs.

Key conclusions in measures of micro and small business growth revealed that some of the factors the entrepreneurs considered as important for growth were; that business growth increased as the age and size of the firm increased, favourable location, management know-how, and motivation of employees. Regarding entrepreneurial orientation, entrepreneurs were able to introduce new and unique products that customers liked, they introduced new processes that helped to increase sales, they noticed new opportunities and pursued them for business growth, and they ventured into new locations. Regarding the environment, Political changes like the introduction of new counties had not brought new opportunities for businesses, and political instabilities did not provide opportunities for growth of business. On measures of underlying resources, availability of capital was insufficient and a great impediment for their business’ development. The study revealed that lack of technical training, business advice and support hampered business growth. Networking capital was listed as important in that entrepreneurs agreed that forming associations with other business people and links with larger firms would facilitate development and growth.

The study recommends that the government should find ways of giving energy and growing optimism to micro and small businesses owners whose perception is that government does not contribute positively to the growth of their businesses. Identify, and support social factors and technological solutions that would make doing business easier and cheaper for the entrepreneurs, and introduce policies to promote and manage healthy competition. A new supporting small business charter and award scheme should be introduced in each county to
encourage business schools to play a greater role in growing the local economy and supporting local business. A risk mechanism that allows entrepreneurs to enter and exit businesses without consequences should be put in place so as to encourage entrepreneurship and growth. Financial funding should be made eased by favorable policies, removing collateral inhibits, and supporting micro finance institutions. A law should be enacted to promote organizational networking where large organizations are encouraged to promote micro and small business development.
ACKNOWLEDGEMENT

I thank God for His grace that has brought me this far.

I sincerely acknowledge my supervisor Dr Peter Kiriri who patiently guided through the rigorous journey of doing the study. I’m indebted to Edwin, Andrew, Vicky, and Jesse for their love all over me during my journey. I owe great appreciation to my nieces Faith and Katey for their encouragement and patience as we burnt mid-night oil together just to keep me company and give a push to soldier on; I will never forget their advice “to turn lemons into lemonade”.

And to Grace who walked with me through the field as I collected data, and to those very dear entrepreneurs, ‘mama mboga’, who bear the difficulties of weather as they sell their wares at Kasarani Shopping Center and City Park Market.
DEDICATION

I dedicate this research project to my children, Andrew, Vicky, Jesse, and to my nieces, Faith, Katey and Carol with all my love. I also dedicate it to my husband, Edwin who did not give up on me, and to my late mother; Ngeneci to whom I owe all.
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LIST OF ABBREVIATIONS

BoP: Bottom of the Pyramid  
GoK: Government of Kenya  
KWFT: Kenya and Kenya Women Finance Trust  
MBV: Motivation Based View  
MSEs: Micro and Small Enterprises  
NGOs: Non-Governmental Organizations  
RBV: Resource Based-View  
SMEs: Small and Medium Enterprises  
SPSS: Statistical Package for Social Scientists  
UK: United Kingdom  
US$: US Dollar  
USA: United States of America
CHAPTER ONE

1.0 INTRODUCTION

1.1 Background of the Problem

Entrepreneurship is a phenomenon that overlaps other concepts such as management of change, innovation, technological and environmental turbulence, new product development, small business management, and industry revolution (Kuratko, 2009). Entrepreneurship can therefore be studied from disciplines as varied as economics, sociology, psychology, history and anthropology. Creation of business is an important facet of entrepreneurship but it is certainly not the complete picture; Schumpeter (2012) defines entrepreneurship as the process of creating new combinations of factors to produce economic growth. He refers to the process as ‘creative destruction’ because the established ways of doing things are destroyed by the creation of new and better ways of getting things done. Similarly, Drucker (1985) perceived entrepreneurship as that process of extracting profits from new, unique and valuable combinations of resources in an uncertain environment. Entrepreneurship is considered crucial for organizational sustainability, economic development, and social welfare (Kirzner, 1985).

The theory of entrepreneurship has been developing for the last 35 years (Gartner, 2013) and the factors that are very commonly cited for entrepreneurship to take place are; an individual, an act, an organization, and innovation. A lot has been pieced together and many schools of thought that describe entrepreneurship have emerged. Studies show that entrepreneurship can be examined from the macro and micro views, with schools of thought to each view. According to Achua (2013), the macro view of entrepreneurship presents a broad range of factors that relate to success or failure in entrepreneurial ventures. Some researchers have come up with the environmental, financial, and displacement schools of thought which focus on external processes that are sometimes beyond the control of the individual entrepreneur (Low, 1988).

The micro view of entrepreneurship examines factors that are specific to the entrepreneur and are hence part of the internal locus of control. In this, the entrepreneur has the ability to direct or even to adjust the outcome of each major influence in this view (Achtenhagen, 2012). These theories focus on specific events from the inside looking out. According to (Reddy, 1992; Achua, 2013), entrepreneurship is characterized by a mind-set of seeking
opportunities, taking risks beyond security, and having the tenacity to push an idea through to reality.

Micro and small enterprises (SMEs) include businesses employing up to 50 workers, where employment does not necessarily mean salaried workers with wages; it refers to people working in the enterprise whether they are paid or not (GoK, 2005). This policy paper was intended to form the basis for enacting the SME Act to institutionalize SME Policy in Kenya. Indeed the Micro and Small Enterprises Bill 2011 “MSME Bill 2011” (GoK, 2012), that was passed by parliament on 29th November 2012 was developed upon this Policy framework. The Bill will require the registration of firms with an annual turnover of below Sh500,000 and employing less than 10 people as “micro enterprises” and those with an annual turnover of between Sh500,000 and Sh5 million and employing between 10 and 15 people as “small businesses”.

While Sessional Paper No. 2 of 2005 defines a SME as an enterprise with between 1 to 50 employees, the World Bank defines an SME as one that fits to either of the following criteria that is to say: A formally registered business; with an annual turnover of between Kenya Shillings 8 to 100 million; an asset base of at least Kenya Shillings 4 million, and employing between 5 to 150 employees (Meghana, 2005). The MSME Bill 2011 has used 2 criteria to define SMEs in general that is: One, the number of people/employees and two, the company’s annual turnover. For enterprises in the manufacturing sector, the definition takes into account the investment in plant and machinery as well as the registered capital. The legislation is a pointer that the Kenya government identifies the small-scale and *Jua Kali* (micro-scale) enterprise sector for support to assist it to graduate into the formal sector and to become a major player in the creation of new jobs and economic growth.

The contribution of MSEs to economic development, income generation, and poverty alleviation is widely recognized (ILO, 2012; Wasihun, 2010). The policy makers, economists, and business experts agree that micro and small businesses are drivers of economic growth by creating employment opportunities, generating higher production volumes, increasing exports, and introducing innovation and entrepreneurship skills (Gordon, 2012). Bashir (2011) noted that, both micro and small enterprises are the first steps towards development in economies heading towards industrialization. A report by
the Global Entrepreneurship Monitor (Jose, 2014) emphasized that there is a very tight correlation between the level of entrepreneurship in a country and its rate of economic growth. The researcher suggests that it is important to study micro and small firm growth because of its relevance and acknowledged contribution to a country’s development.

In discussing small firm growth, it is wise to discuss what ‘firm growth’ actually is. In her book, Penrose characterizes the phenomenon of growth as: “The term ‘growth’ is used in ordinary discourse with two different connotations. It sometimes denotes merely increase in amount; for example, when one speaks of ‘growth’ in output, export, and sales. At other times, however, it is used in its primary meaning implying an increase in size or quality as a result of a process of development, akin to natural biological processes in which an interacting series of internal changes leads to increases in size accompanied by changes in the characteristics of the growing object” (Penrose, 1959: 1). This distinction is important in this paper as the researcher in this paper aims to focus on the concept of growth as the amount of change growth as well as the process that leads to growth.

Even though the paper is restricted to the change in amount view, growth remains a multi-faceted phenomenon. For example, Delmar, Davidsson and Gartner (2003) discuss heterogeneity of small business growth as regards according to what specific measure the firm grows and the appropriateness of these different measures. They distilled seven different types of high growth firms, which show different growth patterns and background characteristics. They concluded that firm growth is a multidimensional phenomenon and that different forms of growth may have different determinants and effects. Davidsson and Wiklund (2002) agree to the same but warn that one may also need different theoretical explanations. Delmar (2003) also discusses that growth can take different forms in terms of vertical integration.

Some authors hold that growth is the very essence of entrepreneur between entrepreneurial and non entrepreneurialship (Sexton, 2000), making the relationship between growth and entrepreneurship a relevant question. Other scholars have made differences in sales growth the criterion for distinguishing between entrepreneurial and non entrepreneurial firms (Birch, 1987; Sexton, 2000; David, 2011). Gartner (1988) and Gartner (2003), concluded that when entrepreneurship is understood as the creation or emergence of new organizations, growth is not formally part of the definition of the
phenomenon. When entrepreneurship is defined as creation of new economic activity, firm growth is an aspect of entrepreneurship because it is achieved through the introduction of new products (Shane, 2000).

However, growth of businesses is not the norm; Some firms start small, live small and die small. They never even embark on a significant upward path of growth (Storey, 1994). The major reason is that the majority of business start-ups are imitative businesses or they are serving local markets (Samuelsson, 2004). As such they do not have much growth potential. Yet it is important to note that most business founders have fair growth aspiration for their firms as demonstrated by Gartner et al. (2013). Apart from the manager’s willingness to, external forces may largely determine the firm’s growth (Dess, 1984; Aterido, 2011) other environmental dimensions include dynamism (created by innovation), heterogeneity, hostility. For example, there is clear demonstration that rapidly growing firms are more often found in industries and regions that are more dynamic (Davidsson, 2002; Jovanovic, 1982; Jovanovic, 2014).

As evidenced above, firm growth is to a certain extent externally determined but on the other hand some studies do not highlight environmental characteristics as being the most influential (Davidsson, 2009; Wiklund, 2010). There is also compelling evidence that the owner-manager’s growth motivation, communicated vision, and goals have direct effect on the firm’s growth (Wiklund, 2008, 2010). The researcher’s conclusion is that growth could be due to a considerable extent a matter of willingness and skill, but that other facilitators and obstacles in the environment cannot be dismissed.

Davidsson’s model (1991) recognizes three factors that predict growth; ability, need, and opportunity, while Wiklund (2008) combined three theoretical perspectives in his model: the resource based-view (RBV), the motivation-based view (MBV), and strategic adaptation. Recognizing the critical role played by MSEs to become the key industries of tomorrow by improving their productivity and innovation (GoK, 2007), factors influencing growth and expansion of MSEs may be varied. Schiebold (2011) proposes a framework of seven determinants; informality, institutional environment, environment, entrepreneurial characteristics, socio-economic environment, financing, petty trading, and infrastructure.
The researcher sought to study about the factors that affected micro and small businesses at Kasarani Shopping Centre and at City Park Hawkers Market, Limuru Road. Businesses at City Park Hawkers market are more organized than those at Kasarani Shopping Centre and presumably the operators faced different challenges; giving a good case for choice of study. The entrepreneurs in Kasarani numbered about nine hundred while those at City Park Market numbered one thousand five hundred. Both markets were easily accessible from Nairobi City Centre by a direct bus through Limuru Road, and to Kasarani through Thika Super Highway.

Most of their businesses were housed in temporary shelters, and did not seem to have many employees. Many of their products were similar with most of the entrepreneurs selling agricultural products. The number of women entrepreneurs was likely to be higher than that of men. The businesses lacked start-up assets as evidenced by the bare structures that housed the businesses. Secondly, they lacked working capital and therefore used money destined for household needs to cover their daily operation costs. It was important to all stakeholders including the government of Kenya to find out why those businesses did not grow, and then find solutions to assist them to realize growth. According to Prahad (2006), women are central to the entire development process and their role is well understood but poorly articulated.

1.2 Statement of the Problem
Small firm growth is a study area that has attracted considerable attention in recent years yet reviews of literature on small firm growth suggest that there are many shortcomings blaming it on literature being fragmented (Davidsson, 2001). In order to “see” the big picture, Davidsson et al (2009) combined five primary perspectives to develop a “big picture” model of small firm growth: the resource based view, the motivation based view, and strategic adaptation. This study seeks to use Wiklund’s integrated model to seek evidence of its effect on ‘mama mboga’ business growth and sustainability.

Kacou (2011) asserts that there has been global excitement about the Bottom of the Pyramid (BoP) businesses to help poor societies to escape poverty. He noted that many of the BoP businesses are in a “survival trap” keeping them small, inefficient, and unprofitable. Drawing on his unique on-the-ground experience in Africa’s most challenging business environments, there is need for more research to identify new
business models, operational techniques, and leadership approaches that can help BoP businesses grow rapidly, successfully, and profitably so as to grow our economy. This study aims to fill this gap; to identify and prove some factors and determinants of growth that can assist businesses to overcome the survival trap mindset that leads to dependence, mistrust, and failure.

In China, the number of registered SMEs exceeds 40 million, accounting for more than 99 per cent of enterprises. SMEs have played an increasingly important role and are recognized to have become important as a source of employment and as contributors to the economy and structural reform. Every year they contribute around 59 per cent of gross domestic product (GDP), 50 per cent of tax revenue, 68 per cent of foreign trade volume, and 75 per cent of urban employment. They are also responsible for 65 per cent of the invention patents and 80 per cent of new products in China (Canningham, 2011).

Samujh (2011) points out that micro business are a dominant form of business organization and have an important role in maintaining a sustainable social, cultural, environmental and economic development of communities. She adds that micro business is actually the corner stone of economic development. The government has found it important to support and encourage those businesses as they provide employment and create sustainability for many families in Kenya.

Edith Penrose’s theory of firm growth postulates that a firm’s current growth rate will be influenced by the adjustment costs of, and changes to a firm’s productive opportunity set arising from, previous growth. Andy, Wiklund, Davidsson, and Girma (2011), re-examined and extend Penrose’s work to examine how previous rates of organic and acquisitive growth influence current organic growth. They employed a panel of Swedish firms over a 10-year period. Their results suggest the following: First, previous organic growth acts as a constraint on current organic growth. Second, previous acquisitive growth has a positive effect on current organic growth. They concluded that organic growth and acquisitive growth constitute two distinct strategic options facing the firm, which have a differential impact on the future organic growth of the firm.

According to McKelvie (2010), growth is not one, but several different phenomena; Growth as an Outcome, The Outcome of Growth, and The Growth Process, and three
basic modes of growth; organic, acquisitive, and hybrid. They suggest that researchers have prematurely tried to answer questions of “how much” firms grow and suggest that a better grasp of the answer to the question “how” firms grow, that is, what mode of growth firms use and why. They argue that this altered focus has serious implications for understanding the phenomenon of growth, from a theoretical, empirical, and policy-making perspective.

Tuan (2009) in analyzing factors contributing to the growth of manufacturing small and medium-sized enterprises, SMEs, in Vietnam, used the framework outlined by Storey (1994) with some modifications as the first model of SMEs’ growth applied in Vietnam. Using a sample of 337 SMEs derived from secondary dataset of the World Bank, the results from a regression model indicate that ownership, firm size, firm age, new product introduction strategy, and competition intensity are significant factors for the growth of manufacturing SMEs.

According to Niska and Vesala (2013), over the past 30 years, enterprise promotion has become a central focus of policy-making. Today, it is considered to be the cornerstone of economic growth policy, and it is also strongly emphasized, for example in rural and regional policy. Although the creation of new enterprises has become a central policy strategy, fostering growth of existing firms is still a major challenge of the promotion policy (Bridge 2010; Gilbert, Audretsch, and McDougall 2004). In a paper to study the relationship between actors, who implement the small- and medium-sized enterprise (SME) policy, and entrepreneurs, who are the targets of the policy, by focusing on the question who is serving whose interests, a case study was conducted in one of the sub-regions in Finland. The data include individual interviews with 10 policy implementers and 19 small business entrepreneurs and two group discussions. The results indicate that one relational challenge faced in the implementation of the SME policy is the proxy agency, in which both policy implementers and entrepreneurs position themselves as the principal and the other party as their agent. The proxy agency can be viewed as an interactional pitfall caused by the incompatible discourses of entrepreneurs and policy actors and the actor positions constructed with these discourses (Niska, 2013).

Some studies among SMEs have attributed failure to size, age, location and being part of particular industries and not part of a network. These determinants, if used as surrogates
for resources, suggest firms that lack such resources are more susceptible to failure (Campbell, 2012). Williams (2014) using the resource-based view of the firm, did a post-mortem examination on the attributes of failed SMEs by analyzing data of more than 13,000 failed firms in the UK between 1999 and 2009. The findings revealed that failure is not merely a function of lack of resources. The researcher argues that much of the research on small firm growth has been done in developed countries which provide advanced infrastructure and support for small businesses. In this study, the researcher looks at the individual (human capital and attitudes), the firm (underlying resources, entrepreneurial orientation), and the environment (industry, macro and micro economic policies) and growth of Micro and Small Enterprises commonly referred to as ‘mama mboga’ in Kenya.

1.3 Purpose of the Study
The purpose of this study was to investigate the effect of factors of growth on ‘mama mboga’ micro and small businesses at Kasarani and City Park Hawkers’ Markets in Nairobi.

1.4 Research Questions
1.4.1 What are the antecedents and determinants of growth for micro and small businesses?
1.4.2 How does the environment affect the growth of the small firm?
1.4.3 Does entrepreneurial orientation affect growth of small businesses?
1.4.4 Does the availability of underlying resources foster the growth of small businesses?

1.5 Importance of the Study
1.5.1 ‘Mama Mboga’ Entrepreneurs
The study brought out the challenges and dilemmas facing ‘mama mboga’ micro businesses, and provided solutions for their growth. This results may therefore help them understand the needs of their businesses in terms of growth.

1.5.2 NGOs and other capacity Building Institutions
There are many Non-Governmental Organizations (NGOs) and other institutions concerned with providing training, consultancies, and business solutions to micro and
small businesses. The study has provided useful information to those institutions that are geared to improving the running and management of local micro businesses.

1.5.3 The Government of Kenya
The success of the small firm sector in any economy is dependent to some extent on the prevailing economic conditions. A stable macroeconomic environment is believed to be crucial to the development of entrepreneurship and a strong small business sector. Microeconomic policies are normally introduced to correct market failure and are intended to help new and existing small businesses acquire the opportunities, skills, and resources they need to survive and grow. This study was therefore important to the government as it has provided necessary information that would assist in the making of such policies, which would facilitate growth of micro and small enterprises, and finally assist to develop the economy and provide much needed employment.

1.5.4 Banking Institutions
This study has provided information that would help the banking system to understand the micro business sector so that they re-appraise their lending portfolios and develop a better understanding of the needs of micro and small businesses, and know how to appraise small firm funding proposals. They may then introduce new funding schemes which would be favorable to micro and small businesses. By understanding the needs of the micro and small business sector, there may be creation of new financing solutions and therefore, opening up new business opportunities.

1.5.5 Academic Knowledge
Small firm growth is a research area that has attracted a lot of attention in recent years. Despite substantial increase in research volume, recent literature on small firm growth as Davidsson and Wiklund (2009), suggest that little is still known about the phenomenon. Furthermore, most of the studies have been conducted in developed countries, where micro enterprises like ‘mama mboga’ in Kenya may not exist. The researcher believes this study has provided a missing link in the study of MSEs since it majored on the micro businesses known as ‘mama mboga’, and has significantly increased knowledge on growth of micro and small businesses.
1.6 Scope of the Study
The study focused on MSEs also known as ‘mama mboga’ located on Kasarani Road at Kasarani Shopping Centre and City Park Market on Limuru Road in Nairobi. The population scope of this study was all the ‘mama mboga’ businesses along Kasarani Road and those operating at City Park Market. The study was conducted between the months of January and February, 2015.

Limitations to the study included the willingness of respondents to provide information. Many business people read intrusion when asked to provide information about themselves or their business. However, they were encouraged by the promise of total confidentiality and that the research analysis would provide information that would be beneficial to their businesses. Another limitation was the timing of appointments. The researcher did site visits to find the best time that the respondents would be willing to allow the researchers to interview them and plan, and share a time table that fitted their timing. A third limitation was the language. The questionnaires were written in English. The assistants were trained on how best to use Swahili to ease understanding so that the correct responses were provided. The research assistants were trained on how to conduct interviews with a view to collect quality data.

1.7 Definition of Terms
1.7.1 Firm Growth
Business growth can be defined as a business that generates significant positive cash flows or earnings which increase at significantly faster rates than the overall economy (Jodyanne, 2009).

1.7.2 Entrepreneurial Orientation
Entrepreneurial orientation refers to the strategy making processes that provide organizations with basis for entrepreneurial decisions and actions (Lumpkin, 1996; Wiklund, 2005). Entrepreneurial Orientation is described as the innovativeness, pro-activeness, and risk taking characteristics of a firm (Achtenhagen, 2012).

1.7.3 Business Environment
Business environment is the local environment for business that should be analyzed to establish the potential of the ventures in its present location (Kuratko, 2009).
1.7.4 Underlying Resources
The underlying resources in a small business include the dynamic capabilities, financial capital, human capital, and network resources. These are the resources employed by an entrepreneur to exploit growth and profits in a firm (Wiklund, 2009).

1.7.5 ‘Mama Mboga’
It is a form of micro enterprise firm with an annual turnover of below Sh500, 000 and employing less than 10 people (Gok, 2012).

1.7.6 Small Business
It is an enterprise with an annual turnover of between KSh500, 000 and KSh5 million and employing between 10 and 15 people (GoK, 2012).

1.8 Chapter Summary
The chapter discussed the nature and characteristics of small firm growth and its relationship to entrepreneurship. The concept of firm growth can be used to mean change in amount and for the processes that leads to that change. This study sought to use Wiklund’s integrated model to investigate the effect of factors of growth on ‘mama mboga’ micro and small businesses at Kasarani and City Park Hawkers’ Markets in Nairobi. Chapter two reviewed literature about: entrepreneurial orientation, environment, underlying resources, and small business managers’ attitudes, all in relation to business growth. Chapter three discussed the methodology that the researcher used to conduct the study. Chapter four gave the results and findings of the study. Chapter five discussed the study findings, concluded the study and gave the study recommendations.
CHAPTER TWO

2.0 LITERATURE REVIEW

2.1 Introduction

Literature review will be conducted based on specific research questions which are; what factors determine growth of micro and small businesses? Do entrepreneurial orientation and the business manager’s attitude affect small business growth? Does the environment provide the small firm with growth opportunities that can be exploited? Does availability of underlying resources foster the growth of small businesses? Finally a chapter summary which will provide a theoretical review of the research questions discussed aided by the conceptual framework.

2.2 The Antecedents and Determinants of Growth

2.2.1 Internal and external Factors of Growth

Interest in small business sector arises from its capacity to generate and increase employment in specific local areas. Policy makers are now or should be conscious that most new jobs are created by only a few small businesses. Due to limited resources policy shift is now to maximize the results by supporting small businesses that meet a criteria for growth and employment creation. This has generated keen interest in understanding what factors contribute to small business growth and how they can be acquired or mitigated (Morrison, Breen and Ali, 2003).

It is worth to note that most firms start small, live small and die small because they never embark on a significant growth trajectory (Storey, 2004; Aldrich 2005). One major reason is that the majority of business start-ups may not have much potential since they are imitative businesses in mature stage of business life-cycle and serving local markets, therefore, they do not have much growth potential (Aldrich, 2011; Samuelsson, 2004). Most business founders have modest growth aspirations for their firms but one wonders whether it is the managers’ willingness to grow that really matters or it is other external forces that largely determine business’ growth. Raymond and St. Pierre (2012) found in their study of 357 Canadian and French SMEs, that the owner-manager’s business venturing mode to be a significant predictor of the firm’s market and human resource capabilities as well as its growth, productivity and profitability (Raymond and St-Pierre, 2012).
Some studies argue that firm growth is to an extent externally determined. On the other hand, studies that include explanations on different levels tend not to highlight environmental characteristics as being the most influential (Wiklund, Nordqvist, and Hellerstedt, 2013). Some other evidence concedes that the owner-manager’s growth motivation, communicated vision and goals have direct effects on the firm’s growth (Baum and Locke, 2010) as well as has the firm’s strategic orientation (Fulford, 2009; Wiklund and Shepherd, 2005). Fulford and Rizzo (2011) concedes to the general agreement that small firms function through a reduced resource base than larger organizations, work with greater flexibility and faster response times, suffer lower fixed costs, focus primarily on niche markets, and carry out more limited environmental scanning and formal strategizing. However, they argue that there is a common misconception to the effect that, for the small firm, there is no strategy and that the firm will function under the whims of the owner-manager, often relying on intuition, experience and instinct (McCarthy, 2003). Strategy, as defined by Chandler (1962: 13) consists of the “determination of the basic long-term goals and objectives of an enterprise and the adoption of courses of action and the allocation of resources necessary for carrying out these goals”. Entrepreneurial orientation shall be looked later in this study.

Prajogo and McDermott (2014) argue that small and medium-sized enterprises (SMEs) make up a significant element of the world economy and play a key role in both job and wealth creation globally. They are also considered a significant driver of future economic growth in most economies (Wolff and Pett, 2006). At the same time, exploratory and exploitative innovations are both increasingly recognized as being important to the long-term viability of organizations. They suggest that SMEs should focus on exploratory and exploitative innovations in order to accelerate growth. Exploratory innovation is often associated with breakthroughs or radical departures from existing offerings. It is associated with new-to-the world products or services, creating new markets, and identification of the needs of emerging customers and markets.

Taking all the above together, a worthy conclusion is that growth is to a considerable extent a matter of willingness and skill, but that fundamental facilitators and obstacles in the environment cannot be disregarded (Davisson and Delmar, 2009). Their research gives an image that firms in the subgroup they define as high growth find ways to reach their growth goals relatively regardless of environmental conditions, while the majority of
‘other firms’ seems to swing up and down with the development of the economy at large: markedly decreasing and then increasing employment numbers.

2.2.2 Some Specific growth Predictors

Storey (2004) postulates on the characteristics of growing entrepreneurial ventures which suggests that there are three integral components that drive small firm growth: characteristics of the entrepreneur, characteristics of the firm and characteristics of the growth. The following was considered to have a positive influence on growth as far as the entrepreneur’s characteristics are concerned; motivation, education, management experience, number of founders (team size), and functional skills. The firm's growth can be viewed as an attempt by the owner entrepreneur and top managers to utilize the firm's resources (Penrose, 1960; Peng et al, 2005). Unemployment as start-up reason was found to be negatively associated with growth.

As regards the firm, Storey’s (2004) evidence suggests such determinants of growth as; firm age and size, sectorial affiliation, legal form and location are all systematically related to growth. Discussion on age and size can be traced back to Gibrat’s law in 1931 which states that the rate of growth of a firm is independent from its size at the beginning of the firm, and that the probability of a given growth rate during specific time interval is the same for any firm within the same industry. However, empirical studies do not find support for the independence of firm growth from size and age (Becchetti and Trovato, 2002). In their study on growth effects by mergers and acquisitions, Elena and Hans (2009) lead to a departure from the normality of the firm size distribution, suggesting that external growth does not follow Gibrat’s law. Their counterfactual analysis highlights that only internal growth does not affect the shape of the size distribution of firms. On the contrary, it suggests that the change in the size distribution is almost entirely due to the external growth of the firms.

Looking at the strategy issue, consistent positive effect has been found for technological sophistication, market positioning, and new product introduction (Karkoulian, Halawi, and McCarthy, 2008). Firms that are based on technical entrepreneurial know-how expand their market abilities by; collaborating with large firms; collaborating with professionals and consultants; using technical and market competencies; and, acquiring new market competencies through diversification of the entrepreneurial group’s activities.
Entrepreneurial orientation (innovativeness, pro-activeness, and risk taking) positively affects growth (Lamadrid, Heene, and Gellynck, 2009) though as cautioned by Lumpkin and Dess (2011), some different sub-dimensions of entrepreneurial orientation may have different effects on firm performance. Wiklund and Shepherd (2005) also have demonstrated that the effect of Entrepreneurial orientation can be moderated by environmental dynamism.

### 2.2.3 Barriers to Growth

Some factors influence growth mainly as facilitators while others act as growth barriers (Davidsson, 2006). Certain institutional factors are cited in the perspective of negative influence. For example, David and Hennrecks (2002) hold that there is a strong case that certain institutions have systematically discriminated against the growth of independent businesses. The specific institutions they investigated included, regulation of certain sectors of the economy; taxation; wage-setting institutions, and the labour market legislation. Carlson (2002) did a broad study on the factors that affect growth of small firms. The factors he studied included science base, mechanisms for technology transfer, density of networks, and ‘entrepreneurial climate’. He came up with the conclusion that Swedish institutions do hamper growth of small firms.

Calson’s (2002) study included also capital availability, and he points out that the institutional factors are particularly likely to explain differential growth patterns for firms. Becchetti and Travo (2002) piont at provision of external bebt and equity capital as very important factor in promoting small firm growth. That said, it is important to note that the economy is not populated by small firms that are all full of willingness and potential to grow if only financial means were available; many ‘mama mbaga’ entrepreneurs give such indications. However, governements that introduce microeconomic policies that can correct market failure do help new and existing small businesses acquire the opportunities, skills, and resources that they need to survive and grow (Miller, 2011).

In order to mitigate the mentioned barriers, microeconomic policies are often introduced to strengthen economic competitiveness by creating a healthy, vibrant business sector. They provide what is known as ‘hard’ and ‘soft’ support. Hard support refers to that which is tangible like buildings, money, equipment and others while soft support refers to that which is intangible such as education, know-how. For example, in Europe and United
States of America (USA), there are policies introduced to create new sources of funding for small firms or to improve the flow of funding through the existing channels (Miller, 2011). Some governments have developed small factory or office units for rent, or offered subsidies to private property developers for developing such units ranging from business incubator units to science parks (Achtenhagen, 2012).

Governments offer soft support in form of training or consultancy intended to increase management know-how for survival and growth of small businesses (Kacou, 2011). Some have introduced policies to support innovation and technology especially through country’s universities and government research departments. Some governments focus on stimulating new product and process development through provision of grants and awards. The third focus on technology transfer, and the network of business innovation centres (Hon, 2011).

Some growth barriers are attributed to failure in organizational management such as poor management and lack of employee motivation. This is basically caused by lack of training, relatively low qualifications, reluctance to delegate, the need for new management skills as the organization grows, and lack opportunities for collaboration or merger (Hon, 2011). Small businesses also suffer from lack of access to resources such as access to finance, skilled labour and technology (Birch, 1987).

2.2.4 Different Routes to growth

When considering the question of small firm growth, it is important, to remember that most of them don’t grow (Davidsson, 2002). Among those who do, Davidsson and Delmar (1998), who investigated the entire population of Swedish firms that had 20 or more employees in 1996, demonstrated that small firms had a much stronger tendency to grow organically than large firms. Similar results were obtained in France, Ireland, and Scotland (Levie, 1997) in a more broadly based study of young, growing firms. The results reveal that the great majority of firms grow in volume within a single industry or engage in related diversification.

Internationalization is another route to growth, and it is mostly based on alliances and networks. The role by networks is prominent in entrepreneurship research, both in discussion of entrepreneurs’ personal networks (Eisenhardt, 2000), and firm networks
(Butler and Hansen, 1991). A number of studies explicitly link networks to firm growth (Donckels and Lambrecht, 1995; Hansen, 1995). Networks perspective has also been linked to relationship between rapid international growth and business networks (Chetty and Campbell, 2003). The link between networking and internationalization is built on establishing and maintaining the required relationships with business partners, customers, suppliers, and governments (Welch and Welch, 1996).

Due to today’s low-cost, rapid world-wide communication and transportation, the domain in which firms operate and expand is becoming truly international (McDougall and Oviatt, 2007). This is especially true for small countries (Kulien and Ramangalahy, 2003); thus, the globalization of markets and the consequent need for crossing national borders does not only concern large and established firm (Bloodgood, Sapienza and Almeida, 2006). Internationalization may therefore no longer regarded as an alternative but rather as an essential prerequisite for growth, also for small businesses.

The rapid liberalization of the world’s trading system has obliged all firms (micro, small, medium and large) to participate in the international trading system. Williams (2007) used the case study method to analyze export-marketing strategies of eight small firms from Jamaica and found that the export-marketing strategies used by Jamaican small enterprises to expand exports are unsophisticated and unsustainable. The strategies pursued leave these enterprises hostage to foreign buyers, thus making their export capacity quite fickle, therefore, threatening their long-term survival and by extension the Jamaican economy. They concluded that taking greater control of the export-marketing mix is the only way these enterprises can develop sophisticated strategies that will ensure their survival in an increasingly inhospitable international trading environment.

International expansion of small and medium firms is regarded as an entrepreneurial act since it entails opening up of product markets (Ibeh, 2003). The same is true for geographic expansion. Interestingly, many studies discuss geographic expansion exclusively in the context of internationalization, though there are exceptions by Barringer and Greening (1998) who argue that opening a new geographic site is similar to a start-up process in that a firm must select a location, hire and train staff, establish organizational legitimacy, motivate and supervise employees, and develop a structure to accommodate future growth.
2.3 Entrepreneurial Orientation and Small Business Growth

2.3.1 The Stages Model

Steinmez argues that a small business, if it is succeeding, lives through three critical phases of growth. Phase 1 is in direct supervision stage; Phase 2 in the supervised supervision stage; and Phase 3 in the indirect control stage, when the firm has ‘arrived’ at last. If a business person does not solve the problems encountered at each stage it can be expected he will go out of business (Steinmetz, 1969).

The five stages Greiner 1972 growth model (Greiner, 1978) views growth as a series of changes which he calls evolution followed by revolutions, which he terms as crises. In Phase 1, called Growth through creativity; startup company entrepreneurship, informal communication, hard work and low earnings. The business experiences a crisis of leadership; in this early stage, there are only few people in the company. They know each other well and share their experience, knowledge, and information. All relevant issues are discussed among all people; ending by a leadership crisis (Greiner, 1989). This is the typical creative start-up culture. The second Phase is called Growth through Direction; Sustained growth functional organization structure, accounting, capital management, incentives, budgets, standardized processes. Direction: Now the company is able to direct certain issues and tasks to certain people. Normally, directives and control are highly centralized at this stage where the crisis is one of autonomy.

The third Phase is called Growth through Delegation which refer to a decentralized organizational structure; operational and market level responsibility, profit centers, financial incentives, decision making is based on periodic reviews, top management acts by exception, formal communication. Delegation: Management delegates some tasks, functions and authorities to other people in the company. Departments emerge and develop their own dynamics; ending by a red tape crisis, where the business deals with the crisis of control; Phase 4 is called Growth through Coordination and Monitoring. It involves formation of product groups, thorough review of formal planning, centralization of support functions, corporate staff overseas coordination, cooperate capital expenditures, accountability for ROI at product group level, motivation through lower level profit sharing. Projects and tasks are coordinated between all parts and departments of the company so that they are well in tune with each other; ending by a red tape crisis (Scott and Bruce, 2012).
The fifth Phase is called Growth through Collaboration; New evolutionary path, team action for problem solving, cross functional task teams, decentralized support staff, matrix organization, simplified control mechanisms, team behaviour education programs, advanced information systems, team incentives. Collaboration: The co-operation between all parts of the company is so well organized that they really can work together effectively in whatever situation ending by an internal growth crisis where the firm deals with the crisis of psychological saturation (Greiner, 1989). More recently Greiner added a sixth phase to his growth phase model; Growth through extra-organizational solutions (merger, holdings, networks of organizations), (Greiner, 1989; 2011)

Scott and Bruce (1987) have criticized Greiner’s model and said that most firms experience little or no growth and therefore are unlikely to reach stages three, four or five. They also argue that the model does not allow for backward movement or for the skipping of stages, and that growth need not involve crises, and growth firms need not lurch from one crisis to the next.

![Figure 2.1: Greiner’s 5 stages Model](source: Greiner (1983).)
Lewis and Churchill (1983) came up with the five-stage model of firm development. These stages are: Existence – focusing on building customer base and delivering the goods or service promised. At this stage the major goal is simply to start the business (Kotler, 2006); Survival – concerned with ensuring the firm breaks even now that the product or service has been accepted in the market; Success – here the decision facing owners is whether to exploit the company’s accomplishments and expand or keep the company stable and profitable, providing a base for alternative owner activities; Take-off – concerned with how to make the firm grow rapidly and how to finance this growth; and Resource maturity – firms have advantage of size, financial resources, and managerial talent and will be a formidable force in the market if they retain their entrepreneurial spirit. Figure 2.3 is a representation of Lewis and Churchill growth model, while Figure 2.4 is a graphical representation of the characteristics of small businesses at each stage of development of the Lewis and Churchill growth model.
Figure 2.3: Growth Phases
Table 2.1: Stages of Growth Model and Sources of Capital.

Table 2.1: Stages of Growth Model and Sources of Capital.

<table>
<thead>
<tr>
<th>Stage</th>
<th>Existence</th>
<th>Survival</th>
<th>Success</th>
<th>Disengagement</th>
<th>Success</th>
<th>Growth</th>
<th>Take-off</th>
<th>Resource Maturity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Management style</td>
<td>Direct supervision</td>
<td>Supervised supervision</td>
<td>Functional</td>
<td>Functional</td>
<td>Christmas</td>
<td>Line and staff</td>
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<td>Organization</td>
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<tr>
<td>Extent of formal systems</td>
<td>Minimal to nonexistent</td>
<td>Minimal</td>
<td>Basic</td>
<td>Developing</td>
<td>Maturing</td>
<td>Extensive</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Major strategy</td>
<td>Existence</td>
<td>Survival</td>
<td>Maintaining profitable status quo</td>
<td>Get resources for growth</td>
<td>Growth</td>
<td>Return on investment</td>
<td></td>
<td></td>
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<tr>
<td>Business and owner*</td>
<td></td>
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*Smaller circle represents owner, larger circle represents business.

Figure 2.4 Small Business Characteristics
Source: Churchill and Lewis (1983).

These authors have identified eight factors prominent in determining firm success or failure: financial, personnel, systems, business resources, and the owner’s goals for him/herself, operational abilities in doing important jobs, managerial ability and willingness to delegate, and strategic ability for looking to the future. The models use business size and firm maturity or the stage of growth as the dimensions for growth. These frameworks are inappropriate for micro and small businesses; one, because of the assumption that a firm must grow and pass through all stages of development or die in the attempt; secondly, according to a critique by O’Farrell and Hitchens (1985), the models do not capture the important early stages in an enterprise’s origin as well as the period prior to start up. Thirdly, the frameworks emphasize mainly by way of annual sales or the number of employees and leave out other factors such as value created, number of locations, product lines, and rate of change in products or production technology (O’Farrell, 1988).
2.3.2 The “Big Picture” Model

The “Big Picture Model” model was developed as a logical advancement to the five stages model. It proposes that certain internal factors together with the environment, determine firm growth. The model suggests that entrepreneurial orientation, environmental characteristics, firm resources, and manager’s personal attitudes directly and/ or indirectly influence the growth of small businesses (Wiklund and Shepherd, 2009). Each dimension is important, but may not be important to the same degree (Lumpkin, 2001; Kreiser, 2009). Firms can expand along different dimensions and show many different growth patterns over time. It has been found that firms that grow successfully start securing profitability, and then go for growth (Davisson, 2010).

Entrepreneurial orientation refers to strategic orientation and entrepreneurial activities which involve specific entrepreneurial decision making, such as the tendency to be autonomous, more innovative, dare to take risk, pursue any opportunity, and being aggressive in a competitive environment (Fillis, 2010; Bolton, 2012). The resource advantage theory views entrepreneurial orientation as a resource to outperform other rivals and yield market place positions of competitive advantage (Lambe, 1995).

2.3.3 Autonomy, Innovation, Risk-taking, Pro-activeness and Competitive Aggressiveness

Autonomy is the independent action of an individual or team in bringing forth an idea or vision and carrying it through to completion, as well as the ability and will to be self-directed in the pursuit of alternatives (Lumpkin, Cogliser, and Schneider, 2009). Autonomous entrepreneurs are inherently creative entrepreneurs; creative with desire to be independent. Autonomous independence is thus important for entrepreneurs and entrepreneurial teams in the establishment and management of new business (Gheib and Kowatly, 2011). Autonomy requires individual’s or group’s freedom to act independently in the decision making process to pursue entrepreneurial activities and achieve strategic advantages (Lumpkin, Cogliser, and Schneider, 2009; Rauch, Wiklund, Freese, and Lumpkin, 2009).

The independent spirit and freedom of action necessary to advance new venture development is a driving force of entrepreneurial value creation (Samuellson, 2004). For entrepreneurship to thrive in many organizational contexts, “the exercise of autonomy by
strong leaders, unfettered teams, or creative individuals who are disengaged from organizational constraints” is required (Lumpkin, 2001: 137). Autonomy affords the organizational members the freedom and flexibility to develop and enact entrepreneurial initiatives. In the context of strategic entrepreneurship, autonomy enables both opportunity-seeking and advantage-seeking behaviors (Ireland, Michae, and David, 2003). Strategic entrepreneurship refers to creating competitive advantage by using entrepreneurial initiatives to pursue opportunities, and transforming existing organizations by redeploying resources, and renewing strategic capabilities (Ve´ronique, Bowman, and Nardine, 2009).

Innovation represents a firm’s tendency to pursue creative and novel solutions to challenges faced by the firm; simply put it is the successful generation, development, and implementation of new and interesting ideas which introduce new products, processes, and/or strategies to enhance current products, leading to commercial success and possible marketing leadership, as well as creating value for shareholders, driving economic growth and improving standard of living (Katz and Bernat, 2011). Firms use innovation to pursue new opportunities, which can keep them ahead of the competition and help them to gain competitive advantages, consequently leading to financial performance (Wiklund and Alexander, 2008).

In older studies, innovativeness is defined as producing flexible thoughts (Kiessweter, 1983), the ability to produce authentic ideas in different conditions (Gidson and Chandler, 1988), the ability to produce meaningful answers with one’s own ideas and capabilities in order to solve problems (Wakefield, 1992), the cognitive process that merges as a person’s own capabilities (Diakidoy and Kanari, 1999) and separation from other people’s ways of thinking through the production of unconventional solutions using new axes of thoughts (Riza, 2000). The literature contends that it is not a single-step concept; rather, it is a process. Some studies consider innovation process in terms of the general steps that may be considered to solve different problems (Vecchio, 1988), other studies consider this process in relation to a business context (Chesbrough, 2004; Herzog, 2008). The researchers agree that the process favors use of synectic techniques such as brainstorming, meditation, and cognitive mapping (Luthans, 1995).

Risk taking is associated with entering into an unknown field, with the involvement of one’s own and others’ resources to operate in an uncertain environment. It is important to
reduce and manage risks (Lumpkin and Dess 1996). The relationship between entrepreneurship and risk taking has long puzzled researchers. For example, on average, entrepreneurs do not take greater risk than managers (Brockhaus, 1980), and terms such as risk avoiders (Miner, 1990) or risk optimizers (McLellend, 1961) have been suggested for entrepreneurs. Enough attention may need to be paid to the role of the organizational context in which this risk taking takes place because firms differ in terms of their organizational and governance structures and risk taking may be higher in some organizations than in others, as agency theorists argue (Eisehardt, 1989; Fama and Jensen, 1983; Wiseman).

In Wiklund’s (1996) meta-analysis of the relationship between entrepreneurial orientation and performance, results showed that across studies, the two constructs were positively correlated (Reuch et al., 2004). However, the analysis also showed that risk taking had a significantly smaller correlation with performance than other aspects of entrepreneurial activities. Similarly, in their view of relationship between risk taking and performance, Wiseman et al (1997) found that arguments and results of positive as well as negative associations between risk taking and performance existed; they found that in certain contexts, risk taking had positive effects on performance, while the effects was negative in other contexts (Wiseman). Therefore, just as the relationship between entrepreneurship and risk taking may be context specific, the relationship between risk taking and performance is better understood by taking into account the organizational context, and especially the nature of ownership, governance, and management.

Wang et al. (2004) argues that family firms are likely to handle risk differently than other types of firms, partly because management and ownership are not separated, and partly because of the family nature of wnership and management. Research on entrepreneurship in family firms, including entrepreneurial orientation and the role of risk taking, is increasing but still scarce (Habbershon and Pisturi, 2008). Still, family firms are often characterized as conservative (Aronoff, 2010), resistant to change and introverted (Hall, 2010), contradicting what would be considered entrepreneurial. The risk of losing family wealth created over a long time (Sharma, 2009) may also inhibit family firms from engaging in entrepreneurial activities. At the same time, family firms have been viewed as examples of entrepreneurial firms (Litz, 2006). There is need for more research in this area.
Pro-activeness refers to a posture of participating and acting on the basis of future demands and needs in the market place, thereby creating first-mover advantage vis-à-vis competitors (Lumpkin, Cogliser, and Schneider, 2009). Pro-activeness encompasses not only alertness to unnoticed opportunities, but also effort to capture these opportunities through monitoring and influencing trends, forward-looking activities, and assertively acting on future needs or changes (McMullen, 2010). Pro-activeness is crucial to Entrepreneurial orientation because it is concerned with the implementation stage of entrepreneurship. Research results show that pro-activeness has a strong statistically significant positive relationship to sales growth, return on sales, and profitability (performance measures) (Coleman, 2003). It is hence credible to note that proactive firms can create first mover advantages; thereby capitalizing on emerging opportunities, and target premium market segments.

Competitive aggressiveness represents a firm’s propensity to directly and intensely challenge its competitors to achieve an entry or improve position to outperform industry rivals (Lumpkin, 1996). Hence, competitive aggressiveness is a response to threats in hostile business environments where competition is intense and resources are constrained. Competitively aggressive firms direct their efforts to ward outperforming of rivals (Covin and Covin, 1990), while competitive aggressiveness in contrast, refers to the intensity of a firm’s efforts to outperform industry rivals. It is characterized by a strong offensive posture directed at overcoming competitors and may also be quite reactive as when a firm defends its market position or aggressively enters a market that a rival has identified.

This is accomplished by, for example, setting ambitious market goals and taking bold steps to achieve them such as cutting prices and sacrificing profitability (Sarasvathy and Venkataraman, 2009). It may also involve spending aggressively compared to competitors on marketing, product service and quality, or manufacturing capacity (Low, 2011). Lumpkin and Dess (1996) further suggest that competitive aggressiveness involves a “combative posture” that entails “forceful response to competitors’ actions”. Competitive aggressiveness may also include a “willingness to be unconventional rather than rely on traditional methods of competing” (Lumpkin, 2001: 196).

Competitive aggressiveness can be seen as an ingredient for a firm to attain competitive advantage. Its awareness entails analysis of a firm’s rivals, real-time tracking of its rivals’
competitive actions, and dissemination of this information (Mongomery, Moore and Urbany 2005). These firms must choose to invest in these processes of analysis and monitoring; they are costly in terms of physical and cognitive resources (Ocasio, 2007), in order to attain a higher level of awareness, which in turn promises a higher level of performance than their rivals.

2.3.4 Personal Attitude towards Entrepreneurship
The fulfillment of personal goals, such as independence or developing ideas, are stated as primary reasons for going into private business (Douglas and Shepherd 2000). Growth may be an “acquired taste” as suggested by some authors (Davidsson, 2002); that is, small business managers who successfully manage their firms through a growth process (independent of their own previous attitude) may become, and build up a more positive attitude as a result of the successful completion of growth. However, studies of growth using appropriate longitudinal designs have found support for a positive effect of attitude on growth. There is a very low level of take-up of business advice and support from support agencies by SMEs, not because of lack of awareness but because of a range of negative attitudes the SMEs have towards them (Fadhushi, 2000).

According to Redmond et al. (2007), small business owners are interested in skills development and training opportunities, provided that they are directly applicable to the current situation in their business, and as long as the delivery process is carefully structured in terms of location, time of day, and length of session. Braidford et al (2013) adds that Bourdieu’s concepts of habitués and cultural capital are key influences on the values and dispositions of owner managers of small businesses and their lack of future orientation and as a result, “live for today” (Braidford, Stone, and Tesfaye, 2013: 147). Most of them are filled with only meeting the household’s basic needs, and they have fatalistic attitudes to life arising from both their experiences and understanding what they consider “position” in society.

Low aspiration levels are also evident in the way the owner-manager view ambition as “pretentious” and “getting above oneself” (Leo-Paul, 2006: 55). He argues that many owner managers consider high achievers as being proud and resist being rational. They prefer to utilize informal or “hot” information (Leo-Paul, 2006); they do not value formal
information which teach them business planning, book keeping, market research, and how to start and run a business.

Low aspiration can also be attributed to gender inequalities. There is an overlap between women’s families and enterprise’s responsibilities as far as the allocation of generated profits are concerned but also in the actual running of enterprise activities. Women have to combine running their businesses with household and child care commitments and therefore they do not devote enough time to their businesses. Even though there are positive steps towards gender equality especially through the newly enacted constitution, Kenya has only made baby steps. Women are still more concentrated in unskilled and semi-skilled activities in the labour market, and in trade and service categories of MSEs (GoK, 2010).

Not all small business managers have, as a goal, to grow their business (Wiklund, 2003). Berner et al. (2012) argues that because most existing interventions are based on the implicit assumption that all entrepreneurs are growth-oriented, they often fail to address the specific needs of survivalists. Survivalists enterprises have been described “those that do not start their business by choice but because they cannot find wage employment; they operate to meet day to day needs without focusing on growth. The researcher will in the research process endeavor to find out if indeed there may be survivalist entrepreneurs among ‘mama mboga’ businesses of Kasarani and City Park Hawkers Market.

2.4 The Environment and Small Business Growth

2.4.1 The Industry Environment

The environment provides the small firms with growth opportunities that can be exploited (Davidsson, 2004; Delmar, 2003; Davidsson, 2006). There are many studies that assess the environmental influence of location, industry, and market on performance. Specifically, Audretsch et al (2013) has shown that the degree of scale economies and unionization of workers within an industry, and the possibility to introduce innovations impact the growth of small businesses. However, it might be advantageous for researchers to study more about the environment of small businesses so as describe it in a number of dimensions and especially to reflect on the perceptions of small business owners. With this knowledge, business managers would become better equipped to recognise business
opportunities which they would use to grow their businesses (Viverelli and Audretsch, 2011).

Audretsch and Mahmood (1994) argue that small business growth depends on the industry growth rate and market security (Baldwin and Gellatly, 2003). The studies describe the objective environment of a firm, and assume that there are inherent performance advantages for small firms in particular industries, markets, or locations. However, research has found that small firms that grow tend to develop profitable and expanding market niches that are often quite narrow and appear difficult to describe by objective, industry, or market-wide variables (Storey, 2004). Some of the dimensions include munificence, turbulence, heterogeneity, hostility, dynamics, customer structure, and competition.

First, dynamic environments are characterized by instability and continuous change. Opportunity windows for growth arise from social, political, technological, and economic changes (Covin and Slein 2013). ‘Mama Mboga’ businesses seem to be experts in taking advantage of such environments because they can enter or exit with ease. Secondly, hostile environments create threats to the firm; it can be either through increased rivalry or decreased demand for the firm’s products due to a myriad of new entrants in a market which then reduces growth opportunities for a small firm. This kind of environment easily ravages ‘mama mboga’ businesses especially in times of a product glut; for example milk products.

Third, environmental heterogeneity captures the complexity of environment; for example, there may be many different market segments with varied characteristics and needs to be served by those operating in that industry. It has been argued that in heterogeneous markets, entrepreneurial opportunities are more likely to arise as developments in one market creates demand for a firm’s products in related areas (Zahra, 2013). In such markets, it is easier for small firms to find and develop specific market niches than in markets where demand is homogeneous. However, heterogeneity may also indicate the market is fragmented into small niches across which individual businesses would find it difficult to expand.
Dess and Beard (1984) contend that it is these external forces that largely determine how much the firm grows rather than the managers’ motivations and strategic actions. For example, some studies have demonstrated that rapidly growing firms are more often found in industries and regions that are more dynamic (Carroll and Hannan, 2000; Davidsson and Delmar, 2009; Jovanovich, 2009) and there is no compelling evidence that the owner manager’s growth motivation, communicated vision and goals have direct effects on firm’s growth (Baum and Bird 2010; Wiklund and Shepherd, 2009). In highly innovative industries the failure rate for new entrants is also higher (Audretsch, 2013), and that for those who survive the first few years, both survival and growth is higher in subsequent years.

2.4.2 Political factors: Macroeconomic Policies
The success of small firms any economy is dependent to some extent on the prevailing economic conditions. A stable macroeconomic environment is believed to be crucial to the development of entrepreneurship and a strong small business sector (Achua, 2013). Therefore, in economies where government policy creates macroeconomic stability; low inflation, low interest rates, and stable exchange rates, small businesses are likely to achieve growth. Simplifying and reducing the burden of taxation is claimed to reduce costs, encourage investment and increase incentives for entrepreneurs.

Apart from stability, macroeconomic policies are frequently intended to reduce the level of bureaucracy facing new and small firms (Achtenhagen, 2012). This is in respect to taxation and compliance. Many countries have simplified taxation regulation and moved to a system of self-assessment in an attempt to reduce compliance costs for small firms (Kayanula, 2000). In this end, the European parliament avowed to reduce the burden of regulation on small firms and to simplify the financial environment in an attempt to create an environment more conducive to entrepreneurship (Martins, 2003).

Access to markets is important to growth of small businesses and macroeconomic policies are often intended to create new markets opportunities for small and medium-sized enterprises. David et al. (2013) points that in Japan, large firms are required by law to develop strategic alliances with local small and medium-sized enterprises, using them as suppliers and sub-contractors. However, since the government systems are one of the largest single sources of demand in an economy, it is more usual for them to encourage
their own departments and agencies to support small businesses; the Kenya government recently amended its law of contract that requires all government procurement to award 30% of contracts to small firms owned by youth and women (GoK, 2012).

In USA, for example, Small business Administration and other government departments have offered support to small and medium-sized businesses to secure government contracts, including seeking a share of the defense budget (David, 2011). In Europe there has been an even stronger tradition for governments to assist new and small firms in securing market opportunities overseas, through political alliances, trade missions, and the provision of advice, information and any other form of help required (Achtenhagen, 2012). The East African Community could be utilized in the same manner by the governments involved in order to assist small businesses to access new markets.

2.4.3 Microeconomic Policies
These are normally introduced to correct market failure and are intended to help new and existing small businesses acquire opportunities, skills, and resources they need to survive and grow (Samujh, 2011). They provide what is known as ‘hard’ and ‘soft’ support. Hard support refers to that which is tangible like buildings, money, equipment and others while soft support refers to that which is intangible such as education, know-how and others. Both can be provided nationally, regionally, and locally, and can be targeted at all stages in the life of the firm especially to stimulate birth of new firms and to facilitate survival and growth (Schiebold, 2011).

Hard support takes various forms; it includes the provision of finance and the physical infrastructure. (Samujh, 2011). Frequently, new and small firms face difficulties raising even small amounts of finance because they lack ‘track record’ and collateral as required by banks, venture capital companies, and private investors. Policies may be introduced to create new sources of funding for small firms or to improve the flow of funding through the existing channels. For example, in Europe and USA, there are government investment grants, loans and loan guarantee schemes, all intended to ease the flow of funding to new and small business sector (David, 2011).

While access to money is often difficult for small businesses, it is equally difficult to find suitable premises. In many countries, therefore, governments have developed small
factory or office units for rent, or offered subsidies to private developers for developing such units (Ong'olol, 2013). For example, in Kenya the government through the commerce chambers developed sheds known as Kenya Industrial Enterprises which were meant to incubate small businesses (GoK, 2012). In such environments, small businesses can benefit from economies of promiscuity and association, as well as the provision of common support and advisory services.

Soft support is also varied. It includes helping prospective as well as owner-managers acquire general business skills as well as specific expertise in subjects such as accounting, taxation, legal issues, marketing and exporting (Baum, 2004). These may be acquired through the education system or through public specialist organizations or the private sector. Studies show that small businesses are unwilling or unable to pay for training and consultancy (Delmar, 2008), governments have generally subsidized their provision, either in full or in part.

The introduction of policies to support innovation cannot be overlooked. Many governments have introduced policies to support innovation in technology. One set of policies is normally targeted at the country’s university and government research departments, and is intended to encourage the commercialization of research (Drucker, 1985). Another focuses on existing businesses and is intended to stimulate new product and process development through the provision of grants and awards. The third focuses on technology transfer, and the network of Business innovation centres. There is a network of information centres in Europe (Jodyanne, 2009) intended to help small businesses increase trade and form links across Europe. It provides information on public contracts and potential partners.

2.5 Underlying Resources and Small Business Growth

2.5.1 The Resource Based View

Study of the resource perspective on small business growth has been recognized as important area for research because a link has been found to exist between resources controlled by the firm and its effect on growth and performance (Wilkund, 2009). More research and collaboration is needed by researchers and business managers to understand all possible extensions of resource based view so that small firms are able to create, discover, and successfully exploit new opportunities.
In that breadth, Eisenhardt and Martin argues that the resource based view is the dynamic capabilities perspective to “the firm’s processes that use resources—especially the process to integrate, reconfine, gain, and release resources—to match and even create market change” (Eisenhardt, 2010). The resource perspective is also likely to ignite entrepreneurs to discover opportunities as resource providers.

Wiklund’s resource based view on small business growth harbors three theoretical constructs. The first is resource-based view in strategy which has its focus on the resources of the firm. The perspective is about combining and deploying a firm’s resources in order to achieve a competitive advantage (Kuratko, 2009). The premise is that heterogeneous resources that are difficult to copy or transfer could be a source of sustainable competitive advantage (Zheng, 2010); for example, processes that enable a firm to integrate, reconfigure, gain and release resources to match and create market change (Eisenhardt, 2012); these processes help a firm to create, discover, and successfully exploit new opportunities (Zahra, 2006). It has been suggested that resource-based theory can be important to understanding entrepreneurial phenomenon such as growth (Alvarez and Busenitz, 2001). In this study the researcher will focus on underlying resources.

2.5.2 Financial Capital
Small firms have limited access to financial capital which limits their growth (Hartarska and Gonzlez-Vega, 2006). Financial capital is the most general type of resource which can be relatively easily converted into other types of resources, thereby enabling a firm to expand and perform better (Bamford, 2011). Research indicates that financial is essential for the activities necessary to achieve growth. It provides resource slack, allowing experimentation with new strategies and innovative projects that might not be possible in a more resource constrained environment (Cooper et al, 2009), which increases the willingness to innovate and pursue new opportunities which could spur growth.

Making financial funding and know-how helps expansion to occur such as the business expansion schemes introduced in the United Kingdom (UK) in 1983 and 1993 (Samujh, 2011). It was introduced to provide tax relief to individuals investing in growth-oriented small and medium enterprises: these encouraged financial institutions to take an interest
in small firms and stimulate investment in them, as well as educating small business owner-managers about the benefits of external equity. Financial assistance to small firms can also be given to facilitate innovation. Some of these come in the form of an annual competition open to firms with fewer than 50 employees especially to stimulate highly innovative and marketable technology. An example in Kenya is the business plan competitions by different firms in which the winning businesses are awarded external capital (Delloitte, 2014).

There has been a weakness in the banking system where it has been tradition to extend loans to the larger, safer, longer-established enterprises (Frederic and Lena, 2009), often demanding high levels of security. This has changed of late as banks have re-appraised their lending portfolios as a result of understanding the needs of small enterprises and therefore they appraise small firm funding proposals, trained their staff in the principles of running a small business so that they can offer advice and guidance in addition to money (Robert, 2010). Other financial institutions have also emerged; for example, venture capital companies, microfinance institutions, and other risky-funding institutions which fund micro and small businesses such as ‘chamas’ and organized youth groups. However, most of these institutions appear to be somewhat selective in their choice of ventures, apparently rejecting 90% of the proposals put to them (Ve’ronique, Bowman, and Nardine, 2009).

Most micro finance institutions offer credit to formally registered businesses, a criterion that most micro businesses cannot meet. The ones available to offer credit to micro enterprises like Faulu Kenya and Kenya Women Finance Trust (KWFT) requires that the women must be in a group and save together for at least six weeks. However, the loans are very expensive due to high interest charged, and require that the entrepreneurs close business up to a half a day per week to attend meetings (Siringi, 2011). Siringi also argues that KWFT loan sizes range from Ksh. 5,000 (US$64) and Ksh. 10,000 (US$128) for first loans, up to Ksh. 20,000 (US$250) for second loans, and gradually increase to Ksh. 100,000 and Ksh. 150,000 in the 6th to 10th loans. For business purposes these loans are very small.

Furthermore, Kiuru (Kiuru, 2005) reveals that Micro and Small Enterprises lack collateral, and even where collateral exists, commercial banks are not confident that the legal system
will allow the banks to dispose those collaterals in case of default on loans. Banks therefore find it expensive to administer credit to micro enterprises like ‘mama mboga’, due to low economies of scale. Indeed, Lauren Read (Read, 1998) argues that the ability to provide security and personal collateral is given disproportionally more importance than managerial attributes when analyzing the risk of new ventures.

2.5.3 Human Capital
The second construct on growth relates to human capital of entrepreneurs running their businesses. Human capital refers to the knowledge, skills, and, experience that assist in successfully growing the business. The theory on human capital holds that individuals with more or higher quality, human capital achieve higher performance in executing relevant tasks (Becker, 1975). Human capital provides the entrepreneur with knowledge that assists them to identify opportunities and knowledge of ways to pursue the same more effectively and efficiently (Chandler and Wilkingson 2012). The entrepreneur and the total workforce employed are important factors in determining the overall resources of the firm.

In a comprehensive, longitudinal study by Raffa et al (2006), it was found that firms based initially on technical know-how expand their market abilities by; collaborating with large firms; collaborating with professionals and consultants; using technical and market competencies, and, acquiring new market competencies through diversification of the entrepreneurial group’s activities or new market-oriented employees. Some governments like the United Kingdom have developed know-how schemes that involve both training and consultancy intended to improve the managerial performance and growth prospects of small enterprises (Kirby and Matley, 2000). Even though owner managers of small firms are known to be very skeptical of the potential benefits of training (Gibb, 1997), it is evident that without training, small businesses could grow even smaller (Jodyanne, 2009).

‘Mama mboga’ businesses suffer inadequate business skills; they lack mentoring and training on business set up, survival, and growth (Beardwell, 2008). There is also very low level of take-up of business advice and support from mainstream support agencies by these enterprises, not because of a lack of awareness but because of a range of negative attitudes towards them (Fadahusi, Smallbone, and Supri, 2000). Managing organizational
knowledge creation and sharing has become an important source of competitive advantage for firms and that Knowledge Management helps firms to facilitate the effective delivery of the right knowledge to the right person at just the right time. With this knowledge, people are empowered to efficiently resolve problems, make decisions, respond to customer queries, and create new products and services tailored to the needs of clients (Karkoulian, Halawi, and McCarthy, 2008).

Another argument to consider is that small business owners are interested in skills development and training opportunities, provided that they are directly applicable to the current situation in their business, and as long as the delivery process is carefully structured in terms of location, time of day, and length of session (Walker, Redmond, Webster, and Clus, 2007). Research in this area could help induce business opportunities that target the business owners, and assist relevant institutions to make policies that meet the real need.

2.5.4 Network Capital
The third construct associated with the resource perspective is the network resources. Entrepreneurial networks can be divided into three; the inter-organizational networks which denote the strategic alliances the small business has with other organizations. For example, small firms can use alliances with universities (Zucker et al, 2006), with other small firms (Higgins and Gulani, 2006), or large corporations (Rothermel and Deeds, 2004), in order to acquire important knowledge, financial capital, and manufacturing and marketing capabilities. “Mama mboga’ businesses have organized themselves into “chamas” (cooperatives) mainly to access finance capital from micro finance institutions. Baum(2004) and Powell et al (2013) confirms that inter-organizational alliances can foster small businesses.

Intra-organizational networks can be understood as the relationships the small business owner has to other members of the management team (Eisenhardt, 2000). The nature of these relationships is crucial for the growth of young ventures because it determines team processes such as politics and conflict that can be detrimental to the growth of small business (Eishardt and Schoohoven, 2007). The intra-organizational networks are characterized by high levels of cohesion, shared leadership, and a common vision of
management team which facilitates the development and higher growth rates of small firms (Ensley et al, 2003).

Interpersonal networks refer to interpersonal relationships of the small business owner, which form the basis of his/her, social capital (Bosna et al, 2004). Social capital is said to be particularly important for accessing, and reducing the costs of resources (Cromie et al., 2004), such as those necessary to achieve growth. For example, social capital can enhance an individual’s access to information about new opportunities and the equipment, financial capital, advice, information, and reassurance necessary to exploit such growth opportunities (Birley, 1985, Johannison, 2009).

A network with large organizations is beneficial to growth of small businesses; large organizations have assisted the promotion of small business development both directly and indirectly: Directly; by assisting small firm suppliers and contractors through formation of supply chains by creating strategic alliances or supply partnerships between themselves and the small firm, indirectly; through networking, large organizations sponsor various initiatives that support the creation and development of small-sized enterprises. Birley (2005) recognized the help that comes from both formal networks (banks, accountants, lawyers) and the informal (family, friends, and business contacts) to influence the nature of the firm sustainability. Findings of Larson (1991) suggests that it is not just the nature of the firm that is affected, but the entrepreneur’s ability to identify, cultivate and manage a network partnership is an essential condition for survival and success. Figure 2.4 is a graphical representation of possible contacts, links and networks at different stages of enterprise growth.
Table 2.1: Stages of Growth Model and Sources of Capital.


2.6 Chapter Summary

Different forms of growth may need different theoretical explanations and has several indicators even though there is agreement that growth in sales and size of the firm is the most applicable one. However, growth occurs over time and as such studies of growth should consider length of time. Internal and external factors have been studied and shown to influence small firm growth. As regards growth determinants the owner manager’s willingness to grow has been shown to be important. Human capital factors like education and experience has a strong indication to growth but only when the wish to expand is there. The availability of external capital and different forms of networks are viewed as underlying resources necessary for firm growth. Chapter three discusses the methodology to be used in the research.
CHAPTER THREE

3.0 RESEARCH METHODOLOGY

3.1 Introduction

The chapter describes the methodology that was used during the research study. The chapter discusses in detail the research design used, describes the target population and sampling design employed. It also states the data collection methods, and research procedures used by the researcher. Finally it discusses the data analysis methods and the chapter summary.

3.2 Research Design

According to Saunders, Lewis and Thornhill (2012), research design is the general plan of how a researcher goes about answering the research questions. Cooper and Schindler (2013) define research design as the blueprint for fulfilling objectives and answering questions. For this study a descriptive research design was adopted. According to Saunders et al. (2012), a descriptive design is the one that helps a researcher to gain an accurate profile of events, persons or situations but it does not answer questions about how, when or why the characteristics occurred, rather it addresses the “what” question; What are the characteristics of the population or situation being studied. In this study the researcher endeavored to do a situational analysis in order to find the factors that affected the growth of ‘mama mboga’ businesses.

Under descriptive design, a survey was conducted to enable the researcher to collect quantifiable data from respondents. Cooper (2010) argues that one of the great strengths in using a survey is the versatility of questioning. He further explains that abstract information can be gathered by questioning and that questioning is more efficient and economical than observation (Cooper and Schindler, 2013). The independent variables were: external and internal determinants of growth, barriers to growth, specific predictors of growth, innovativeness, autonomy, risk taking, pro-activeness, competitive aggressiveness, personal attitudes towards entrepreneurship, macro and micro environments, and the underlying resources. The dependent variable was growth of mama mboga enterprises in Kenya.
3.3 Population and Sampling Design

3.3.1 Population

Schindler et al. (2013) defines population a group of people or objects which are similar in one or more ways, and which form the subject of study in a particular survey. The population of interest was the micro and small enterprises in Kenya. According to Saunders et al. (2012), target population is the collection of elements about which the researcher wishes to make some inferences. The target population in the study was the ‘mama mboga’ entrepreneurs who do business on the sides of the road at Kasarani Shopping Centre and those at Hawkers Market in City Park, Nairobi. The population size at Kasarani was nine hundred while the City Market had a population size of one thousand five hundred.

At City Park Market, businesses were more organized than those at Kasarani Shopping Centre and presumably the operators faced different challenges; giving a good case for choice of study. The entrepreneurs were estimated to number two thousand four hundred from which the sample was derived. They were also easily accessible from Nairobi City Centre by a direct bus through Limuru Road, and to Kasarani through Thika Super Highway. Most of their businesses were housed in temporary shelters, and did not seem to have many employees. Many of the products were similar with most of the entrepreneurs selling agricultural products. The number of women entrepreneurs was likely to be higher than that of men.

Table 3.1 Target Population Distribution

<table>
<thead>
<tr>
<th>Criteria</th>
<th>Number</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kasarani</td>
<td>900</td>
<td>37.5</td>
</tr>
<tr>
<td>City Park Hawkers Market – Limuru Road</td>
<td>1500</td>
<td>62.5</td>
</tr>
<tr>
<td><strong>Totals</strong></td>
<td><strong>2400</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

Source: Nairobi County Council (2014).
3.3.2 Sampling Design

3.3.2.1 Sampling Frame

A sampling frame is the extent of the population being studied (Mugo, 2012). It is the list that contains the population elements (VanHulse, Khosgoftaar, and Napolitano, 2010). The sample frame of this study was the list of all registered micro and small businesses in Kasarani Ward and City Park Hawkers Market registered with the County Council of Nairobi. The fact that they were registered with the County Council was evidence that they were not hawkers who moved or would be evicted without notice. It also signified that they were businesses with an aim for growth.

3.3.2.2 Sampling Technique

Sampling Technique is the procedure concerned with the selection of a subset of individuals from within a statistical population to estimate characteristics of the whole population (Benedetto and Datta, 2011). In this study, the researcher used probability sampling method to pick the sample size. Probability sampling is a combination of several sampling methods which are none biased; in a probability sample, each target population element has a known, non-zero chance of being included in the sample (Saunders, Lewis, and Thornhill, 2012). Based on the identified population, two clusters were considered; one was made of all those businesses in Kasarani Ward, and the second cluster was made of all those businesses in City Park Market.

The researcher used Systematic random probability sampling to pick a sample. Systematic random probability sampling method is simple to design and flexible. Its advantages include the fact that each possible sample of a given size has a known and equal probability of being the sample actually selected, and that every element is selected independently of every other element (Benedetto and Datta, 2011). In this approach, every \( k \)th element in the population is sampled; beginning with a random start of an element in the range of 1 to \( k \). The City Park Hawkers Market was well demarcated where every business had a walk path at its front running from one end to another. The research assistants used the paths to pick sample elements. The same applied to Kasarani since businesses were positioned along the main Kasarani Road and along other feeder roads to Kasarani Road.
3.3.2.3 Sample Size

The sample size of a statistical sample is the number of observations that constitute it. The sample size was made of 216 entrepreneurs’ businesses. When selecting the sample size, the levels of confidence associated with the estimates, the standard deviation of the population, and the levels of precision should be taken into account. The size of the sample required to collect data was determined based on a statistical sample determination formula derived from Creative Research Systems (2012), was used. A confidence level of 95% was used. The statistical sample determination formula used follows;

\[ ss = \frac{Z^2 \times (p) \times (1-p)}{C^2} \]

Where:
- \( ss \) = sample size
- \( Z \) = Z value (1.96 for 95% confidence level)
- \( p \) = percentage picking an estimate, (10% used for sample size needed)
- \( c \) = confidence interval, expressed as decimal (.04 = ±4).

\[ ss = \frac{1.96^2 \times (0.1) \times (0.9)}{0.04^2} = 216 \]

Table 3.2 Sample Size Distribution

<table>
<thead>
<tr>
<th>Residential Criteria</th>
<th>Population</th>
<th>Percentage (%)</th>
<th>Sample Size</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kasarani Shopping Centre</td>
<td>900</td>
<td>11.1</td>
<td>81</td>
</tr>
<tr>
<td>City Park Hawkers Market</td>
<td>1500</td>
<td>11.1</td>
<td>135</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>2400</strong></td>
<td><strong>11.1</strong></td>
<td><strong>216</strong></td>
</tr>
</tbody>
</table>

Source: Researcher

3.4 Data Collection Methods

Data collection methodology is the precise, systematic gathering of information relevant to the research sub problems, using methods such as interviews, participant observation, focus group discussions, narrative and case histories (Laitinen and Åstedt-Kurki, 2014). In this study, primary data was gathered through survey questionnaires. According to
Cooper and Schindler (2000) gathering data through surveys is quick, inexpensive, efficient, accurate, and flexible. They further note that it can be problematic if poorly designed or data collection executed in an improper manner.

The researcher used a questionnaire as a data collection tool; a formalized series of written questions in a fixed, rational order for obtaining information from respondents, with the overriding objective of translating the researcher’s information needs into a set. Some of the advantages of using a questionnaire are; tailored for specific application to collect primary data, being able to reach a large number of people easily and economically, it provides quantifiable answers, and it is also relatively easy to analyze. The questionnaire was designed with screener questions to identify qualified respondents, followed by questions to obtain the respondent’s interest, followed by questions that addressed general welfare of business environment. Open ended qualitative questions followed where sensitive information about the respondent and their business was required. At the end there were demographic questions.

The questionnaire had different types of questions. Closed response questions where a respondent chose among several ordered answer choices along a continuum, and unordered answers choices with each choice as an independent answer. The likert scale was used on quantitative type of questions to assess how strongly the respondents agreed with given statements. Open-ended questions were used where respondents answered without any limitation so that they provided more information freely. The questionnaire was based on the study’s research questions and it had six sections; Section 1: Antecedents and determinants of micro and small businesses; Section 2: Entrepreneurial orientation and small business growth; Section 3: The environment and small business growth; Section 4: Underlying resources and personal attitude toward growth of small businesses; and Section 5: demographic questions.

3.5 Research Procedures
Kombo and Tromp (2006), state that the validity of a test is a measure of how well a test measures what it is supposed to measure. To ensure effectiveness of the questionnaire, a pre-test was carried out where the questionnaire was piloted with a small representative sample. Bowen (2009); Mugenda and Mugenda (2003), argue that the number of cases in the pre-test should not be very large; they suggest the number to be between 10% and
15% depending on the sample size. Validity of the questionnaire was performed by carrying out a pre-test on 10 respondents from the target population; 5 from City Park Market, 3 from Kasarani Shopping Centre, and 2 to experts in the field of study. During the pilot test, the researcher was physically present to administer the instrument. This gave the researcher an opportunity to identify problematic questions, helped to eliminate bias and uncalled for detailed answers. The researcher then adjusted the questions where it was necessary.

In order to check for reliability of the instrument, the researcher reviewed the pre-test and conducted trial analysis. Reliability is the consistency of a set of measurements or measuring instruments, often used to describe a test (Kombo and Tromp, 2006). The questionnaire was checked for accuracy and completeness by the researcher which was necessary in order to ensure consistency in measuring study variables. In the review, the opinion of the experts in the field were sought to assist the researcher to find if the questionnaires really measured what they were intended for, and revised and modified to enhance validity.

The questionnaires were administered by the researcher together with three research assistants. The researcher provided two-session training to the assistants on how to administer the questionnaires. The research instruments were applied through a combination of interviewing; so as to assist those were not able to write, and drop and pick methods. In case a respondent was unable to understand a question well, the research assistants helped by simplifying the language or using Swahili to increase understanding but with precaution not to distort meaning. To ensure a high response rate, the language used in questionnaire was simplified to ensure ‘mama mboga’ respondents understood. The pilot test helped the researcher to find and fix problems with clarity, consistency, errors and other problems which would hinder a respondent from being able to answer questions. To ensure willingness to respond and cooperate, each potential respondent was promised confidentiality and anonymity and they were not required to fill their address unless they would offer to do so. The design of the questionnaire was well laid-out with Times New Roman fonts, size 12, so that it was easily read. Spaces to fill in open ended responses were adequate and demographic questions were the last for a respondent to fill. A trained data entry clerk was engaged once the questionnaires were filled.
3.6 Data Analysis Methods
Maxwell (2012) defines data analysis as a mechanism for reducing and organizing data to produce findings that require interpretation by the researcher. Raw data from the field has to go through processing which involves a sequence of operations. The first is data preparation whereby the researcher came up with classification of responses into meaningful categories and created a code book. Then data entry into Statistical Package for Social Scientists (SPSS) software was done followed by data cleaning. The quantitative analysis was applied using descriptive statistics; transforming a mass of raw data into tables and charts, with frequency distribution and percentages. These are critical for making sense of data. The data was analyzed using Statistical Package for Social Sciences (SPSS) and Excel programmes. The data was presented using tables and figures which give a clear at-a-glance perception of the research findings. A qualitative description of the expected analysis was as follows:

\[ Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + \beta_6 X_6 + \epsilon \]

Where:
- \( Y \) is the dependent variable (Growth of micro and small enterprises),
- \( X_1 \) is the external and internal factors of growth
- \( X_2 \) is barriers to growth
- \( X_3 \) is specific predictors of growth
- \( X_4 \) is entrepreneurial orientation
- \( X_5 \) is personal attitudes towards entrepreneurship
- \( X_6 \) is macro and micro environments and,
- \( X_7 \) is the underlying resources
- \( \epsilon \) is the error term and \( \beta_0 \) is the intercept.

The equation was solved by the use of statistical model where SPSS was applied. Data was presented using tables and figures.

3.7 Chapter Summary
Chapter three discussed the methodology used in the research. Descriptive research design was used in the study and a survey was done to collect information from respondents. Target population was made up of two clusters; one with a population equal to 1500, the second was 900, making 2400 in total. The sample size was 216. The data
collection tool used was a questionnaire and SPSS was applied for data analysis. Data was analyzed by use of mean, standard deviation, correlation, frequencies, and percentages, and presented in tables and figures. Chapter four presents the study’s results and findings.
CHAPTER FOUR

4.0 RESULTS AND FINDINGS

4.1 Introduction
This chapter presents the results and findings of the study that was guided by the research questions. The results have been presented in table and graphical format. These tables and figures have explanations that give meaning to the figures presented.

4.2 Demographic and General Information

4.2.1 Response Rate
The researcher with her assistants managed to carry out interviews on all 216 respondents. Some were given the questionnaires to fill on their own and for those who did not understand the used language on the questionnaire were given an interview. After arranging and cleaning the data, the researcher had managed to collect data from 210 respondents. This gave the research a response rate of 97.2% as shown on Table 4.1.

Table 4.1 Study Response Rate

<table>
<thead>
<tr>
<th>Questionnaires</th>
<th>Number</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Handed out and Interviews</td>
<td>216</td>
<td>100</td>
</tr>
<tr>
<td>Complete</td>
<td>210</td>
<td>97.2</td>
</tr>
</tbody>
</table>

4.2.2 Gender
The researcher wanted to determine whether gender of the respondents and as shown in Figure 4.1 in the study, 56.7% were male, and 43.3% were female. These results show that majority of the entrepreneurs in the Nairobi area and environs were male. This is contrary to the belief that these kiosks are owned by women hence the name “mama mboga”.

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4.2.3 Respondents’ Age

It was important for the researcher to determine the age of the ‘mama mboga’ owners and the response collected from the analyzed data was as shown. Figure 4.2 shows that 43.3% were aged between 20-29 years, 38.6% were aged between 30-39 years, 15.7% were aged between 40-49 years, and 2.4% were aged between 50-60 years. These results show that majority of the entrepreneurs were youths and young adults aged between 20-39 years. These results indicate that youths were taking over the “mama mboga” business and not the old “women” as it was believed.
4.2.4 Duration of Business Existence
The respondents were asked how long they had been in business with their kiosks and their response was as follows. Figure 4.3 shows that 48.6% had their businesses for 2-5 years, 15.2% had their business for 6-10 years, and 10% had their business for more than 11 years. Only 26.2% were new entrants as shown in Figure 4.3. Overall 25.2% of the businesses have survived more than 5 years.

![Duration of Existence](chart)

**Figure 4.3 Duration of Business Existence**

4.2.5 Level of Education
The researcher wanted to ascertain the level of education of the entrepreneurs, and the results showed that 52.4% had secondary certificates, 31.4% had reached tertiary level, 9% were undergraduates, 6.2% had primary certificates, and 1% had post graduate certificates. Over 93% of the respondents have a secondary school education or higher. This implies that there is potential to mentor business owners to develop into much larger enterprises that control produce and perhaps exporting to other countries.
4.2.6 Work Enjoyment

The researcher wanted to determine whether the respondents enjoyed going to work. Figure 4.5 shows that 91.9% of the ‘mama mboga’ kiosk owners enjoyed going to work while 8.1% indicated that they did not. These results are a good indication of a great workforce to grow the economy.

4.2.7 Listening to Business News

The respondents were asked whether they listening to business news using any media and their response indicated that 51.4% listened to business news, while 48.6% did not. The results show that a majority of the entrepreneurs listened to business news, while a larger population did not. This indicates that the “mama mboga” kiosk owners are interested in growing their businesses as well as venture into new businesses as otherwise believed.
4.2.8 Read Business News

The respondents were asked whether they read business news from any media and their response indicated that 34.3% read business news, while 65.7% did not. A majority 65.7% did not read business news. This could be due to a non-reading culture or they may not be aware about the power of information.

4.2.9 Number of Employees Hired

It was important for the researcher to determine whether these ‘mama mboga’ owners had employed people to help them. Figure 4.8 shows that 62.1% had employed between 1-5 people, 35.9% had not employed anyone, 1% had equally employed 6-10 employees, and 11 and above. These results showed that the entrepreneurs had offered employment opportunities to individuals. ‘Mama mboga’ entrepreneurs offer employment to a fair percentage of the population and with growth, they could become the majority employers.
4.2.10 Growth Meaning

The respondents were asked to indicate what they understood by the term business growth. From the data collected, 48.1% stated that profits showed business growth, 26.7% stated that sales amount was business growth, 14.3% stated that assets showed growth, 7.1% stated that number of employees showed growth, and 3.8% stated that number of customers showed growth. About half of the respondents attributed growth to profits.

4.3 Measures of Micro and Small Business Growth

4.3.1 Business Growth

The respondents were asked to indicate whether their businesses had grown by rating their views on a likert scale. The analysis was done using means and standard deviation. Mean scores of 2.5 and above indicate the strength of growth, the standard deviation was used to measure the variance of difference between responses and the scores of 1.5 and
below indicate that the difference in response was statistically insignificant; meaning the difference was not so large.

**Table 4.2 Evidence of Business Growth**

<table>
<thead>
<tr>
<th></th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>MEAN</th>
<th>STD. DEV</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>%</td>
<td>%</td>
<td>%</td>
<td>%</td>
<td>%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>I have increased number of employees over the last three years</td>
<td>6.2</td>
<td>46.9</td>
<td>14.8</td>
<td>30.1</td>
<td>1.9</td>
<td><strong>2.75</strong></td>
<td><strong>1.018</strong></td>
</tr>
<tr>
<td>I have increased sales continuously in the last three years</td>
<td>3.3</td>
<td>17.6</td>
<td>15.7</td>
<td>58.1</td>
<td>5.2</td>
<td><strong>3.44</strong></td>
<td><strong>0.953</strong></td>
</tr>
<tr>
<td>My sales development have been more than my competitors in the last three years</td>
<td>1.9</td>
<td>20.0</td>
<td>39.5</td>
<td>34.8</td>
<td>3.8</td>
<td><strong>3.19</strong></td>
<td><strong>0.863</strong></td>
</tr>
<tr>
<td>Over the last three years in a row, my profits have increased</td>
<td>3.8</td>
<td>13.3</td>
<td>21.0</td>
<td>58.1</td>
<td>3.8</td>
<td><strong>3.45</strong></td>
<td><strong>0.907</strong></td>
</tr>
<tr>
<td>Opening other branches or outlets in this market or outside this region contributes to increasing my sales</td>
<td>5.3</td>
<td>38.3</td>
<td>28.2</td>
<td>23.4</td>
<td>4.8</td>
<td><strong>2.84</strong></td>
<td><strong>0.999</strong></td>
</tr>
<tr>
<td>As an indication that my business has grown, the business assets have increased every year for the last three years</td>
<td>5.7</td>
<td>29.5</td>
<td>16.2</td>
<td>44.8</td>
<td>3.8</td>
<td><strong>3.11</strong></td>
<td><strong>1.056</strong></td>
</tr>
</tbody>
</table>

**KEY: 1=Strongly Disagree; 2=Disagree; 3=Neutral; 4=Agree; 5=Strongly Agree**

Table 4.2 showed that the entrepreneurs had not increased the number of employees over the last three years as shown by 53.1% (n=111) of the respondents, 32% (n=67) had increased the number of employees. From the table, 63.3% (n=132) of the respondents had increased sales continuously in the last three years, while 20.9% (n=43) had not. The entrepreneurs’ sales development had been more than their competitors’ in the last three years as shown by 38.6% that agreed, and 21.9%. The study showed that the profits for 61.9% of the respondents had increased, while for 17.1% it had not. Opening other branches or outlets in the market or outside the region had not contributed to increasing
the businesses’ sales as shown by 43.6% (n=91) of the respondents, and for 28.2% (n=59) it had. For 48.6% (n=102) of the respondents, business assets had increased every year for the last three years as an indication that their businesses had grown. Only 35.2% (n=74) disagreed.

4.3.2 Factors of Business Growth

The respondents were asked to indicate factors that had enabled to grow their businesses by rating their view on a likert scale. The analysis was done using means and standard deviation. Mean scores of 2.5 and above indicate the strength of growth and the standard deviation was used to measure the variance of difference between responses; the scores of 1.5 and below indicate that the difference in response was statistically insignificant meaning the difference was not so large.

Table 4.3 shows that business growth increased as the age and size of the firm increased for 70.5% (n=148) of the respondents, while it had not for 15.2% (n=32). The table also shows that legal registration of the businesses had not affected growth of the businesses positively for 43.3% (n=91) of the respondents, yet it had affected growth for 39.5% (n=84) which is quite significant. The study shows that the location of the businesses was so favorable that it positioned the entrepreneurs’ businesses to growth as indicated by 79.9% (n=168) of the respondents. Only 8.2% (n=19) disagreed. The table also shows that 83.8% (n=176) of the entrepreneurs had the desire/ plan to expand their businesses in the region or neighboring countries while 9.1% (n=19) did not. Government institutions - like county council, KRA, and others – had not contributed positively to increasing the entrepreneurs’ businesses as shown by half of the respondents. Only 32.9% (n=69) were positive. Management know-how and motivating employees had assisted the entrepreneurs to grow their businesses as shown by 66.8% (n=140) of the respondents, while 7.7% (n= 16) disagreed and 1.9% (n= 4) strongly disagreed. The results show that most enterprises had grown in the past three years. This meant the researcher could go ahead and evaluate the EO tendencies and other factors that affect business growth.
Table 4.3 Factors of Business Growth

<table>
<thead>
<tr>
<th>Factor</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>MEAN</th>
<th>STD. DEV</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business growth is increased as the age and size of firm increases</td>
<td>3.3</td>
<td>11.9</td>
<td>14.3</td>
<td>62.9</td>
<td>7.6</td>
<td>3.60</td>
<td>0.914</td>
</tr>
<tr>
<td>Legal registration of business has affected growth of my business positively.</td>
<td>4.3</td>
<td>39.0</td>
<td>17.1</td>
<td>36.2</td>
<td>3.3</td>
<td>2.95</td>
<td>1.030</td>
</tr>
<tr>
<td>The location of my business is so favorable that it positions my business to growth</td>
<td>1.0</td>
<td>7.2</td>
<td>12.0</td>
<td>67.0</td>
<td>12.9</td>
<td>3.85</td>
<td>0.748</td>
</tr>
<tr>
<td>I desire or plan to expand my business in the region or neighboring countries</td>
<td>1.9</td>
<td>7.2</td>
<td>7.2</td>
<td>65.6</td>
<td>18.2</td>
<td>3.91</td>
<td>0.841</td>
</tr>
<tr>
<td>Government institutions e.g. county council, KRA, and others, have contributed positively to increasing my business</td>
<td>14.3</td>
<td>35.7</td>
<td>17.1</td>
<td>30.0</td>
<td>2.9</td>
<td>2.71</td>
<td>1.126</td>
</tr>
<tr>
<td>Management know how and motivating my employees has assisted to growing my business</td>
<td>1.9</td>
<td>7.7</td>
<td>23.6</td>
<td>56.7</td>
<td>10.1</td>
<td>3.65</td>
<td>0.837</td>
</tr>
</tbody>
</table>

KEY: 1=Strongly Disagree; 2=Disagree; 3=Neutral; 4=Agree; 5=Strongly Agree

4.3.3 Correlation for Micro and Small Business Growth Measures

Table 4.4 presents the correlation analysis results between the various micro and small business factors that affect the growth of these businesses. The factors that have a sig figure of 0.000 show that they were statistically significant than those that have a sig figure of above 0.000.
Table 4.4 Correlation for Micro and Small Business Growth Measures

<table>
<thead>
<tr>
<th></th>
<th>Business Growth</th>
<th>Sales Increase</th>
<th>Registration</th>
<th>Location</th>
<th>Government</th>
<th>Management Know-how</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business Growth</td>
<td>1</td>
<td>.468</td>
<td>.272</td>
<td>.685</td>
<td>.334</td>
<td>.422</td>
</tr>
<tr>
<td>Sales Increase</td>
<td>.468</td>
<td>1</td>
<td>.309</td>
<td>.074</td>
<td>.382</td>
<td>.168</td>
</tr>
<tr>
<td>Registration</td>
<td>.272</td>
<td>.309</td>
<td>1</td>
<td>.116</td>
<td>.513</td>
<td>.016</td>
</tr>
<tr>
<td>Location</td>
<td>.685</td>
<td>.074</td>
<td>.116</td>
<td>1</td>
<td>.121</td>
<td>-.037</td>
</tr>
<tr>
<td>Government</td>
<td>.334</td>
<td>.382</td>
<td>.513</td>
<td>.121</td>
<td>1</td>
<td>.111</td>
</tr>
<tr>
<td>Management Know-how</td>
<td>.422</td>
<td>.168</td>
<td>.016</td>
<td>-.037</td>
<td>.111</td>
<td>1</td>
</tr>
</tbody>
</table>

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

The results shown in Table 4.4 revealed that the correlation between increase in sales and growth had a correlation value of 0.468 at a significant level of 0.01. This indicates that increase in sales was correlated to business growth at 46.8% which showed that it was not statistically significant. Component measures on the table indicate that registration, location, government, and management know-how had correlations of 0.272, 0.685, 0.334, and 0.422 respectively at a significant level of 0.01.

4.4 Measures of Entrepreneurial Orientation and Attitude

4.4.1 Entrepreneurial Orientation

The respondents were asked to indicate how various entrepreneurial orientations and their attitude towards growth of business affected their business growth by rating their view on a likert scale. The analysis was done using means and standard deviation. Mean scores of 3.0 and above indicate the strength of growth. Standard deviation was used to measure the variance of difference between responses and the scores of 1.5 and below indicate that the difference in response was statistically insignificant.
Table 4.5 Entrepreneurial Orientation: Innovation, Autonomy, Risk-taking, Attitude

<table>
<thead>
<tr>
<th></th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>MEAN</th>
<th>STD. DEV</th>
</tr>
</thead>
<tbody>
<tr>
<td>Introduction of unique products that my customers like has helped</td>
<td>1.0</td>
<td>7.1</td>
<td>9.0</td>
<td>68.6</td>
<td>14.3</td>
<td>3.88</td>
<td>0.770</td>
</tr>
<tr>
<td>my sales to increase</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>I regularly monitor and evaluate latest trends for opportunities</td>
<td>1.0</td>
<td>7.1</td>
<td>9.0</td>
<td>64.3</td>
<td>18.6</td>
<td>3.93</td>
<td>0.780</td>
</tr>
<tr>
<td>for growth</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>I have introduced new processes like sales to hotels and</td>
<td>2.4</td>
<td>39.5</td>
<td>12.4</td>
<td>35.2</td>
<td>10.5</td>
<td>3.12</td>
<td>1.120</td>
</tr>
<tr>
<td>wholesaling in order to increase</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>I am able to introduce new things into the business with little</td>
<td>0.0</td>
<td>8.6</td>
<td>6.7</td>
<td>77.1</td>
<td>7.6</td>
<td>3.84</td>
<td>0.679</td>
</tr>
<tr>
<td>consultation as long it provides increase of business</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>I notice new business opportunities and pursue them for</td>
<td>0.0</td>
<td>4.3</td>
<td>3.3</td>
<td>72.4</td>
<td>20.0</td>
<td>4.08</td>
<td>0.633</td>
</tr>
<tr>
<td>business growth</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>It is important to me that the firm’s sales and number of</td>
<td>0.0</td>
<td>5.7</td>
<td>5.2</td>
<td>59.5</td>
<td>29.5</td>
<td>4.13</td>
<td>0.750</td>
</tr>
<tr>
<td>employees’ increases</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>It is important to me that the business grows to a point that I</td>
<td>0.0</td>
<td>1.0</td>
<td>1.9</td>
<td>56.2</td>
<td>41.0</td>
<td>4.37</td>
<td>0.575</td>
</tr>
<tr>
<td>open more outlets</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>It is important to me that I could get self-fulfillment from</td>
<td>1.0</td>
<td>1.0</td>
<td>1.0</td>
<td>46.2</td>
<td>50.8</td>
<td>4.49</td>
<td>0.597</td>
</tr>
<tr>
<td>growth of my business</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

KEY: 1=Strongly Disagree; 2=Disagree; 3=Neutral; 4=Agree; 5=Strongly Agree

Findings on Table 4.5 indicate that most respondents acknowledged innovation, autonomy, and risk-taking as having played a role in the growth of micro and small businesses. Introduction of unique products that customers liked by the entrepreneurs had helped 82.9% (n=174) increase their sales while it had not for 8.2% (n=17). 82.9% (n=174) of the entrepreneurs regularly monitored and evaluated the latest trends for opportunities for growth while 8.1% (n=17) did not. Overall 45.7% (n=96) of the respondents had introduced new processes like sales to hotels and wholesaling in order to increase their sales and 41.9% (n=88) had not. According to the study, 84.7% (n=178) of the entrepreneurs were able to introduce new things into their businesses with little consultation as long it provided increase of business while only 8.6% (n=18) did not; 92.4% (n=194) of the entrepreneurs noticed new business opportunities and pursued them.
for business growth. Only 4.3% (n=9) did not. A positive attitude towards growth was revealed by 89% of the respondents who agreed that it was important the firms’ sales and number of employees’ increase; 97.2% (n=204) of the entrepreneurs who agreed that it was important to them that the business grows to a point that they would open more outlets, and 97% (n=204) of the entrepreneurs, who agreed that it was important that they get self-fulfillment from growth of their businesses unlike 5.7%, 1%, and 2% respectively who did not.

4.4.2 Entrepreneurial Orientation: Pro-activeness, Competitive aggressiveness

The respondents were asked to indicate how various entrepreneurial attitudes affected their business growth by rating their view on a likert scale. The analysis was done using means and standard deviation. Mean scores of 2.5 and above indicate the strength of growth. Standard deviation was used to measure the variance of difference between responses and the scores of 1.5 and below indicate that the difference in response was statistically insignificant.

Findings on Table 4.6 reveals that going into new locations and trying out new items for sale verses waiting for wholesalers to supply increased sales for 52.9% of the entrepreneurs and not for 25.2%. It also shows that business relationship between 75.7% of the entrepreneurs and their competition was characterized by the fact that they tried to cooperate and coexist verses fighting, unlike for 10.9%. Overall 51.4% of the entrepreneurs’ businesses were characterized by the fact that they did not prefer others to begin anything that was related to innovation and development so as to avoid frustration unlike 35.7% who disagreed. In the study, 81.9% of the entrepreneurs regularly monitored and evaluated latest trends for opportunities and introduced them before their competitors did, while 8.1% did not. A majority 73.8% of the entrepreneurs spied to know what their competition was planning, then outdid them so that their businesses would grow, unlike 22.9% who did not. More than half of the respondents, 51.9% had a budget for marketing their products, painting their shops, and producing quality products in order to have a competitive edge, although a significant number 41% also stated that they did not. 69.9% of the entrepreneurs had an alternative supply source for different seasons than 17.7% who did not.
Table 4.6 Entrepreneurial Orientation: Pro-activeness, Competitive aggressiveness

<table>
<thead>
<tr>
<th></th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>MEAN</th>
<th>STD. DEV</th>
</tr>
</thead>
<tbody>
<tr>
<td>Going into new locations and trying out new items for sale verses waiting for wholesalers to bring to me, increases sales</td>
<td>1.4</td>
<td>23.8</td>
<td>21.9</td>
<td>41.9</td>
<td>11.0</td>
<td>3.37</td>
<td>1.010</td>
</tr>
<tr>
<td>My business relationship with competition is characterized by the fact that we try to cooperate and coexist verses fighting them</td>
<td>1.4</td>
<td>9.5</td>
<td>13.3</td>
<td>66.7</td>
<td>9.0</td>
<td>3.72</td>
<td>0.813</td>
</tr>
<tr>
<td>My business is characterized by the fact that we prefer others to begin anything that is related to innovation and development so as to avoid frustration</td>
<td>5.2</td>
<td>46.2</td>
<td>12.9</td>
<td>31.9</td>
<td>3.8</td>
<td>2.83</td>
<td>1.058</td>
</tr>
<tr>
<td>I regularly monitor and evaluate latest trends for opportunities and introduce them before my competitors do</td>
<td>1.0</td>
<td>7.1</td>
<td>10.0</td>
<td>62.9</td>
<td>19.0</td>
<td>3.92</td>
<td>0.811</td>
</tr>
<tr>
<td>I spy to know what the competition is planning, then outdo them so that my business can be bigger</td>
<td>2.4</td>
<td>20.5</td>
<td>3.3</td>
<td>51.9</td>
<td>21.9</td>
<td>3.70</td>
<td>1.097</td>
</tr>
<tr>
<td>I have a budget for marketing my products, Painting my shop, producing quality products in order to have a competitive edge</td>
<td>6.2</td>
<td>34.8</td>
<td>7.1</td>
<td>44.3</td>
<td>7.6</td>
<td>3.12</td>
<td>1.155</td>
</tr>
<tr>
<td>I have alternative supply sources for different seasons that others may not have</td>
<td>1.0</td>
<td>16.7</td>
<td>12.4</td>
<td>51.9</td>
<td>18.0</td>
<td>3.71</td>
<td>0.971</td>
</tr>
</tbody>
</table>

4.4.3 Correlation between Entrepreneurial Orientation and Attitude, and Business Growth

A correlation test was carried out to determine the level of influence of entrepreneurial orientation and attitude towards business growth. Table 4.7 indicates that orientation had an influence on growth at a significance level of 0.564%, and that attitude had an influence on growth at a significance level of 0.413% at a significant level of 0.01. These results show that entrepreneurial orientation influences business growth at 56.4%. The owners’ attitude towards business growth is important at 41.3%. The correlation between the dependent and independent can be described as a strong positive correlation.
Table 4.7 Correlation between EO and Attitude towards Business Growth

<table>
<thead>
<tr>
<th></th>
<th>Pearson Product Moment Correlation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Entrepreneurial Orientation</td>
<td>0.564 (**)</td>
</tr>
<tr>
<td>Sig</td>
<td>0.000</td>
</tr>
<tr>
<td>Entrepreneurial Orientation and</td>
<td>0.413 (**)</td>
</tr>
<tr>
<td>Attitude</td>
<td>0.000</td>
</tr>
</tbody>
</table>

**Correlation is significant at the 0.01 level

4.5 Measures of Environment

4.5.1 Political and government Factors

The respondents were asked to indicate how various political factors affected their business growth by rating their view on a likert scale. The analysis was done using means and standard deviation. Mean scores of 2.5 and above indicate the strength of growth. Standard deviation was used to measure the variance of difference between responses and the scores of 1.5 and below indicate that the difference in response was statistically insignificant.

Table 4.8 shows that political changes like introduction of counties had not brought new opportunities for business as shown by 74.3% (n=156) of the respondents who disagreed, while 15.7% (n=34) stated it had. The table also indicates that political instabilities did not provide business opportunities for growth as shown by a majority 95.3% (n=200) of the respondents who disagreed, only 3.8% (n=8) agreed. Government institutions had not assisted the entrepreneurs’ businesses to gain markets for their products as shown by 68.5% (n=144) of the respondents who disagreed, while 24.3% (51) stated it had. Government did not assist the entrepreneurs with trainings aimed at helping them become better business people as shown by 82.8% (n=174) of the respondents that disagreed, while only 12.9% (n=27) agreed. Overall 62.4% (n=131) of the entrepreneurs’ businesses were affected negatively by levies charged by the county council while 30.9% (n=65) disagreed. The procedure of paying for the levies was not favorable to 48.6% (n=102) the entrepreneurs in terms of doing business, although a significant 38.5% (n=81) of the entrepreneurs found it favorable. 49% (n=103) of the entrepreneurs disagreed to the statement that some of their business growth was directly related to the legal services they paid for their business, while 41.5% (87) agreed.
### Table 4.8 Political and Government Factors

<table>
<thead>
<tr>
<th></th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>MEAN</th>
<th>STD. DEV</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Political changes like introduction of counties have brought new opportunities for my business.</strong></td>
<td>21.0</td>
<td>53.3</td>
<td>10.0</td>
<td>14.3</td>
<td>1.4</td>
<td><strong>2.22</strong></td>
<td><strong>0.983</strong></td>
</tr>
<tr>
<td><strong>Political instabilities provide business opportunities for growth</strong></td>
<td>51.0</td>
<td>44.3</td>
<td>1.0</td>
<td>2.4</td>
<td>1.4</td>
<td><strong>1.59</strong></td>
<td><strong>0.760</strong></td>
</tr>
<tr>
<td><strong>Government institutions have assisted my business to gain markets for my products</strong></td>
<td>21.4</td>
<td>47.1</td>
<td>7.1</td>
<td>21.4</td>
<td>2.9</td>
<td><strong>2.37</strong></td>
<td><strong>1.126</strong></td>
</tr>
<tr>
<td><strong>Government assists me with trainings aimed at helping me become a better business person</strong></td>
<td>26.2</td>
<td>56.6</td>
<td>4.3</td>
<td>11.9</td>
<td>1.0</td>
<td><strong>2.04</strong></td>
<td><strong>0.912</strong></td>
</tr>
<tr>
<td><strong>My business is affected negatively by levies charged by the county council</strong></td>
<td>5.7</td>
<td>25.2</td>
<td>6.7</td>
<td>50.5</td>
<td>11.9</td>
<td><strong>3.38</strong></td>
<td><strong>1.152</strong></td>
</tr>
<tr>
<td><strong>The procedures of paying for the levies is favorable to my doing business</strong></td>
<td>11.9</td>
<td>36.7</td>
<td>12.9</td>
<td>37.1</td>
<td>1.4</td>
<td><strong>2.80</strong></td>
<td><strong>1.111</strong></td>
</tr>
<tr>
<td><strong>I can relate some of my business growth to the legal services I pay for my business</strong></td>
<td>13.3</td>
<td>35.7</td>
<td>9.5</td>
<td>38.6</td>
<td>2.9</td>
<td><strong>2.82</strong></td>
<td><strong>1.168</strong></td>
</tr>
<tr>
<td><strong>KEY:</strong> 1=Strongly Disagree; 2=Disagree; 3=Neutral; 4=Agree; 5=Strongly Agree</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

#### 4.5.2 Social and Technological Factors

The respondents were asked to indicate how various social and technological factors affected their business growth by rating their view on a likert scale. The analysis was done using means and standard deviation. Mean scores of 2.5 and above indicate the strength of growth. Standard deviation was used to measure the variance of difference between responses and the scores of 1.5 and below indicate that the difference in response was statistically insignificant.
Table 4.9 Social and Technological Factors

<table>
<thead>
<tr>
<th></th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>MEAN</th>
<th>STD. DEV</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>%</td>
<td>%</td>
<td>%</td>
<td>%</td>
<td>%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>I make sales from my tribe associations</td>
<td>19.0</td>
<td>59.0</td>
<td>12.4</td>
<td>8.6</td>
<td>1.0</td>
<td>2.13</td>
<td>0.854</td>
</tr>
<tr>
<td>My religious connections provide opportunities for market entry or growth</td>
<td>16.2</td>
<td>51.0</td>
<td>14.8</td>
<td>17.1</td>
<td>1.0</td>
<td>2.36</td>
<td>0.979</td>
</tr>
<tr>
<td>I can attribute growth to business that I get from social organizations</td>
<td>3.8</td>
<td>33.0</td>
<td>9.1</td>
<td>48.8</td>
<td>5.3</td>
<td>3.19</td>
<td>1.074</td>
</tr>
<tr>
<td>The use of phone helps me to access markets for products; e.g., SMS customers</td>
<td>1.0</td>
<td>5.7</td>
<td>7.6</td>
<td>63.3</td>
<td>22.4</td>
<td>4.00</td>
<td>0.786</td>
</tr>
<tr>
<td>Use of phone and technology helps me to reduce cost of doing business; e.g., phone banking, LPO through email, etc</td>
<td>1.4</td>
<td>5.7</td>
<td>7.6</td>
<td>65.2</td>
<td>20.0</td>
<td>3.97</td>
<td>0.797</td>
</tr>
<tr>
<td>I have created new operating processes and new products by use of technology.</td>
<td>4.3</td>
<td>33.5</td>
<td>12.4</td>
<td>44.0</td>
<td>5.7</td>
<td>3.13</td>
<td>1.079</td>
</tr>
</tbody>
</table>

KEY: 1=Strongly Disagree; 2=Disagree; 3=Neutral; 4=Agree; 5=Strongly Agree

Findings on Table 4.9 indicates that 78% of the entrepreneurs did not make sales from their tribe associations while 9.6% agreed; and that for 67.2% of them, their religious connections did not provide opportunities for market entry or business growth unlike 18.1%. According to the study, 54.1% of the entrepreneurs could attribute growth of their businesses to the business they got from social organizations, while a significant 36.8% did not. The study shows that 85.7% of the entrepreneurs used their phones to help them access markets for their products for example, by using SMS to get in touch with customers, while 6.7% did not. Overall 85.2% of the entrepreneurs used their phones and technology embedded in their phones to help them reduce the cost of doing business by using phone banking while 7.1% did not. The study shows that 49.7% of the
entrepreneurs had created new operating processes and new products by using technology, while another significant 37.8% had not.

4.5.3 Industry Environment
The respondents were asked to indicate how various environmental factors affected their business growth by rating their view on a likert scale. The analysis was done using means and standard deviation. Mean scores of 2.5 and above indicate the strength of growth. Standard deviation was used to measure the variance of difference between responses and the scores of 1.5 and below indicate that the difference in response was statistically insignificant.

Table 4.10 shows that there was a hostile environment due to rivalry of competition such that there was decreased demand for the entrepreneurs products in the market as shown by 45% (n=95) of the respondents, while 39.3% (n=82) did not. For 69% (n=145) of the entrepreneurs, sales and opportunities often suffered due to effects of new entrants in the market while it did not affect 23.8% (n=50). Creating a niche for their products increased chances for 77.6% (n=163) of the entrepreneurs business to expand while it did not for 14.3% (n=30). The study also shows that the business environment was constantly threatened by price competition as shown by 67.6% (n=141) who agreed, while 23.3% (n=49) who disagreed.
Table 4.10 Industry Environmental Factors

<table>
<thead>
<tr>
<th></th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>MEAN</th>
<th>STD. DEV</th>
</tr>
</thead>
<tbody>
<tr>
<td>There is hostile environment due to rivalry of competition such that there is decreased demand for my products</td>
<td>2.9</td>
<td>36.4</td>
<td>15.8</td>
<td>34.0</td>
<td>11.0</td>
<td><strong>3.14</strong></td>
<td><strong>1.116</strong></td>
</tr>
<tr>
<td>My sales and opportunities often suffer due to effects of new entrants in the market</td>
<td>3.3</td>
<td>20.5</td>
<td>7.1</td>
<td>61.9</td>
<td>7.1</td>
<td><strong>3.49</strong></td>
<td><strong>1.004</strong></td>
</tr>
<tr>
<td>Creating a niche for my products increases chances for my business to expand</td>
<td>1.0</td>
<td>13.3</td>
<td>8.1</td>
<td>70.0</td>
<td>7.6</td>
<td><strong>3.70</strong></td>
<td><strong>0.830</strong></td>
</tr>
<tr>
<td>The business environment is constantly threatened by price competition</td>
<td>1.9</td>
<td>21.4</td>
<td>9.0</td>
<td>58.6</td>
<td>9.0</td>
<td><strong>3.51</strong></td>
<td><strong>0.989</strong></td>
</tr>
</tbody>
</table>

KEY: 1=Strongly Disagree; 2=Disagree; 3=Neutral; 4=Agree; 5=Strongly Agree

4.5.4 Financial Factors

The respondents were asked to indicate how various financial factors affected their business growth by rating their view on a likert scale. The analysis was done using means and standard deviation. Mean scores of 2.5 and above indicate the strength of growth. Standard deviation was used to measure the variance of difference between responses. Scores of 1.5 and below indicate that the difference in response was statistically insignificant.

Findings on Table 4.11 indicate that the interest rates charged by the banks were very high for 51.9% of the entrepreneurs compared to returns from sales; while 32.8% stated that they were not high. The table shows that the cost of living for 47.6% of the entrepreneurs exceeded their income most of the time, but not for 28.6% of them. More than half of the entrepreneurs did not have access to all finances that they needed for business expansion as shown by 53.4% of the respondents, while 36.7% stated that they...
had. It also shows that the availability and cost of business premises was not prohibitive for 47.1% of the respondents, while it was for 30.8%. Regarding to the statement that there was bureaucracy in the process of paying taxes and levies, 51.4% of the respondents disagreed while 35.2% agreed that there was bureaucracy. The study also revealed that 90.5% of the entrepreneurs did not get help from the government to access markets while 7.2% attained help.

Table 4.11 Financial Factors

<table>
<thead>
<tr>
<th></th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>MEAN</th>
<th>STD. DEV</th>
</tr>
</thead>
<tbody>
<tr>
<td>The interest rates charged by the banks is very high compared to returns from sales</td>
<td>7.6</td>
<td>25.2</td>
<td>15.2</td>
<td>39.5</td>
<td>12.4</td>
<td>3.24</td>
<td>1.182</td>
</tr>
<tr>
<td>The cost of living exceeds my income most of the time</td>
<td>1.0</td>
<td>27.6</td>
<td>23.8</td>
<td>31.9</td>
<td>15.7</td>
<td>3.34</td>
<td>1.074</td>
</tr>
<tr>
<td>I have access to all finances that I need for business expansion</td>
<td>8.6</td>
<td>44.8</td>
<td>10.0</td>
<td>34.8</td>
<td>1.9</td>
<td>2.77</td>
<td>1.080</td>
</tr>
<tr>
<td>Availability and cost of business premises is prohibitive</td>
<td>6.7</td>
<td>40.4</td>
<td>22.1</td>
<td>25.0</td>
<td>5.8</td>
<td>2.83</td>
<td>1.063</td>
</tr>
<tr>
<td>There is bureaucracy in the process of paying taxes and levies</td>
<td>7.1</td>
<td>44.3</td>
<td>13.3</td>
<td>30.0</td>
<td>5.2</td>
<td>2.82</td>
<td>1.101</td>
</tr>
<tr>
<td>I get help from government to access markets</td>
<td>37.6</td>
<td>52.9</td>
<td>2.4</td>
<td>4.3</td>
<td>2.9</td>
<td>1.82</td>
<td>0.894</td>
</tr>
</tbody>
</table>

4.5.5 Correlation for Environmental Measures

Table 4.12 presents the correlation analysis results between the various environmental factors that affect the growth of these businesses. The factors that have a sig figure of 0.000 show that they were statistically significant than those that have a sig figure of above 0.000.

The results shown in Table 4.12 revealed that the correlation between political factors and business growth had a correlation value of 0.716 at a significant level of 0.01. This showed that political factors were correlated to business growth at 71.6% which showed
that it was statistically significant. Component measures on the table indicate that social economic factors, environmental factors, and financial factors had correlations of 0.122, 0.546, and 0.641 respectively at a significant level of 0.01.

Table 4.12 Correlations for Environmental Measures

<table>
<thead>
<tr>
<th></th>
<th>Business Growth</th>
<th>Political</th>
<th>Social Economic</th>
<th>Environmental</th>
<th>Financial</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business Growth</td>
<td>1</td>
<td>.716</td>
<td>.122</td>
<td>.546</td>
<td>.641</td>
</tr>
<tr>
<td></td>
<td></td>
<td>.000</td>
<td>.039</td>
<td>.000</td>
<td>.000</td>
</tr>
<tr>
<td>Political</td>
<td>.716</td>
<td>1</td>
<td>.412</td>
<td>.513</td>
<td>.401</td>
</tr>
<tr>
<td></td>
<td>.000</td>
<td></td>
<td>.000</td>
<td>.000</td>
<td>.000</td>
</tr>
<tr>
<td>Social Economic</td>
<td>.122</td>
<td>.412</td>
<td>1</td>
<td>.312</td>
<td>.301</td>
</tr>
<tr>
<td></td>
<td>.039</td>
<td>.000</td>
<td></td>
<td>.000</td>
<td>.000</td>
</tr>
<tr>
<td>Environmental</td>
<td>.546</td>
<td>.513</td>
<td>.312</td>
<td>1</td>
<td>.214</td>
</tr>
<tr>
<td></td>
<td>.000</td>
<td>.000</td>
<td></td>
<td></td>
<td>.061</td>
</tr>
<tr>
<td>Financial</td>
<td>.641</td>
<td>.401</td>
<td>.301</td>
<td>.214</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>.000</td>
<td>.000</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

4.6 Measures of Resources

4.6.1 Access to Financial Funding

The respondents were asked to indicate how access to financial funding affected their business growth by rating their view on a likert scale. The analysis was done using means and standard deviation. Mean scores of 3.0 and above indicate the strength of growth. Standard deviation was used to measure the variance of difference between responses and the scores of 1.5 and below indicate that the difference in response was statistically insignificant.

Table 4.13 shows that access to financial funding would increase the entrepreneurs’ willingness to innovate and pursue new opportunities as shown by 91.4% (n=192) of the respondents. Micro credit was the most important lending facility in contributing to growth of the entrepreneurs’ businesses as shown by 62.8% (n=132) of the respondents, and not for 20.5% (n=43) of the respondents who disagreed. The study showed that lack of collateral inhibited the entrepreneurs’ access to funding which if available would have
increased chances of business growth as shown by 52.8% (n=111) of the respondents who agreed while 34.8% disagreed. The study also revealed that for 59% (n=124) of the entrepreneurs’ businesses were formally registered while 36.7% (n=77) of the businesses were not. The availability of capital had been insufficient and a great impediment for business development for 63.8% (n=134) of the respondents, and not for 30% (n=63) of the respondents.

Table 4.13 Access to Financial Funding

<table>
<thead>
<tr>
<th></th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>MEAN</th>
<th>STD. DEV</th>
</tr>
</thead>
<tbody>
<tr>
<td>Access to financial funding would increase my willingness to innovate and pursue new opportunities</td>
<td>0.0</td>
<td>6.7</td>
<td>1.9</td>
<td>61.4</td>
<td>30.0</td>
<td><strong>4.15</strong></td>
<td><strong>0.753</strong></td>
</tr>
<tr>
<td>Micro credit is the most important lending facility in contributing to growth of my business</td>
<td>2.4</td>
<td>18.1</td>
<td>16.7</td>
<td>49.5</td>
<td>13.3</td>
<td><strong>3.53</strong></td>
<td><strong>1.013</strong></td>
</tr>
<tr>
<td>Lack of Collateral inhibits my access to funding which if available would increase chances of business growth</td>
<td>6.2</td>
<td>28.6</td>
<td>12.4</td>
<td>43.8</td>
<td>9.0</td>
<td><strong>3.21</strong></td>
<td><strong>1.138</strong></td>
</tr>
<tr>
<td>My business is formally registered</td>
<td>1.0</td>
<td>35.7</td>
<td>4.3</td>
<td>45.2</td>
<td>13.8</td>
<td><strong>3.35</strong></td>
<td><strong>1.132</strong></td>
</tr>
<tr>
<td>The availability of capital has been insufficient and a great impediment for my business development</td>
<td>1.0</td>
<td>29.0</td>
<td>6.2</td>
<td>56.7</td>
<td>7.1</td>
<td><strong>3.40</strong></td>
<td><strong>1.013</strong></td>
</tr>
</tbody>
</table>

4.6.2 Training and Knowledge

The respondents were asked to indicate how business training and knowledge affected their business growth by rating their view on a likert scale. The analysis was done using means and standard deviation. Mean scores of 3.0 and above indicate the strength of growth. Standard deviation was used to measure the variance of difference between
Table 4.14 Training and Knowledge

<table>
<thead>
<tr>
<th></th>
<th>1</th>
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<th>3</th>
<th>4</th>
<th>5</th>
<th>MEAN</th>
<th>STD. DEV</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>%</td>
<td>%</td>
<td>%</td>
<td>%</td>
<td>%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>My technical training or that of my employees enable me to increase business activity</td>
<td>1.9</td>
<td>29.2</td>
<td>13.4</td>
<td>49.8</td>
<td>5.7</td>
<td>3.28</td>
<td>1.010</td>
</tr>
<tr>
<td>If offered, I would take and apply business advice and support in order to grow my business.</td>
<td>1.4</td>
<td>5.7</td>
<td>6.2</td>
<td>71.0</td>
<td>15.7</td>
<td>3.94</td>
<td>0.758</td>
</tr>
<tr>
<td>Inadequate business skills and training could hamper business growth</td>
<td>1.0</td>
<td>11.0</td>
<td>9.0</td>
<td>68.5</td>
<td>10.5</td>
<td>3.78</td>
<td>0.796</td>
</tr>
</tbody>
</table>

KEY: 1=Strongly Disagree; 2=Disagree; 3=Neutral; 4=Agree; 5=Strongly Agree

Findings on Table 4.14 indicate that the entrepreneurs’ technical training or that of their employees enabled them to increase their business activity as agreed by 55.5% of the respondents, while 31.1% disagreed. According to the study, the entrepreneurs’ would take and apply business advice and support if offered in order to grow their business as agreed by 86.7% of the respondents, only 7.1% disagreed. Inadequate business skills and training had the ability to hamper business growth for the entrepreneurs as agreed by a majority 79% of the respondents, while only 12% disagreed.

4.6.3 Partnering with Organizations

The respondents were asked to indicate how partnering with other business organizations affected their business growth by rating their view on a likert scale. The analysis was done using means and standard deviation. Mean scores of 2.5 and above indicate the strength of growth. Standard deviation was used to measure the variance of difference between responses and the scores of 1.5 and below indicate that the difference in response was statistically insignificant.
Table 4.15 Partnering with Organizations

<table>
<thead>
<tr>
<th></th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>MEAN</th>
<th>STD. DEV</th>
</tr>
</thead>
<tbody>
<tr>
<td>Because of my linkage to large firms I am able to increase my market</td>
<td>3.8</td>
<td>46.2</td>
<td>20.0</td>
<td>25.2</td>
<td>4.8</td>
<td>2.81</td>
<td>1.013</td>
</tr>
<tr>
<td>Being a member of a chama increases business opportunities for me</td>
<td>1.4</td>
<td>28.6</td>
<td>8.1</td>
<td>45.2</td>
<td>16.7</td>
<td>3.47</td>
<td>1.116</td>
</tr>
<tr>
<td>Liaising with larger firms does or would increase market for my products</td>
<td>1.9</td>
<td>19.5</td>
<td>6.7</td>
<td>52.4</td>
<td>19.5</td>
<td>3.68</td>
<td>1.057</td>
</tr>
<tr>
<td>Operating as a team with my employees is healthy and increases creativity</td>
<td>1.0</td>
<td>6.2</td>
<td>32.9</td>
<td>44.8</td>
<td>15.2</td>
<td>3.67</td>
<td>0.842</td>
</tr>
<tr>
<td>Forming associations with other business people facilitates development and higher growth rate</td>
<td>1.0</td>
<td>20.0</td>
<td>8.0</td>
<td>61.0</td>
<td>10.0</td>
<td>3.60</td>
<td>0.934</td>
</tr>
<tr>
<td>Lawyers, consultants and government support agencies are an important source of ideas and advice</td>
<td>9.5</td>
<td>49.5</td>
<td>18.6</td>
<td>21.0</td>
<td>1.4</td>
<td>2.55</td>
<td>0.973</td>
</tr>
</tbody>
</table>

KEY: 1=Strongly Disagree; 2=Disagree; 3=Neutral; 4=Agree; 5=Strongly Agree

Table 4.15 shows that because of the lack of linkage to large firms, the entrepreneurs were not able to increase their market as disagreed by 50% of the respondents, while 30% agreed to have a link with larger firms. By liaising with larger firms, 71.9% of the entrepreneurs were able to increase the market for their products; while 21.4% were not able. Being a member of a *chama* increased business opportunities for 61.9% of the entrepreneurs; while it did not do the same for 30%. Operating as a team with their employees was healthy and increased creativity for 60% of the entrepreneurs, and not for 7.2% of the respondents. Forming associations with other business people facilitated
development and higher growth rate for 71% of the entrepreneurs, and not for 21%. The study also shows that lawyers, consultants and government support agencies were not an important source of ideas and advice for 59% of the entrepreneurs, while it did for 22.4%.

4.6.4 Partnering with Friends and Family
The respondents were asked to indicate how partnering with friends and family affected their business growth by rating their view on a likert scale. The analysis was done using means and standard deviation. Mean scores of 2.5 and above indicate the strength of growth and the standard deviation was used to measure the variance of difference between responses and the scores of 1.5 and below indicate that the difference in response was statistically insignificant meaning the difference was not so large.

Table 4.16 shows that entrepreneurs have accessed some markets through introduction by their business friends as agreed by 67.6%, while 26.7% disagreed. Data also revealed that involving family and friends in business provided access to business information about new opportunities as shown by 48.5% of the respondents, while 44.7% stated that it did not. The entrepreneurs did not get loans from their family and friends to grow their business as shown by 60.4%, while 35.3% stated that they did. Involving family or friends had not helped the entrepreneurs to reduce business costs as shown by 56.2% of the respondents, while 33.8% stated that it had.
### Table 4.16 Partnering with Friends and Family

<table>
<thead>
<tr>
<th></th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>MEAN</th>
<th>STD. DEV</th>
</tr>
</thead>
<tbody>
<tr>
<td>I access some markets through introduction by my business friends</td>
<td>0.0</td>
<td>26.7</td>
<td>5.7</td>
<td>56.2</td>
<td>11.4</td>
<td><strong>3.52</strong></td>
<td><strong>1.008</strong></td>
</tr>
<tr>
<td>Involving family and friends in business provides access to business information about new opportunities</td>
<td>1.4</td>
<td>43.3</td>
<td>6.7</td>
<td>41.4</td>
<td>7.1</td>
<td><strong>3.10</strong></td>
<td><strong>1.090</strong></td>
</tr>
<tr>
<td>I get loans from family and friends to grow my business</td>
<td>3.3</td>
<td>57.1</td>
<td>4.3</td>
<td>30.5</td>
<td>4.8</td>
<td><strong>2.76</strong></td>
<td><strong>1.072</strong></td>
</tr>
<tr>
<td>Involving family or friends has helped to reduce business costs</td>
<td>2.9</td>
<td>53.3</td>
<td>10.0</td>
<td>26.2</td>
<td>7.6</td>
<td><strong>2.82</strong></td>
<td><strong>1.090</strong></td>
</tr>
</tbody>
</table>

KEY: 1=Strongly Disagree; 2=Disagree; 3=Neutral; 4=Agree; 5=Strongly Agree

#### 4.6.5 Correlation for Resource Factors

Table 4.17 presents the correlation analysis results between the various resource factors that affect the growth of these businesses. Table 4.17 shows the correlation between resource factors and business growth. The table shows that financial funding had the strongest correlation of all the variables with a value of 0.716 at a significant level of 0.01. This showed that financial funding and business growth were correlated at 71.6%, meaning it was statistically significant. Other component measures followed as indicated on the table; training and knowledge with 0.622, partnering with organizations with 0.546, and partnering with family and friends with the weakest at 0.213 at a significant level of 0.01.
### Table 4.17 Correlations for Resource Factors

<table>
<thead>
<tr>
<th></th>
<th>Business Growth</th>
<th>Financial Funding</th>
<th>Training and Knowledge</th>
<th>Partnering with Organizations</th>
<th>Partnering with Family and Friends</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business Growth</td>
<td>1</td>
<td>.716</td>
<td>.622</td>
<td>.546</td>
<td>.213</td>
</tr>
<tr>
<td>Financial Funding</td>
<td></td>
<td>.000</td>
<td>1</td>
<td>.413</td>
<td>.136</td>
</tr>
<tr>
<td>Training and</td>
<td>.622</td>
<td>.512</td>
<td>1</td>
<td>.422</td>
<td>.114</td>
</tr>
<tr>
<td>Knowledge</td>
<td>.000</td>
<td>.000</td>
<td>.000</td>
<td>.000</td>
<td>.053</td>
</tr>
<tr>
<td>Partnering with</td>
<td>.546</td>
<td>.413</td>
<td>.422</td>
<td>1</td>
<td>.074</td>
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<tr>
<td>Organizations</td>
<td>.000</td>
<td>.000</td>
<td>.000</td>
<td>.000</td>
<td>.066</td>
</tr>
<tr>
<td>Partnering with</td>
<td>.213</td>
<td>.136</td>
<td>.114</td>
<td>.074</td>
<td>1</td>
</tr>
<tr>
<td>Family and</td>
<td>.167</td>
<td>.067</td>
<td>.053</td>
<td>.066</td>
<td></td>
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<tr>
<td>Friends</td>
<td></td>
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<td></td>
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</tbody>
</table>

### 4.7 Chapter Summary

This section has given the study results and findings. Presentations have been done using tables and figures. Percentages, means and standard deviations have been used to describe the results and explanations of the same have been given. The study has also employed correlation analysis to measure the strength of relationships between the various study variables. Chapter five is about discussion and conclusions of the findings, and recommendations of the study.
CHAPTER FIVE
5.0 DISCUSSIONS, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction
This chapter concludes the study findings and results. The chapter gives a summary of the study objectives and findings of the study. The chapter offers discussions of the study findings. This section also gives readers the study conclusions based on each research question that guided the study. Finally the chapter offers recommendations for improvement and further studies.

5.2 Summary
The purpose of this study was to investigate the effect of factors of growth on ‘mama mboga’ micro and small businesses at Kasarani and City Park Hawkers’ Markets in Nairobi. The study was focused on answering the following research questions: what are the antecedents and determinants of growth for micro and small businesses?: how does the environment affect the growth of the small firm?: does entrepreneurial orientation and attitude of the owner affect growth of small businesses?: and does the availability of underlying resources foster the growth of small businesses?

This study adopted a descriptive research design. The total population of interest consisted of 2400 ‘mama mboga’ entrepreneurs who do business on the sides of the road at Kasarani Shopping Centre and those at Hawkers Market in City Park, Nairobi. The sample frame was the list of all registered micro and small businesses in Kasarani Ward and City Park Hawkers Market registered with the County Council of Nairobi. The sample was determined using systematic random probability sampling on the list of entrepreneurs, selecting every 11th ‘mama mboga’ entrepreneur in the market. A sample size of 216 “mama mboga” entrepreneurs were used in the study.

In this study, primary data was gathered through survey questionnaires. The questionnaire was designed with screener questions to identify qualified respondents, followed by questions to obtain the respondent’s interest, followed by questions that addressed general welfare of business environment. To ensure effectiveness of the questionnaire, a pre-test was carried out where the questionnaire was piloted with a small representative sample of 10 respondents. The questionnaires were administered by the researcher together with three research assistants. The data analysis method used in this study was quantitative in
nature, using descriptive statistics. The data was analyzed using statistical Package for Social Sciences (SPSS) and Excel programmes.

The findings on measures of business growth revealed that entrepreneurs considered increase in profits, increased sales amounts in comparison to competitors’, increase in assets, increase in number of employees, and number of customers was an indication of business growth. On factors that enabled business growth; growth of business increased as the age and size of the firm increased. It was clear that legal registration of the businesses had not affected growth of the businesses positively for the entrepreneurs; location of the businesses was so favorable that it positioned the entrepreneurs’ businesses to grow. The study also showed that the ‘mama mboga’ entrepreneurs had the desire/ plan to expand their businesses in the region or neighboring countries. However, government institutions - like county council, KRA, and others – had not contributed positively to increasing their businesses.

On measures of entrepreneurial orientation; introduction of unique products that customers liked by the entrepreneurs had helped their sales to increase, entrepreneurs regularly monitored and evaluated the latest trends for opportunities for growth; they introduced new processes like sales to hotels and wholesaling in order to increase their sales. The study also showed that entrepreneurs in Kenya were able to introduce new things into their businesses with little consultation as long it provided increase of business, revealed pro-activeness, and they noticed new business opportunities and pursued them for business growth, indicating competitive aggressiveness.

Findings on the environment revealed that political changes like introduction of counties had not brought new opportunities for business. Government institutions had not assisted the entrepreneurs’ businesses to gain markets for their products, and their businesses were affected negatively by levies charged by the county council. The study showed that the procedure of paying for the levies was not favorable to the entrepreneurs in terms of doing business, and political instabilities did not provide business opportunities for growth. Government did not assist the entrepreneurs with trainings aimed at helping them become better business people, and entrepreneurs could attribute growth of their businesses to the business they got from social organizations.
5.3 Discussions

5.3.1 Measures of Micro and Small Business Growth

The study showed that business growth increased as the age and size of the firm increased. According to Gibrat’s law in 1931, the rate of growth of a firm is independent from its size at the beginning of the firm, and that the probability of a given growth rate during specific time interval is the same for any firm within the same industry. However, in a study by Evans (1987) which examines the relationships between firm growth, size and age in the U.S. manufacturing sector in the period 1976–1982, he found that growth is a decreasing function of firm size and age. His findings indicate that the probability that a firm will fail decrease with firm age and that a firm growth decreases at a diminishing rate with firm size. It is in line with Harabi (2003) who found results for a sample of 370 enterprises from Morocco, also supporting the view that size and age are negatively linked to growth of the firm. Bartlett and Bukvić (2001), who studied 167 SMEs in Slovenia, report similar results. Their results indicate a negative relationship between size/age of the enterprise and its growth. Weiss (1998), in a study of the Austrian farm sector, and Davidsson et al. (2002) for the Swedish small firms, show that size and age matters and have negative influence on growth of the firm. However, other findings show that the Law is not confirmed in the early stages of a firm’s life cycle, with younger firms growing faster than established ones, whereas it cannot be rejected once a given threshold in terms of age is reached (Krasniqi, 2007).

The study revealed that legal registration of the businesses had not affected growth of the businesses positively. Storey (2004) however, suggests that such determinants of growth as are firm age and size, sectorial affiliation; legal form and location are all systematically related to growth. Location of the businesses was so favorable that it positioned the entrepreneurs’ businesses to growth.

According to the study, entrepreneurs had the desire/plan to expand their businesses in the region or neighboring countries. McDougall and Oviatt (2007) reiterate that in today’s low-cost, rapid world-wide communication and transportation, the domain in which firms operate and expand is becoming truly international. Kulien and Ramangalahy (2003) emphasize that this is especially true for developing countries; thus, the globalization of markets and the consequent need for crossing national borders does not only concern large and established firm. Also as a fact one cannot ignore that the rapid liberalization of
the world’s trading system has obliged all firms (micro, small, medium and large) to participate in the international trading system. However, Chandra & Wilkinson (2012) found support for the central proposition that behind the gradual or rapid internationalization process lies a path-dependent process of opportunity development and cross-border venturing activities that is shaped by the domestic and international networks in which the key actors and organizations have operated in the past, and in which they are currently operating leading to question of whether rapid internationalization is indeed rapid except when taken in the context of opportunity based view.

The study showed that government institutions - like county council, KRA, and others – had not contributed positively to increasing their businesses. Hansen (2009) argues that studies explicitly link networks to firm growth. Welch and Welch (2011) state that the link between networking and internationalization is built on establishing and maintaining the required relationships with business partners, customers, suppliers, and governments. Furthermore, the startup capital, location and sector in which MSEs operate matter a lot for their growth. Hence, government and non-government organizations that are concerned with the promotion and development of MSEs need to take these factors in to account to accomplish better result and increase the potential contribution of MSEs to the economic growth (Woldeyhanes, 2014).

Management know-how and motivating employees had assisted the entrepreneurs to grow their businesses. Lumpkin and Dess (2011) note that firms that are based on technical entrepreneurial know-how expand their market abilities by; collaborating with large firms; collaborating with professionals and consultants; using technical and market competencies; and, acquiring new market competencies through diversification of the entrepreneurial group’s activities.

5.3.2 Measures of Entrepreneurial Orientation and Attitude
Mcmullen (2010) notes that pro-activeness encompasses not only alertness to unnoticed opportunities, but also effort to capture these opportunities through monitoring and influencing trends, forward-looking activities, and assertively acting on future needs or changes. The study indicated that introduction of unique products that customers liked by
the entrepreneurs had helped their sales to increase and that entrepreneurs regularly monitored and evaluated the latest trends for opportunities for growth. Lumpkin, Cogliser, and Schneider (2009) state that pro-activeness refers to a posture of participating and acting on the basis of future demands and needs in the market place, thereby creating first-mover advantage vis-à-vis competitors. In this respect, the entrepreneurs had introduced new processes like sales to hotels and wholesaling rather than to sit and wait for customers in order to increase their sales.

Wikilund and Alexander (2008) state that firms use innovation to pursue new opportunities, which can keep them ahead of the competition and help them to gain competitive advantages, consequently leading to financial performance. Innovativeness is revealed by findings that the entrepreneurs planned and introduced new things into their businesses with little consultation as long it provided increase of business. Chandler (2013) argue that, the ability to produce authentic ideas in different conditions and the ability to produce meaningful answers with one’s own ideas and capabilities in order to solve problems is innovation which is substantial for business growth. The entrepreneurs noticed new business opportunities and pursued them for business growth and also went into new locations, and tried out new items for sale verses waiting for wholesalers to supply increased sales for the entrepreneurs. This is in line with Coleman (2012); proactive firms create first mover advantages; thereby capitalizing on emerging opportunities, and target premium market segments. It is in tandem with Wikilund and Alexander (2008) who found that firms use innovation to pursue new opportunities, which can keep them ahead of the competition and help them to gain competitive advantages, consequently leading to financial performance.

According to Schillo (2011) competitive aggressiveness represents a firm’s propensity to directly and intensely challenge its competitors to achieve an entry or improve position to outperform industry rivals. More than half of the respondents conceded that business relationship between the entrepreneurs and their competition was characterized by trying to cooperate and coexist, verses fighting, revealing that the entrepreneurs were not very competitive. But more than half of the entrepreneurs’ businesses disagreed with the question that they preferred others to begin anything that was related to innovation and development so as to avoid frustration. Also, they regularly monitored and evaluated latest trends for opportunities and introduced them before their competitors did, the
entrepreneurs spied to know what their competition was planning, then out did them so that their businesses would grow, agrees with Covin and Slein (2014) that competitive aggressiveness refers to the intensity of a firm’s efforts to outperform industry rivals and is characterized by a strong offensive posture directed at overcoming competitors and may also be quite reactive as when a firm defends its market position or aggressively enters a market that a rival has identified.

More than half of the entrepreneurs had a budget for marketing their products, painting their shops, and producing quality products in order to have a competitive edge and, more than 70 percent had an alternative supply source for different seasons that others did not have.

A correlation test was carried out to determine the level of influence of entrepreneurial orientation and attitude towards business growth. These results showed that entrepreneurial orientation and entrepreneurial attitude influenced business growth positively. The results had a strong positive correlation. Reuch et al. (2004) notes that Wiklund’s (1996) meta-analysis of the relationship between entrepreneurial orientation and performance, results showed that across studies, the two constructs were positively correlated. However, Frank, Kessler and Fink (2010) analysis indicates a positive connection between entrepreneurial orientation and business performance only in cases in which a dynamic environment is combined with high access to financial capital and when a stable environment is combined with low access to financial capital.

5.3.3 Measures of Environment

Studies indicate that the environmental influence of location, industry, and market provide small businesses with growth opportunities that can be exploited (Davidsson, 2000). However, other studies found that small firms that grow tend to develop profitable and expanding market niches that are often quite narrow and appear difficult to describe objective, industry, or market-wide variables (Storey 1997). In this study, political changes like introduction of counties had not brought new opportunities for business. The study revealed that government institutions had not assisted the entrepreneurs’ businesses to gain markets for their products. David et al (2013) however indicates that, in many countries, governments make macroeconomic policies that are intended to create new opportunities for small and medium sized businesses.
The entrepreneurs’ businesses were affected negatively by levies charged by the county council and the procedure of paying for the levies was not favorable for doing business. Achua (2013) argues that, simplifying and reducing the burden of taxation is claimed to reduce costs, encourage investment and increase incentives for entrepreneurs, and also notes that, in economies where government policy creates macroeconomic stability; low inflation, low interest rates, and stable exchange rates, small businesses are likely to achieve growth. In a study by Reyes and Carmen (2015) on measures of the regulatory environment obtained results which suggest that regulations create growth bottlenecks for small firms, which may fear/avoid expansion to limit their exposure to red tape and increased enforcement.

The study also indicated that political instabilities did not provide business opportunities for growth. In a study by Ari and Francisco (2011), using the system-GMM estimator for linear dynamic panel data models on a sample covering up to 169 countries, and 5-year periods from 1960 to 2004, they found that higher degrees of political instability are associated with lower growth rates of GDP per capita and that that political instability adversely affects growth by lowering the rates of productivity growth and, to a smaller degree, physical and human capital accumulation. They also found that economic freedom and ethnic homogeneity are beneficial to growth, while democracy may have a small negative effect.

The government did not assist the entrepreneurs with trainings aimed at helping them become better business people. Baum and Bird (2010) concedes that soft support is quite varied; it includes helping prospective as well as owner-managers acquire general business skills as well as specific expertise in subjects such as accounting, taxation, legal issues, marketing and exporting. In another study by Delmar (2008), he found that small businesses are unwilling or unable to pay for training and consultancy even after governments have generally subsidized their provision, either in full or in part.

David et al. (2011) note that, government systems are one of the largest single sources of demand in an economy, it is more usual for them to encourage their own departments and agencies to support small businesses; the Kenya government recently amended its law of contract that requires all government procurement to award 30% of contracts to small firms owned by youth and women (GoK, 2012). In the study, government institutions had
not assisted the entrepreneurs’ businesses to gain markets for their products and did not assist. More than 75 percent of the entrepreneurs acknowledged that they did not make sales from their tribal or religious connections while more than half attributed growth of their firms to the business they got from other social organizations. In another study, large farms in Japan are required by law to develop strategic alliances with local and medium-sized enterprises, using them as suppliers and sub-contractors. In a study by Kotey (2013), she argues that the small business sector could provide the diversification in economic activity necessary to shield SMEs from the adversities associated with their dependence on the primary sector. However, the impetus for developing the small business sector should come from within the community, championed by local governments and business leaders, who have most knowledge about local conditions (Kotey, 2013).

The study showed that the interest rates charged by the banks were very high compared to returns from sales. Achua (2013) notes that, in economies where government policy creates macroeconomic stability; low inflation, low interest rates, and stable exchange rates, small businesses are likely to achieve growth.

According to the study the entrepreneurs used their phones to help them access markets for their products for example using SMS to get in touch with customers. They also used their phones and technology embedded in their phones to help them reduce the cost of doing business by using phone banking. There are many technological platforms and apps that can be exploited to make doing of business easier and cheaper. They offer brick and mortar businesses a new way to interact with their customers through smart phone technology. Customers can now browse, order and pay for local goods and services, saying goodbye to waiting in line and moving through their daily transactions with ease. For example, if there were interventions to make iPads affordable to micro enterprises, so that there is such a connection like using an iPad that connects to their existing point of sale system, businesses can know who their customers are, provide deals on what they really want, and reward loyalty easily by sending an email (Pago., 2008). More than 50 percent of the entrepreneurs had created new operating processes and new products by using technology.
Findings on environmental hostility reveal that there was decreased demand for the entrepreneurs’ products in the local market due to rivalry of competition. The entrepreneurs’ sales and opportunities often suffered due to effects of new entrants in the market. Covin and Sleen (2010) note that hostile environments create threats to the firm; it can be either through increased rivalry or decreased demand for the firm’s products due to a myriad of new entrants in a market which then reduces growth opportunities for a small firm. However, a study comprising 298 Finnish SMEs, representing five different industry sectors: metal, food, furniture, software, and knowledge-intensive business services, results indicate that higher levels of network competence are positively related to the propensity of SMEs to internationalize, as well as to their international performance (Torkkeli et al., 2012). Conversely, the level of environmental hostility has a negative effect on the performance measure and the influence of network competence is not moderated by environmental hostility.

Zahra (2012) argues that, it is easier for small firms to find and develop specific market niches than in markets where demand is homogeneous. It is in line with a study by Pellon (2011) which indicated that environmental heterogeneity captures the complexity of environment; for example, there may be many different market segments with varied characteristics and needs to be served by those operating in that industry. However, heterogeneity may also indicate the market is fragmented into small niches across which individual businesses would find it difficult to expand. The study indicated that the entrepreneurs created a niche for their products which increased chances for their businesses to expand and that the business environment was constantly threatened by price competition.

The study results showed that the correlation between political factors and business growth was positively significant. The study also showed that social economic factors were not significant, while environmental and financial factors had positive correlations that were significant.

5.3.4 Measures of Resources

Bamford (2010) argues that, financial capital is the most general type of resource which can be relatively easily converted into other types of resources, thereby enabling a firm to expand and perform better; financial capital is essential for the activities necessary to
achieve growth. However, the impact of better access or lower cost of finances on firms’ growth has been studied by a number of authors and Beck et al. (2005) argue that financial access should favor small firms. In their work, they find that firms’ subjective constraints on access and cost to finance are associated with lower growth of small firms relative to large firms. More than 81 percent alluded to the fact that access to financial funding would increase the entrepreneurs’ willingness to innovate and pursue new opportunities and, yet more than half of respondents did not have the finances needed for business expansion. And for about half of the entrepreneurs, the cost of living exceeded their income.

Zahra (2006) indicates that, heterogeneous resources that are difficult to copy or transfer could be a source of sustainable competitive advantage and that, these resources help a firm to create, discover, and successfully exploit new opportunities. The study showed that micro credit was the most important lending facility in contributing to growth of the entrepreneurs’ businesses. The most probable reason for this could be the fact that micro-credit financiers allow entrepreneurs to borrow short term loans without collateral. According to the study, lack of collateral inhibited half of the entrepreneurs’ access to funding which if available would have increased chances of business growth. Kiiru (2005) argues that Micro and Small Enterprises lack collateral, and even where collateral exists, commercial banks are not confident that the legal system will allow the banks to dispose those collaterals in case of default on loans. Close to 60 percent of the entrepreneurs’ businesses were formally registered and for more than 60 percent, the availability of capital had been insufficient and a great impediment for their business’ development.

A study by Raffa et al. (2006), found that firms based initially on technical know-how expand their market abilities. This is in agreement with more than half of the entrepreneurs’ who acknowledged that technical training or that of their employees enabled them to increase their business activity. More than 86 percent agreed that if offered, the entrepreneurs’ would take and apply business advice and support in order to grow their business. Walker, Redmond, Webster, and Clus (2007) indicate that, small business owners are interested in skills development and training opportunities, provided that they are directly applicable to the current situation in their business, and as long as the delivery process is carefully structured in terms of location, time of day, and length of
session. Gibb (1997) notes that, even though owner managers of small firms are known to be very skeptical of the potential benefits of training, it is evident that without training, small businesses could grow even smaller (Jodyanne, 2009). This agrees with the study where almost 80 percent agreed that inadequate business skills and training had the ability to hamper business growth for the entrepreneurs.

The study revealed that by being a member of a *chama* increased business opportunities for the entrepreneurs. Baum (2010); and Powell et al. (2011) confirm that inter-organizational alliances can foster the growth of small businesses. “*Mama mboga*’ businesses had organized themselves into “*chamas*” (cooperatives) mainly to access finance capital from micro finance institutions. Birley (2005) states that network with large organizations is beneficial to growth of small businesses; large organizations have assisted the promotion of small business development both directly and indirectly: Directly; by assisting small firm suppliers and contractors through formation of supply chains by creating strategic alliances or supply partnerships between themselves and the small firm, indirectly; through networking, large organizations sponsor various initiatives that support the creation and development of small-sized enterprises. More than 70 percent revealed that they did not have any linkage with larger firms to increase market for their products, yet more than 70 percent agreed that liaising with larger farms would increase market for their products.

Half of the entrepreneurs agreed that operating as a team with their employees was healthy and increased creativity for the entrepreneurs. Karkoulian, Halawi, and McCarthy (2008) notes that, managing organizational knowledge creation and sharing has become an important source of competitive advantage for firms and that Knowledge Management helps firms to facilitate the effective delivery of the right knowledge to the right person at just the right time. The study revealed that forming associations with other business people facilitated development and higher growth rate for the entrepreneurs. Ensley et al. (2003) state that the intra-organizational networks are characterized by high levels of cohesion, shared leadership, and a common vision of management team which facilitates the development and higher growth rates of small firms. 60 percent the entrepreneurs disagreed with the statement that lawyers, consultants, and government support agencies are an important source of ideas and advice. According to Owen-Smith and Powell (2013) One of the central mechanisms inter organizational networks are
believed to shape organizational outcomes is access to private information, knowledge, and other resources, which are otherwise unavailable outside rich and deeply embedded network ties.

The correlation between resource factors and business growth showed that that financial funding, training and knowledge, partnering with organizations had strong positive relationships, indicating that they highly affected business growth, while partnering with family and friends was not significant for business growth.

5.4 Conclusions
5.4.1 Measures of Micro and Small Business Growth
The entrepreneurs were positive about growth of their businesses which more than 60 percent attributed to increases in sales, profits, and business assets. Some of the factors that the entrepreneurs considered as important factors for growth of their businesses were; that business growth increased as the age and size of the firm increased, favorable location of the business positioned their businesses to grow and, management know-how and being able to motivate employees. It was clear that legal registration of the businesses had not affected growth of the businesses positively for the entrepreneurs. ‘Mama mboga’ entrepreneurs had the desire/plan to expand their businesses in the region or neighboring countries, however, they perceived that government institutions - like county council, KRA, and others had not contributed positively to increasing their businesses.

5.4.2 Measures of Entrepreneurial Orientation and Attitude
Regarding autonomy more than 70 percent of the entrepreneurs eluded that introduction of unique products that customers liked; had helped their sales to increase. Entrepreneurs also regularly monitored and evaluated the latest trends for opportunities for growth. On average they revealed innovative characteristics which enabled the entrepreneurs to introduce new processes like sales to hotels and wholesaling in order to increase their sales. The entrepreneurs were high risk-takers because more than 90 percent acknowledged to noticing new business opportunities and pursue for business growth, and introduced new things into their businesses with little consultation as long it provided increase of business. Pro-activeness was revealed by more than half of the entrepreneurs who acknowledged to going into new locations and trying out new items for sale verses waiting for wholesalers to supply increased their sales.
The entrepreneurs did not indicate competitive aggressiveness in that the business relationship between the entrepreneurs and their competition was characterized by the fact that they tried to cooperate and coexist verses fighting. However, they regularly monitored and evaluated latest trends for opportunities and introduced them before their competitors did, and most of them spied to know what their competition was planning, then outdid them so that their businesses would grow. The entrepreneurs’ attitude towards growth for their businesses is highly positive because for more than 95 percent of them, it was important that the firm’s sales and the number of employees to increase, that the business should grow to a point that they open more outlets, and that they desired to get self-fulfillment from growth of their businesses.

5.4.3 Measures of Environment
Concerning the industry environment findings on hostility reveal that there was decreased demand for the entrepreneurs’ products in the local market due to rivalry of competition. The entrepreneurs’ sales and opportunities often suffered due to effects of new entrants in the market. More than 77 percent of the entrepreneurs agreed that creating a niche for their products would increase chances for their businesses to expand, and that the business environment was constantly threatened by price competition.

Concerning macroeconomic policies, political changes like introduction of counties had not brought new opportunities for business. More than 90 percent disagreed with the statement that government institutions had assisted the entrepreneurs’ businesses to gain markets for their products. Only 35 percent agreed that there is bureaucracy in the process of paying taxes and levies. The procedure of paying for the levies was not favorable to the entrepreneurs in terms of doing business. Their businesses were affected negatively by levies charged by the county council, the interest rates charged by the banks were very high compared to returns from sales and the cost of living exceeded their income most of the time. More half of the entrepreneurs did not have access to all finances they needed for business expansion, and more than 90 percent disagreed that political instabilities provide business opportunities for growth. Concerning macroeconomic policies, government did not assist the entrepreneurs with trainings aimed at helping them become better business people, the availability and cost of business premises was not prohibitive
to almost half of the entrepreneurs, entrepreneurs could attribute growth of their businesses from the business they got from social organizations.

### 5.4.4 Measures of Resources

Regarding financial capital, funding would increase the entrepreneurs’ willingness to innovate and pursue new opportunities. Availability of capital had been insufficient and a great impediment for their business development. Micro credit was noted to be the most important lending facility in contributing to growth of the entrepreneurs’ businesses. Lack of collateral inhibited the entrepreneurs’ access to funding which if available would have increased chances of business growth, even though the entrepreneurs’ businesses were formally registered.

Concerning the entrepreneurs’ technical training or that of their employees, more than half agreed that it enabled them to increase their business activity, and if offered, the entrepreneurs’ would take and apply business advice and support in order to grow their business. More 70 percent agreed that inadequate business skills and training had the ability to hamper business growth for the entrepreneurs. Being a member of a *chama* increased business opportunities for the entrepreneurs. Only 30 percent linked increase of their market to linkage with larger firms but more than 70 percent agreed that liaising with larger firms would increase market for their products. They also agreed that operating as a team with their employees is healthy and increases creativity.

Concerning network capita, a large majority agreed that forming associations with other business people facilitated development and higher growth rate for the entrepreneurs. Entrepreneurs acknowledged that they accessed some of their markets through introduction by business friends. Involving family and friends in business provided access to business information about new business opportunities, but more than 40 percent disagreed. A half of the entrepreneurs disagreed that they got loans from family and friends to grow their businesses, while more than half disagreed that involving family or friends had helped to reduce business costs. Over half of the entrepreneurs disagreed that, lawyers, consultants and government support agencies are an important source of business ideas and advice.
5.5 Recommendations

5.5.1 Recommendations for Improvement

5.5.1.1 Measures of Micro and Small Business Growth

If SMEs are to have a significant impact on Kenya’s economy, they need to grow bigger; take on more employees, and expand their product ranges, markets and turnover. The government should find ways of giving energy and growing optimism to micro and small businesses owners whose perception is that government does not contribute positively to the growth of their businesses. Support should be aimed at infrastructure and training services with particular target to the micro and small entrepreneurs to enable their businesses to expand to other regions and neighboring countries. Introducing a waiver to business registration and encouraging entrepreneurs to employ by giving employment allowances and grants for the first ten employees that an SME hires. The researcher recommends introduction of policies aimed at identifying SMEs on growth paths and to consistently find ways to help them grow their businesses.

5.5.1.2 Measures of Entrepreneurial Orientation and Attitude

Through the county governments, training programs should be considered that will emphasize impartation of innovation techniques in order to improve creativity so that entrepreneurs improve both the speed and process of product development. Training that would boost decision making, competitiveness, and calculated risk-taking should improve the entrepreneurs’ entrepreneurial activities and hence business performance. The governments and other agencies could provide business awareness education that would help the entrepreneurs’ to discover their enterprises internal strengths and weaknesses so as to take advantage of opportunities in the external environment and to manage to thwart threats.

5.5.1.3 Measures of Environment

The county governments should develop institutions that would be thorough in assisting the entrepreneurs to gain markets for their products. They should cut levies that burden the businesses and improve systems for paying those levies. The governments could scan the environment to identify, and support social factors and technological solutions that would make doing business easier and cheaper for the entrepreneurs so that businesses experience steady progress. Policies to promote healthy competition should be introduced
and maintained. A new supporting small business charter and award scheme should be introduced in each county to encourage business schools to play a greater role in growing the local economy and supporting local business. It is possible for counties to create a department for small business administration to offer support to micro and small business to secure central government contracts. A risk mechanism that allows entrepreneurs to enter and exit businesses without consequences should be put in place so as to encourage entrepreneurship and growth. Suitable premises and incubation centers should be considered in many zoned areas in each county to encourage innovation so that businesses can benefit from economies of promiscuity and association.

5.5.1.4 Measures of Resources
In many cases, the skills and experiences of an entrepreneur are not necessarily sufficient to grow the business to a much larger size as revealed by the study. Further stages in the business's development require, amongst other things, new technologies and the know-how to implement them, new staff, with additional skills, and access to new markets. Financial capital is the most general type of resource which can be relatively easily converted into other types of resources, thereby enabling a firm to expand and perform better; therefore, access to financial funding should be eased by favorable policies, removing collateral inhibits, and supporting micro finance institutions. Financial support is a major requirement for a growing firm and is highly recommended, but also often face to face advice and help in accessing new markets. A law should be enacted to promote organizational networking where large organizations are encouraged to promote small business micro and small business development.

5.5.2 Recommendations for Further Studies
This study focused on effects of factors of growth on micro and small ‘mama mboga” businesses in City Park Market and Kasarani Shopping Centre. This study focused on measures of micro and small business growth, measures of entrepreneurial orientation and attitude, measures of environment, and measures of resources as factors that affect an entrepreneurs business’ ability to grow. Further research on environmental factors should be carried out in other business centers in Nairobi and other counties so that government could make policies targeted at growing micro and small businesses through improving both the political and industry environments, so as to spur economic growth.
Research should also be conducted in specific counties to identify the specific factors that hinder SME growth with an aim to find ways to mitigate them, and to encourage entrepreneurship and growth.
REFERENCES


APPENDICES

APPENDIX 1: COVER LETTER

Catherine Nyaga,

UNITED STATES INTERNATIONAL UNIVERSITY (USIU)

P.O. BOX 14634, 00800,

NAIROBI

Dear Respondent,

I am carrying out a research on the factors that affect micro and small businesses in Kenya. The study is in partial fulfillment of the requirement of the Master of Business in Administration degree program which I am pursuing at the United States International University (USIU), in Nairobi.

This study will use City Park Hawkers Market and Kasarani Shopping Centre ‘mama mboga’ businesses to collect primary data. As an SME owner your input is highly valued. You have been selected as one of the special respondents. The results of this study will provide the government of Kenya and other NGOs with the necessary information for developing strategies that will increase the businesses entrepreneurship and growth.

This is an academic research and all information will be treated with the requisite confidentiality. Your name will not appear anywhere in the report. Thank you for sparing time from your busy schedule to complete the attached questionnaire.

Thank you in advance for your kind attention,

Yours Faithfully,

Catherine Nyaga

ID: 630799
APPENDIX 2: QUESTIONNAIRE

Serial No……………………………

The questionnaire is meant to collect information on the effect of entrepreneurial orientation on growth of ‘mama mboga’ enterprises at Kasarani and City Park Hawkers Markets in Nairobi. Kindly answer the questions by writing a brief statement or ticking in the boxes provided as will be applicable. The information provided will be treated as strictly confidential and at no instance will your name be mentioned in this research. This research is intended for an academic purpose only.

SECTION ONE: GENERAL QUESTIONS

1. I enjoy coming to work every day. Yes ☐ No ☐
2. Do you listen to any business news? Yes ☐ No ☐
   If yes, please specify ………………………………
3. I read business news. Yes ☐ No ☐
   If yes, please specify……………………………
4. Current number of employees………………
5. When I talk about growth of my business, I mean the following;
   i. Amount of sales ☐  iii. Assets ☐
   ii. Number of employees ☐  iv. Profits ☐
   v. Others (specify)  ………………………………

DEMOGRAPHIC INFORMATION

1. Name of business (optional)
…………………………………………………………
2. Gender:
   Male ☐  Female ☐
3. Age
   20-29 years ☐  30-39 years ☐  40-49 years ☐  50-60 years ☐  Over 60 years ☐
4. For how long has this business being in existence?
   i. Less than one year ☐  ii. Between 1-5 years ☐
   iii. Between 6-10 years ☐  iv. Over 10 years ☐
5. What is your highest level of education? (Please tick one)
   i. Secondary
   ii. Undergraduate
   iii. Tertiary College
   iv. Postgraduate
   v. Other (specify)

SECTION TWO: MEASURES OF MICRO AND SMALL BUSINESS GROWTH

6. The following are statements about growth of your business. Rate your answer on a 5-point scale. Guide: Strong Agree (1), Disagree (2), Neutral (3), Agree (4), Strongly Agree (5).

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<tr>
<th>No</th>
<th>Questions</th>
<th>Strongly Disagree (1)</th>
<th>Disagree (2)</th>
<th>Neutral (3)</th>
<th>Agree (4)</th>
<th>Strongly Agree (5)</th>
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<tbody>
<tr>
<td>1.</td>
<td>I have increased number of employees over the last three years</td>
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<td>2.</td>
<td>I have increased sales continuously in the last three years</td>
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<td>3.</td>
<td>My sales development have been more than my competitors in the last three years</td>
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<td>5.</td>
<td>Over the last three years in a row, my profits have increased</td>
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<td>6.</td>
<td>Opening other branches or outlets in this market or outside this region contributes to increasing my sales</td>
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<td>7.</td>
<td>As an indication that my business has grown, the business assets have increased every year for the last three years.</td>
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<td>8.</td>
<td>Business growth is increased as the age and size of firm increases</td>
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</table>
9. Legal registration of business has affected growth of my business positively.

10. The location of my business is so favorable that it positions my business to growth

11. I desire or plan to expand my business in the region or neighboring countries

12. Government institutions e.g. county council, KRA, and others, have contributed positively to increasing my business

13. Management know how and motivating my employees has assisted to growing my business

SECTION THREE: MEASURES OF ENTREPRENEURIAL ORIENTATION AND ATTITUDE

7. Comment on the effect of entrepreneurial orientation and attitude on growth of your business. Guide: Strong Agree (1), Disagree (2), Neutral (3), Agree (4), Strongly Agree (5)

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<thead>
<tr>
<th>No</th>
<th>Questions</th>
<th>Strongly Disagree (1)</th>
<th>Disagree (2)</th>
<th>Neutral (3)</th>
<th>Agree (4)</th>
<th>Strongly Agree (5)</th>
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<tr>
<td>I.</td>
<td>Introduction of unique products that my customers like has helped my sales to increase</td>
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<td>2.</td>
<td>I regularly monitor and evaluate latest trends for opportunities for growth</td>
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<td>3.</td>
<td>I have introduced new processes</td>
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<tr>
<td>1.</td>
<td>like sales to hotels and wholesaling in order to increase sales</td>
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<td>2.</td>
<td>I am able to introduce new things into the business with little consultation as long it provides increase of business</td>
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<td>3.</td>
<td>I notice new business opportunities and pursue them for business growth</td>
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<td>4.</td>
<td>Going into new locations and trying out new items for sale versus waiting for wholesalers to bring to me, increases sales</td>
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<td>5.</td>
<td>My business relationship with competition is characterized by the fact that we try to cooperate and coexist versus fighting them.</td>
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<td>6.</td>
<td>My business is characterized by the fact that we prefer others to begin anything that is related to innovation and development so as to avoid frustration</td>
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<td>7.</td>
<td>I regularly monitor and evaluate latest trends for opportunities and introduce them before my competitors do</td>
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<td>8.</td>
<td>I spy to know what the competition is planning, then outdo them so that my business can be bigger</td>
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<td>9.</td>
<td>I have a budget for marketing my products. Painting my shop,</td>
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producing quality products in order to have a competitive edge

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<tr>
<th>No.</th>
<th>Questions</th>
<th>Strongly Disagree (1)</th>
<th>Disagree (2)</th>
<th>Neutral (3)</th>
<th>Agree (4)</th>
<th>Strongly Agree (5)</th>
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<tr>
<td>12.</td>
<td>I have alternative supply sources for different seasons that others may not have</td>
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<td>13.</td>
<td>It is important to me that the firm’s sales and number of employees’ increases</td>
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<td>14.</td>
<td>It is important to me that the business grows to a point that I open more outlets.</td>
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<td>15.</td>
<td>It is important to me that I could get self-fulfillment from growth of my business.</td>
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SECTION FOUR: MEASURES OF ENVIRONMENT

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<td>5.</td>
<td>I make sales from my tribe associations</td>
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<td>6.</td>
<td>My religious connections provide opportunities for market entry or growth</td>
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<td>7.</td>
<td>I can attribute growth to business that I get from social organizations</td>
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<td>8.</td>
<td>The use of phone helps me to access markets for products; e.g., SMS customers</td>
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<td>9.</td>
<td>Use of phone and technology helps me to reduce cost of doing business; e.g., phone banking, LPO through email, etc</td>
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<td>10.</td>
<td>I have created new operating processes and new products by use of technology</td>
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<td>11.</td>
<td>My business is affected negatively by levies charged by the county council</td>
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<td>12.</td>
<td>The procedures of paying for the levies is favorable to my doing business</td>
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<td>13.</td>
<td>I can relate some of my business growth to the legal services I pay for my business</td>
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<td>14.</td>
<td>There is hostile environment due to rivalry of competition such that there is decreased demand for my products</td>
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<td>15.</td>
<td>My sales and opportunities often</td>
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<td>10.</td>
<td>From your experience, what can be done to assist your business to access new markets;</td>
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| 10. | What in your opinion should government agencies do in order to help you grow your business? Please indicate below; |

104
SECTION FIVE: Measures of Resources


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<tr>
<th>No</th>
<th>Questions</th>
<th>Strongly Disagree (1)</th>
<th>Disagree (2)</th>
<th>Neutral (3)</th>
<th>Agree (4)</th>
<th>Strongly Agree (5)</th>
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<tbody>
<tr>
<td>1.</td>
<td>Access to financial funding would increase my willingness to innovate and pursue new opportunities.</td>
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<td>2.</td>
<td>Micro credit is the most important lending facility in contributing to growth of my business.</td>
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<td>3.</td>
<td>Lack of Collateral inhibits my access to funding which if available would increase chances of business growth.</td>
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<td>4.</td>
<td>My business is formally registered</td>
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<td>5.</td>
<td>The availability of capital has been insufficient and a great impediment for my business development</td>
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<td>6.</td>
<td>My technical training or that of my employees enable me to increase business activity</td>
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<td>7.</td>
<td>If offered, I would take and apply business advice and support in order to grow my business.</td>
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<td>8.</td>
<td>Inadequate business skills and training could hamper business growth</td>
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<td>9.</td>
<td>Because of my linkage to large firms I am able to increase my market.</td>
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<td>10.</td>
<td>Being a member of a chama increases business opportunities for me.</td>
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<tr>
<td>11.</td>
<td>Liaising with larger firms does or would increase market for my products.</td>
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<td>12.</td>
<td>Operating as a team with my employees is healthy and increases creativity</td>
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<td>13.</td>
<td>Forming associations with other business people facilitates development and higher growth rate</td>
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<td>14.</td>
<td>Lawyers, consultants and government support agencies are an important source of ideas and advice</td>
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</table>
15. I access some markets through introduction by my business friends

16. Involving family and friends in business provides access to business information about new opportunities

17. I get loans from family and friends to grow my business

18. Involving family or friends has helped to reduce business costs

THANK YOU