THE INFLUENCE OF ENTREPRENEURIAL FACTORS ON SUSTAINABILITY OF SMALL AND MEDIUM ENTERPRISES

BY

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UNITED STATES INTERNATIONAL UNIVERSITY - AFRICA

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THE INFLUENCE OF ENTREPRENEURIAL FACTORS ON SUSTAINABILITY OF SMALL AND MEDIUM ENTERPRISES

BY

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A Research Project 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

SUMMER 2016
DECLARATION

This research project is my original work and has not been presented in any other institution. I agree that this project may be available for reference at the discretion of the university.

Signed_________________________ Date________________________

Patrick Mbogo Magara (ID 615707)

I confirm that the work presented in this project has been done by the student under my supervision.

Signed_________________________ Date________________________

Dr. Joseph Ngugi Kamau

Signed_________________________ Date________________________

Dean, Chandaria School of Business
ACKNOWLEDGMENT
My profound gratitude goes to my Almighty God for providing me with knowledge, wisdom and strength of completing this proposal successfully. My thanks go to my supervisor for their constructive criticism, guidance and patience throughout all the stages of writing this proposal. Lastly, my family deserves a lot of thanks for supporting me through my study and any other persons who assisted me in this study and have not been mentioned above. May God bless you abundantly.
DEDICATION

I dedicate this project to God Almighty my creator, my strong pillar, my source of inspiration, wisdom, knowledge and understanding. He has been the source of my strength throughout this program and on His wings only have I soared. I also dedicate this work to my wife; Eva Kajuju who has encouraged me all the way and whose encouragement has made sure that I give it all it takes to finish that which I have started. To my children Ivan and Kathy who have been affected in every way possible by this quest. Thank you. My love for you all can never be quantified. God bless you.
ABSTRACT

Small and Micro Enterprises (SMEs) play an important economic world over. Their contribution to economic development, income generation and poverty alleviation is widely recognized. Kenyan SMEs significantly contribute to the economy, yet there is little or no empirical evidence available on the influence of entrepreneurship on sustainability of SMEs in Kenya. This study aimed at filling this gap. The general objective of this study was to assess the influence of entrepreneurial factors on sustainability of small and medium enterprises in Embu Town. The study was guided by four specific objectives which included; strategic positioning, entrepreneurial managerial competence, financial resources access and competitive scope.

This study employed a descriptive survey research design. The study population was 720 SMEs located within Embu town in Embu County. The said target population was critical to this study because gave first-hand information to the researcher. Stratified random sampling was employed to select a sample of 72 SMEs from the stratas. With respect to entrepreneurial factors and SMEs growth; this study utilized a questionnaire to collect primary data. Data was analyzed quantitatively and qualitatively. Quantitative data was analyzed by frequency tables and percentages. The analysis of the structured items was done by using the Statistical Package for Social Sciences (SPSS). Unstructured items were analyzed manually along major concepts and themes, and the results were presented using descriptive statistics. Regression analysis and the bivariate correlation analysis was performed to determine the relationship between entrepreneurial factors with sustainability of SMEs in Embu town. The relationship between the variables was stated using a mathematical function.

The study revealed that strategic positioning gives the firm continuous competition edges and extra benefits and returns of enterprises while it is in operations. The study further revealed that lack of marketing capacity and knowledge on how marketing structure operates has hindered the sustainability of SMEs.

Thus the study concludes that strategic positioning has helped our firm in grasping market opportunities more effectively thus playing a vital role in sustaining the SMEs. Lack of management backing is the main inhibiting factor on sustainability of SMEs thus SMEs requires development of clear metrics, periodic review of established metrics in view of maintaining realistic, attainable targets.

Thus the study recommends that the firm’s management should establish a unique operation status in dealing with varieties of business activities and should also formulate strategies to encounter business rivals and enables the firm to fulfill its business activities. The management of the firms should invest on extra competent managers as they will keep the firms operations on the right track and also the manager will show great competence and will perform multiple roles effectively. Firm’s management should ensure that the SMEs should have reliable sources of funding to always counter unfavorable situation that may arise due to financial reasons.
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<td>BDS:</td>
<td>Business Development Services</td>
</tr>
<tr>
<td>CIM:</td>
<td>Chartered Institute of Marketing</td>
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<tr>
<td>DTM:</td>
<td>Deep Transcranial Magnetic Stimulation</td>
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<td>EU:</td>
<td>European Union</td>
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<td>GDP:</td>
<td>Gross Domestic Product</td>
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<td>GOK:</td>
<td>Government of Kenya</td>
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<td>HR:</td>
<td>Human Resources</td>
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<td>HRM:</td>
<td>Human Resource Management</td>
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<td>ICT:</td>
<td>Information and Communications Technology</td>
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<td>ILO:</td>
<td>Internal Labour Organizational</td>
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<td>KNBS:</td>
<td>Kenya National Bureau of Statistics</td>
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<td>MCI:</td>
<td>Managerial Capacity Index</td>
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<td>MFIs:</td>
<td>Micro Finance Institutions</td>
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<td>MSEs:</td>
<td>Micro and Small Enterprises</td>
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<tr>
<td>OECD:</td>
<td>Organisation for Economic Co-operation and Development</td>
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<td>R&amp;D:</td>
<td>Research and Development</td>
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<td>SMEs:</td>
<td>Small and Micro Enterprises</td>
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<tr>
<td>SPSS:</td>
<td>Statistical Package for Social Sciences</td>
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<tr>
<td>TVET:</td>
<td>Technical Vocational Education and Training</td>
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<tr>
<td>USA:</td>
<td>United States of America</td>
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<td>USIU:</td>
<td>United States International University</td>
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CHAPTER ONE

1.0 INTRODUCTION

1.1 Background of the Study

Throughout the world, shifts in population demographics, technological changes, fluctuating economies and other dynamic forces have transformed societies as never before, bringing new challenges and opportunities to the forefront. Among the responses to these shifting forces is an increased emphasis on entrepreneurship by governments, organizations and the public (Baron, 2012). Micro and Small Enterprises (MSEs) play an important economic role in many countries the world over. Their activity is a source of new jobs and an important factor in a free-market economy; a significant impact on economic development and immense influence on the market (Lukes & Laguna, 2010). Their contribution to economic development, income generation and poverty alleviation is recognized (ILO, 2007). High SMEs growth would be a result of innovativeness, proactiveness and risk-taking orientation by the firm, the scopes which refer to an entrepreneurial orientation. Furthermore, Hamel (2012) has posited that in current business environments, where product and business model life cycles are shortened such characteristics are positively associated with better performance.

Entrepreneurship has been conceptualized as the process and decision making activities used by entrepreneurs that leads to entry and support of business activities (Kropp, 2011); and as the strategy making processes that provide organizations with a basis for entrepreneurial decisions and actions (Wiklund & Shepherd, 2009). Further, entrepreneurship has been conceptualized as comprising three dimensions namely; innovativeness, risk-taking and proactiveness (Frank, 2010). Thus, entrepreneurship generally considered as a key ingredient for the sustainability of a firm. Frank, Kessler and Fink (2010) define entrepreneurship as a firm’s strategic orientation, one which captures the specific entrepreneurial aspects of decision-making styles, methods, and practices. Their analysis indicate a positive connection between entrepreneurship 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.

Other research has established that significant associations do exist between entrepreneurial orientation and contextual factors, and between contextual factors and
entrepreneurial orientation dimensions as predictors of sustainability, with respect to earnings and continuance satisfaction (Churchill, 2009). Other analysis also indicates that entrepreneurship may have a negative effect on sustainability in certain configurations (Frank, Kessler & Fink, 2010). While a firm’s entrepreneurial processes might help the chase of new entry opportunities that enhance its sustainability, the adoption of a strong entrepreneurial orientation is considered necessary but insufficient for wealth creation by new ventures (Jantunen, 2009). Entrepreneurship has long been viewed as an engine that drives innovation and promotes economic development. In today's intensifying global competition, increasing interdependence, rapid technology development, unstable environments, and many other factors have highlighted the need for organizations to become more entrepreneurial in order to survive and prosper. An organization's survival and success require continuous organizational renewal, innovation, risk-taking, and pro-activeness the dimensions of entrepreneurial orientation (Rauch, 2009).

Entrepreneurial orientation is the strategy making practices that firms use to identify and launch ventures. It represents a frame of mind and a perspective about entrepreneurship that are reflected in a firm’s ongoing processes and corporate culture (Lumpkin, 2001). Knight (1997) cited in Rauch et al. (2009), avers that firms which operate within a dynamic regime, which do not have the right frame of mind and perspective, encounter difficulties in enhancing their sustainability and competitiveness. Firms are therefore, encouraged to embrace entrepreneurial orientation to excel and overcome the challenges. According to Esbach (2009) citing Stevenson and Jarillo (1990), conceptions of entrepreneurship are considered to be bounded by three dimensions that relate to three questions: the “why”, the “how” and the “what” of entrepreneurship; these correlate to psychology and sociology, management and economics. Elements of the entrepreneurial orientation construct are considered to be developed according to this how dimension, an entrepreneurial orientation being related to how to succeed entrepreneurially. It is argued that this orientation includes components that could be developed or learned in the same manner envisioned by Stevenson and Jarillo (2005) as relating to the domain of management.

Opportunity is a necessary condition for entrepreneurship, yet not a sufficient condition: the individual is important in that the opportunity needs to be taken up and this is related to factors unique to the individual (Madsen, 2007). It is argued that certain contextual factors and entrepreneurial orientation dimensions do contribute to sustainability of
SMEs, and that entrepreneurial orientation is shaped by contextual factors. Entrepreneurial behaviour, as represented by entrepreneurial orientation, is taken to constitute a potential source of competitive advantage (Jantunen, 2009). Entrepreneurial behaviour contributes to sustainability differentially along the dimensions of Proactiveness, Innovativeness and Risk Taking Propensity according to specific context (Lumpkin, 2001). Research in the less developed countries has clearly shown that small enterprises both in the formal and informal sectors have failed to evolve into medium-sized firms (Ferrand, 2009). Slightly more than 10% of businesses ceased operations in less than one year, 25% stopped business between one and two years, while another 20% closed their doors between their third and fifth anniversaries (Hamel, 2012). The reputation of entrepreneurs from developed countries in the European Union (EU), rest of Europe and USA is remarkable.

In America for instance, entrepreneurs are respected for their role in creating new jobs, providing new competition to existing businesses, improving product quality, reducing prices, introducing new goods and services through innovation and technology advancement. For example, Bill Gates, through Microsoft has contributed immensely towards information technology. Suffice it to say entrepreneurship has formed the basis for advancement in technology through creation of new job-markets (Aoulou &., 2005). Small enterprises started at family level have grown to contribute to national revenues by way of taxes and in South East Asian countries like Japan, India, Korea and China; they have contributed immensely towards creation of new goods and services (Maragia, 2008).

The Micro and Small Enterprises sector in Kenya has always occupied a pivotal position in the development of the economy. The sector is a primary source of employment and income. It expanded from employing 3.7 million people in 1999 to 5.1 million in 2002 according to a Sessional Paper No. 3 of 2004 (GoK, 2005). Research has shown that the SMEs concept has been known in Kenya since 1972 when the Internal Labour Organizational (ILO) introduced it. However, it was not until 1990 that the Kenya Government formulated ways of implementing it in a much publicized nationwide campaign. The role of SMEs in Kenya’s development process is significant, particularly in the context of generating employment, wealth creation and income opportunities to thousands of people across the country (Maragia, 2008, KIPPRA, 2007).
According to the Kenya 1999 National Baseline Survey report, micro and small enterprises have been defined as businesses employing up to 50 workers. By employment, it does not necessarily refer merely to the payment of wages; it includes those engaged in the activities of the business. It should be noted that the Kenya, micro enterprises are businesses employing up to ten workers including the owner while small enterprises employ more than 10 and up to 50 workers (McCormick, 2011; GoK, 2005). Market failure has constrained SMEs development in Kenya as in many developing countries in areas of access to information, finance, labour skills and business development services (BDS) necessary for competitiveness and productivity.

Lack of information and experience in transactions is a common factor that hinders the progress of SMEs towards the willingness to take risks. Nevertheless, Kenya with its long private sector tradition has significant potential to establishing sustainable support services. The Kenya government would need to ascertain that if developed, these factors would lead to the desired result. It is anticipated that if measures are put in place to ensure that SMEs entrepreneurs have access to finance, the skills required to cope with market demands and market linkages, their access to resources for growth would be facilitated (Njiru & Cheruyoit, 2006). Also required in this regard are a reduction of critical investment climate constraints, helping SMEs to exploit opportunities and overcome bottlenecks by obtaining training, preparing business plans and strategic planning and reducing the cost of compliance with business regulations.

1.2 Problem Statement
Small and Micro Enterprises (SMEs) play an important economic world over. Their contribution to economic development, income generation and poverty alleviation is widely recognized (ILO, 2007). According to RoK (2014) SMEs contributed over 70% of GDP in 2013, in Singapore 47% (SMU, 2008), in Tanzania 33% (Madata, 2011). The background information of the study indicates that SMEs are faced by constant threat of failure and most do not graduate into large enterprises (World Bank, 2014; RoK, 2005). Past studies indicate that the SMEs sector in Kenya is characterized by high mortality rate (RoK, 2005); three out of five fail within the first few months of operation (Bowen, Morara & Mureithi, 2009; RoK, 2013); over 60% fail each year (KNBS, 2007); and most do not survive to their third anniversary (Ngugi, 2013).
Many countries, it is noted, are not making full use of their entrepreneurial potential (Bosma, 2008), and lack of ability among African countries to identify and seize business opportunities (Olawale, 2010). Many SMEs are generally low margin, have very little differentiation and are survival or necessity driven (The Guardian, 2014). This implies that SMEs in Kenya may be lacking entrepreneurial skills. Entrepreneurial orientation has been acknowledged as a key determinant for a firm’s growth and sustainability. It has been related to high firm growth (Brown, Davidson & Wiklund, 2008), superior performance, and longevity (Soininen, 2013). High adoption of innovativeness, risk-taking and pro-activeness is seen as a key ingredient to success of firms. Would lack of entrepreneurship among Kenyan SMEs account for their high mortality rate and stagnation? The literature available shows that entrepreneurship is a key ingredient for SMEs sustainability. Kenyan SMEs significantly contribute to the economy, yet there is little or no empirical evidence available on the influence of entrepreneurship on sustainability of SMEs in Kenya. This study aimed at filling this gap.

1.3 General Objective
The general objective of this study was to assess the influence of entrepreneurial factors on sustainability of small and medium enterprises in Embu Town.

1.4 Specific Objectives
This study was guided by the following specific objectives;

1.4.1 To determine the influence of strategic positioning on sustainability of small and medium enterprises.

1.4.2 To analyse the influence of entrepreneurial managerial competence on sustainability of small and medium enterprises.

1.4.3 To assess the influence of financial resources access on sustainability of small and medium enterprises.

1.4.4 To analyse the influence of competitive scope on sustainability of small and medium enterprises.

1.5 Significance of the Study
In view of the above, potential to stakeholders are highlighted:
1.5.1: Researchers and Academia:
At universities and other institutions that conduct research, the study findings will contribute to the pool of additional literature. This study will contribute to the entrepreneurship literature by focusing on the type of firms that are the centre of entrepreneurship research, that is, SMEs. The first contribution is to advance the understanding of how entrepreneurship can be beneficial to firms in improving their sustainability.

1.5.2 Entrepreneurs:
At the SME level, this study will sensitize the entrepreneurs of the sector to understand what factors that shape entrepreneurial behaviour and enhance business performance, which factors the entrepreneurs will embrace to grow their enterprises. Successful completion of the study will contribute towards a better understanding of the sources of competitive advantage and sustainability for SMEs. The SMEs will thus improve the sources of competitive advantage in to order build a sustainable entrepreneurial orientation and further firm performance.

1.5.3 Policy Makers:
The outcome of this research will provide government with information that can be used as inputs for policy development which are focused on entrepreneurship.

1.5.4 To the SMEs:
This study is important because it is intended to benefit the traders, customers, employees, the community and other researchers. The government is expected to use the report to formulate policies that will help support, monitor and regulate SMEs sector. It will also assist financing institutions to understand the financial management practices of these firms and their sustainability.

1.6 Scope of the Study
The scope of the study was SMEs in Embu Town, Kenya with the aim of investigating and understanding the influence of entrepreneurial factors on sustainability of small and medium enterprises in Embu Town as these helped gather sample findings that gave the findings of the study. These provided an adequate population and sample for the study
and therefore gave reliable results and findings. The findings might then be generalized in the whole SMEs industry because the industry practices are related.

The researcher assumed that the respondents would be honest, cooperative, factual and trustworthy in their response to the research instruments and would be available to respond to the research instruments in time. It was also the assumption of the researcher that the County Government would grant the required permission to collect data from the SMEs owners. An introductory letter from the university was attached to all the research instruments as a proof that data collected was for academic purpose only. The study further assumed that there would be no serious changes in the composition of the target population that would affect the effectiveness of the study sample.

The researcher anticipated encountering various limitations that might hinder access to information that the study sought. The main limitation of study was its inability to include more organisations around the Country. Some of the respondents targeted might be reluctant in giving information fearing that the information sought would be used to intimidate them or print a negative image about their businesses. The researcher handled the problem by carrying an introduction letter from USIU University and assured them that the information they gave would be treated with utmost confidentiality and it would be used purely for academic purposes.

1.7 Definitions of Terms
1.7.1: Small and Medium Enterprises

The Kenyan definition of SMEs in terms of employment consists of: Micro enterprises from 0 to 9 employees; Small enterprises from 10 to 49 employees; Medium enterprises from 50 to 149 employees; and large enterprises from 150 and over while the Sessional Paper set a limit of 50 workers for the small-medium enterprises in Kenya (Kropp, 2011).

1.7.2: Entrepreneurship

Entrepreneurship is a dynamic process of innovation and new venture creation, and includes the assumption of the risks and rewards of the new venture (Jantunen, 2009)

1.7.3: Entrepreneurial attitudes and behaviour

The motivation to achieve and compete; taking ownership and being accountable; being open to new information, people, practices, etc.; being able to tolerate ambiguity and
uncertainty; creative and flexible thinking, problem solving and decision making; the ability to see and capture opportunities; awareness of the risks attached to choices and actions; and the capacity to manage and ultimately reduce risks (Sapienza, 2012).

1.7.4: Entrepreneurial Orientation

Entrepreneurial Orientation is the propensity of firms to be innovative, be proactive to marketplace opportunities, and be willing to take risks (Hamel & Sapienza, 2012).

1.8 Chapter Summary

Chapter one comprised of the background of the study, statement of the problem, objectives of the study, research questions, and significance of the study, basic assumptions, limitations and assumptions of the study. Chapter Two covers the theoretical framework, related empirical literature as well as the conceptual framework. Chapter Three contains the following: research design, target population, sampling procedure, research instruments, validity and reliability of the instruments and data analysis. Chapter four present various findings of the study. Chapter five which is the final chapter present summary, discussion, conclusions and recommendations of the study.
CHAPTER TWO

2.0 LITERATURE REVIEW

2.1 Introduction
This chapter reviews several literatures that have written in regard to the objectives of the study from different parts of the world on the influence of entrepreneurial factors on sustainability of small and medium enterprises. The literature review forms the framework for research, as it helps to develop a good understanding and provide insight into relevant previous research and emerging trends. The chapter reviews the theoretical framework by looking at some theories and past studies. It also reviews the entrepreneurial factors namely strategic positioning, entrepreneurial managerial competence, financial resource access and competitive scope.

2.2 Strategic Positioning and Sustainability of Small and Medium Enterprises
This section addresses the study first variable. It analyses what other scholars have done on the relationship between strategic positioning and sustainability of SMEs. The term strategic position has appeared in many academic publications since the 1970s, although mainly in product, marketing, and strategic management areas. There are, however, only a small number of papers that consider this concept within the scope of SMEs. Vallespir and Kleinhans (2011) describe strategic positioning of a company as defining the company’s boundary and modifying the scope of its activity on the supply chain in order to expand vertically or, conversely, to retire from some activities. Johansen and Riis (2012) present the strategic positioning of a company by proposing a framework which comprises three inter-related levels, considering a position of a company in supply chain together with the role of production.

Watson (2008) defines a firm’s position on the basis of the activities it chooses to do and not to do. Baines (2011) build on their earlier work to define position as a statement of where a company sits within its supply chain network. They define ‘strategic positioning’ as being concerned with the process of choosing those production-centred activities that an organization should carry out internally, and those that should be external and under the ownership and control of suppliers, partners, distributors, and even customers.
2.2.1 Positioning by Corporate Identity

In order to achieve a well-positioned organisation, businesses need to ensure that the core values of a business are communicated both internally and externally. Through positioning by corporate identity, an organisation is able to communicate the essence of a brand to which both internal stakeholders and the target market can relate (Abratt, & Kleyn, 2012). Before positioning by corporate identity can be achieved, the corporate identity of a business needs to be defined. The mission, vision and core values of a business all form part of corporate identity (Klopper & North, 2011). Corporate identity is defined as a combination of the mission, vision and core values of the business that are communicated through the delivery of the products and services of a business (Klopper & North, 2011).

Essentially, corporate identity is what the organisation stands for, what it wants to achieve and the perception formulated internally and externally. Corporate identity can also be extended to the name and the brand of the business. Without the two concepts a particular image relating to the corporate identity cannot be achieved (Gambetti, & Martin, 2014). Before a business can decide on the desired corporate identity, it is imperative that the business decides on the desired market position and perception of stakeholders. An organisation may have a particular perception regarding the corporate image. However, a business needs to be aware of the different forms of corporate identity to manage the process. SMEs should also strive to identify the different forms of corporate identities, especially since in most instances the businesses are defined in such a way that they become extensions of the business owners (Essoussi, 2010). Some of the SME corporate literature has also argued that SME development and SME establishment is more often an extension of the owner’s mission, vision and core values.

Thus the corporate identity formation is inherent in nature as opposed to creating an image that is holistic in nature (Essoussi, 2010). Therefore, a need arises to ensure that SMEs adopt a new form of thinking when composing their corporate identity that is not only significant to the owner of the business but to all the relevant stakeholders. From an SME perspective, corporate identity is not clearly defined (Abimbola, 2011). SME owners need to be aware of the different forms of identity to be able to determine how the business should be positioned from a corporate identity perspective. Understanding and being knowledgeable about the different forms of corporate identity also allows the
organisation to manage their corporate identity and be able to respond to any factors that may have an impact on the corporate identity. Having a well-positioned corporate identity is not only beneficial towards the image portrayed but it also builds a good reputation and a favourable image towards the customers (Melewar, 2012). Therefore, it is important for business to manage how their corporate identities are positioned, as doing so has a direct impact on whether revenue would be generated and whether the brand resonates with the target market.

2.2.2 Target User Positioning

Building a favourable image is not only significant for the business but it also has an impact on the target market. The process of target user positioning is based on marketing activities and programmes that are geared towards determining the target market’s perceptions, behaviour and buying processes (Sengupta, 2005; Temporal, 2011). Furthermore, the target user positioning process ensures that the product is well positioned, known and relevant to the target market, which in turn drives high profitability for the business (Klopper & North, 2011). The process of positioning by target user is achieved through the STP process, namely; segmentation, targeting and positioning. The process allows for identification of the untapped market that can be explored through understanding the behaviour patterns of a particular group of people.

The STP process also assists in having a more profound understanding of the nature of the target market and creates an opportunity to build long-term affiliations between the target market and a brand of a business (Klopper & North, 2011). Before a business can make a decision regarding the target market, it needs to undergo a process of segmentation. Segmentation is a process of deconstructing the existing market into potential markets from where the target market will be extrapolated (Dibb, 2010; Weinstein, 2013). This process enables a business to identify potential target markets that it can appeal to and devise ways of attracting the market.

Segmentation processes allow for identification of potential target markets that might have similar characteristics and expectations towards a particular brand. Therefore, this allows a business to be able to group people who may respond positively towards their brand. Segmentation also requires a business to consider the different population characteristics, such as demographics, behaviour, geographic and psychographics. Demographic segmentation entails the analysis of demographic traits such as age, gender,
and race (Klopper & North, 2011). Individuals with similar demographics tend to behave and consume similarly so and share similar habits (Klopper & North, 2011).

Geographic segmentation is a process in which marketers examine consumption habits in different towns and cities which may differ from town to town. Analysis and segmentation through geographical area is vital when determining the location for a business (Abimbola, 2012) and may assist in identifying an area that has a high concentrated market for a business which will drive profitability and sales. Segmentation also needs to be analysed from a behaviour perspective that analyses the consumption patterns of the market segment not only products but also media consumption (Klopper & North, 2011). Undergoing the segmentation process generates valuable insight regarding the target market and this process may lead to defining the product that consumers prefer, based on their current behaviour. The last form of segmentation is psychographic segmentation which examines the perceptions towards a particular product category, and the potential customers’ opinions, attitudes and lifestyle patterns (Dibb & Simkin, 2010). Understanding the consumers’ lifestyles exposes the activities and the interests of the consumers, which may enhance the process of elimination regarding what not to include in the product offering (Temporal, 2011).

The final stage of the STP process is positioning. As previously defined, the process of positioning occupies a particular space in the mind of the consumer to remain relevant and successful within the competitive landscape (Keller et al., 2011). A product needs to be positioned in such a way that it addresses the needs and wants of a particular group who consider comparable analysis of present marketing strategy the consumers of a particular product. Scholars, Dibb and Weinstein (2013) have argued that attaining a favourable positioning status is not what one does to the physical product, but it is the perceptions and the benefits that are communicated to the target market in such a way that they occupy a relevant space in the minds of the target market.

The process of target user positioning includes three components, namely, segmenting, targeting and positioning. The process enables a business to clearly define the target market and to determine how the brand resonates with the target market. SMEs are faced with challenges when defining their target markets. Most SMEs tend to cater for the same market, especially in the African context, minimising the potential of SMEs being financially viable (Hodson, 2014). This is also sign of the lack of understanding of how
businesses’ target market should be defined due to lack of knowledge regarding the effectiveness of the target user positioning as essential to determining a target market for a particular SME (Marjanova, 2012).

2.2.3 Features and Attribute Positioning

There are two schools of thoughts regarding this technique. Some scholars believe that such a strategy is suitable for new product development (Fuchs & Diamantopoulos, 2012; Hassan & Craft, 2012), whilst other scholars believe that this strategy should also be applied to existing products in changing and enhancing the existing product (Klopper & North, 2011). Therefore, features and attributes’ positioning element should be examined constantly to ensure that the product is well positioned within the market and it is relatable to the values of the customers through continuous satisfaction of their wants and needs. This strategy should not only focus on the features of the product in terms of profitability for the business, but it is also important to determine an approach that will incorporate both the customer and the perception of the business regarding benefits and attributes.

Features and attributes’ positioning has been likened to product positioning and in many instances studies have utilised the two concepts interchangeably (Fuchs & Diamantopoulos, 2010). The principles of product positioning are similar, as product positioning is also defined as the ways in which a product uses salient product characteristics and features to promote the product against competitors (Hassan & Craft, 2012). The benefits of product positioning have also been labelled as ensuring that psychological connections and emotional connotations exist between the customers and that of the product. Positioning by features and attributes has been defined as using attributes of the products as a means of communicating to the target market that the product is different or better than that of the competitors (Klopper & North, 2011; Sengupta, 2005).

This element has also been considered a brand positioning tool that promotes innovation in positioning the product, service and the brand of an organisation (Kotler, 2012). The basis of this marketing strategy is using tangible and intangible benefits to promote a psychological and emotional connotation to the product by attracting customers and maintaining a favourable brand (Hassan & Craft, 2012). Customers should be able to answer the reason why they need to consume the product (Sengupta, 2005), as they need
to determine what they will gain by consuming the product and whether their needs and wants will be satisfied through the consumption of a particular product (Hassan & Craft, 2012).

### 2.2.4 Positioning by Competitor

One of the most aggressive positioning strategies is positioning by competitor. For the strategy to be effective, a brand needs to make direct comparisons with the competitor with the result of enhancing the brand and gaining market share (Bigne, Vila-Lopez, & Kuster-Boluda, 2000; Burke, 2011). A business needs to be knowledgeable of the competitor: what they do, who they are and what makes the business’s brand better than that of the competitor. Implementing this positioning strategy gives reason to the consumer for purchasing one brand over the competitor’s brand. Literature Burke, (2011) and Prasad (2011) echoes a weakness of organisations in defining their competitive landscape in a narrow fashion, which may pose a threat to a business.

Competition and rivalry should be measured beyond direct competitors since indirect competitors also pose a threat to the success of a business. Having a clearly defined competitive positioning strategy eliminates the possibility of an organisation to provide solutions to the mass population but rather a unique value proposition different to that of the competitors. To implement an effective strategy, a business needs to align its resources and capabilities with consumers’ needs and desires. This ensures that the business is able to deliver to the customer and remain ahead of its competitors. Highly profitable markets attract new competitors in the market (Porter, 2011). If the levels of new entrants entering the markets are high, profit margins of an organisation are affected, shrinking the available market share.

The impact of this threat can be reduced by creating high barriers of entry through innovative product and brand development, patents and creating a product or brand that is not easy to copy (Burke, 2011; Prasad, 2011). Substitute products also pose a threat to the sustainability and profitability of a business (Porter, 2011). This type of threat occurs when customers have a range of alternatives that may be similar to a product, or also an opposite substitute that may offer similar benefits. Therefore, it is imperative for businesses to develop products that are distinctively positioned and have favourable perceptions by the target market to increase the level of loyalty that customers possess towards a particular product (Porter, 2011).
Customers and their bargaining power are also regarded as a competitive threat (Burke, 2011; Prasad, 2011), because customers are able to drive the prices down. In most cases, this threat is applicable when a customer has the largest impact on the profitability. In the 21st Century, social media has also increased customers’ power, where a negative perception regarding a brand can go viral on social media, which may irreparably damage a brand. Businesses should manage their customers as well as the impact of the business to safeguard against suffering the consequences of this particular threat. If those measurements can be achieved, a business establishes sustainability since it will be able to anticipate any changes in the market through the understanding and implementation of the devised market. It has been argued that SMEs tend to fail due to the lack of understanding of the competitive landscape (Cant, 2012) and that SMEs tend to enter into markets that they are unfamiliar with, which may also be highly competitive, thereby diminishing the chances that SMEs have of being progressive (Lee et al., 2012). SMEs need to increase their level of competitiveness to survive the tough market and strategies need to be implemented to empower SMEs regarding information and knowledge on competition and building brands that can survive in the market.

2.3 Entrepreneurial Managerial Competence and Sustainability of Small and Medium Enterprises

This section addresses the study the second variable of the study. It analyses what other scholars have done on the relationship between managerial competence and sustainability of SMEs. Entrepreneurial Competencies as Hoffmann (2009) noticed, there are numerous definitions of entrepreneurial competencies. Bird (2008), for example, defined entrepreneurial competencies as fundamental characteristics, namely traits, self-image, motives, social roles, skills and knowledge that drive the growth of the organization. This is in line with Kiggundu’s (2012) definition of entrepreneurial competencies as the total sum of entrepreneurs attributes such as attitudes, beliefs, knowledge, skills, abilities, personality, expertise and behavioral tendencies needed for successful and sustaining entrepreneurship.

Entrepreneurial competencies also involve self-image, motives, entrepreneurial traits, behavior, skills, attitude and knowledge (Boyatzis, 2012). Burn (2011) defined entrepreneurial competencies as individual characteristics such as knowledge, skills, and/or abilities required to perform a specific job. Man and Lau (2005) argued that
entrepreneurial competencies can basically be divided into two parts. The first part includes the elements relating to the entrepreneur’s background such as traits, personality, attitudes, self-image, and social roles. And the second part involves the components which can normally be learned from theory and practice like skills, experience and knowledge. Entrepreneurial competencies can also be defined as the abilities of an entrepreneur to perform the successful entrepreneurship or business success.

Iandoli (2007) defined entrepreneurial competencies as the capability of entrepreneurs to face effectively a critical situation by making sense of environmental constraints and by activating relational and internal specific resources. Man and Lau, (2010) have classified entrepreneurial competencies into six major areas: opportunity competencies, organizing competencies, strategic competencies, relationship competencies, conceptual competencies and commitment competencies.

2.3.1 Opportunity Competencies
One of the most distinguishing competencies for the entrepreneur. Seeking and taking action on opportunities is a critical competency for successful entrepreneurs (McClelland, 2007). The ability to recognize and envision taking advantage of opportunities is really crucial for successful entrepreneurs. It includes two main parts which are spotting the opportunities and developing the opportunities (Chandler & Jansen, 2012).

2.3.2 Relationship Competencies
These competencies relate to communication skills and person-to-person and individual-to-group interactions. According to Man et al. (2012), this group of competencies consists of cooperation and trust building, using business networks effectively. Persuasive ability and interpersonal skills are key concepts (Lau, 2010). Research shows that the success of a small firm depends mainly on the networks of business (Ramsden & Bennett, 2015). The effective usage of contacts and networks is also important for both inside and outside of the firm.

2.3.3 Conceptual Competencies
Involve abilities such as cognitive, analytical thinking, learning, decision making, problem solving, sustaining temporal tension, innovating, coping with uncertainty and risk (McClelland, 2007). Conceptual competencies can be defined as a high level of
conceptual activities in relation to entrepreneur’s behaviors such as a shorter-term perspective, resolving instant events, or requiring intuitive responses (Man, 2012).

2.3.4 Organizing Competencies

The concept of organizing competencies somehow overlaps with that of managerial competencies as both involve ability to lead, control, monitor, organize, and develop the external and internal resources to ensure the firm’s capabilities (Boyatzis, 2012). McClelland (2007) argued that to be able to keep an efficient firm operating, monitoring should be a required competency in managing various functional areas.

2.3.5 Strategic Competencies

Setting a direction for the whole firm is the major responsibility for every entrepreneur or business owner. These competencies are imperative for entrepreneurs to be able to set objectives for their firms from a broader and long term perspective. Strategic competencies include setting a vision, mission, goals, objectives, and strategies. Implementation and evaluation are components of strategic competencies. These actions are generally taken and implemented by entrepreneurs, owner/managers for the purpose of firm’s sustainable growth (McClelland’s, 2007).

2.3.6 Political Connections

The political environment exerts a significant effect on the success of SMEs. It determines investor confidence and the expected returns that depend on the ability of a firm to operate profitably (OECD, 2010). Kowanda (2009) explained that positive and solid reasons exist for seeking political connections. SMEs in various countries have diverse incentives for seeking any political connection (OECD, 2010). In regions with strict regulations and minimal government interference, the need to seek political connections is negligible. Most SME owners seek political connections for help in securing their investments, especially in the long term (OECD, 2010). Political connections might help SMEs gain insider information that is unavailable to competitors. Such information is vital in strategic planning and decision making. Politicians also provide private protection to an entrepreneur’s properties, especially when legal security is inadequate (OECD, 2000).

Owners of SMEs opt to have political connections that help in diversifying their enterprises. Securing funding is also easier with the assistance of politicians, creating an
advantage for entrepreneurs. However, most SMEs are family-owned businesses; therefore, involving politicians in a firm’s operations affects its structure (De Kok, 2006). A study by Zhou (2011) indicated that political connection is the most important factor for SME sectors in developed and developing countries. Moreover, this finding indicates how and why political connections influence their relationships with SMEs in different countries to obtain access to finance. The result of this study also suggested that SME sectors with political connections or higher-level political connections lead to significantly higher reinvestment rates, particularly among smaller SMEs. This means that owners/managers of small and medium who have a good political connection that helps to obtain access to funding and avoid some of the difficulties and problems that may occur on the small and medium company's investments (James, & Haron, 2009).

2.3.7 Commitment Competencies

The basic characteristics of successful entrepreneurs are diligence, commitment, determination, dedication, initiative and proactive orientation (Chandler & Jansen, 2012). As a whole, commitment competencies are the elements which force the entrepreneur to move ahead with the business. Mohd (2015) defined external factors as the determinants which contribute to the success or failure of entrepreneurial firms or entrepreneurs themselves. Simply put, external environmental factors are the outside factors affecting the performance of the business enterprises.External factors have a strong impact on entrepreneurial competencies and performance (Kuratko & Hodgetts, 2014). The situations faced by entrepreneurs in any economy can generally be defined as the external environment. The survival and growth of a firm and the likelihood of additional venture start-ups rely on the external environment (Colvin & Slevin, 2009).

The external environment has been widely recognized as a critical component contributing to a firm performance. The personality, attitudes and motivation of the entrepreneurs are also dependent on the environment (Gartner, 2005). In a competitive and turbulent environment, external factors are commonly accepted as the determinants of firm performance and survival. Van deVen (2013) suggested that every research in the field of entrepreneurship should take account of the external circumstances to be able to explain the entrepreneurial process in a more appropriate way. Kuratko and Hodgetts (2014) also argued that entrepreneurial decisions are primarily influenced in direct or indirect ways by external factors and consequently affect performance. According to
Kader (2009), it is unfeasible to fully cover the multiple dimensions of external factors in a single study. In order to ensure a fruitful outcome, it is really crucial to stick to a few dimensions such as the economic and environmental components rather than group everything into one single factor.

Management and Experience Management of SMEs is an acknowledged challenge that has proved difficult to overcome (OECD, 2010). SME owners are often managers of their enterprises and usually have no formal qualifications in management and leadership (Uhlaner, & Thurik, 2006). Pansiri (2008) observed that although most of them understand the concepts of their business goals and objectives, they may not necessarily make good managers. The management approach adopted by owners depends on the goals and personal expectations of these individuals (Collins, 2013). In most cases, SME owners do not foresee growth beyond a certain level. They aim to achieve their personal objectives with no effort put toward expansion (Garcia, 2005). Beaver and Hutchings (2005) observed that challenges faced in encouraging professionalism and distinguishing between ownership and management have hindered efficient management of SMEs.

Al-Madhoun and Analoui (2013) found that most owners are resistant to advancing their management skills through training programs that aim to enlighten them on the importance of good management. Some are also reluctant to hire qualified and skilled or independent managers, which hinders the ability of SMEs to grow or, at times, survive (Devins & Johnson, 2013). In addition, Johnston and Loader (2013) found that lack of appropriate financial skills hinders proper and critical financial planning, often leading to bankruptcy. Most entrepreneurs lack experience managing SMEs and acquire experiences and skills on the job. Often, SMEs have experienced unplanned growth attributable to planning failures on the part of managers. They are caught unaware and therefore feel overwhelmed in managing a larger enterprise (OECD, 2010).

2.4 Financial Resources Access and Sustainability of Small and Medium Enterprises
This section addresses the third variable of this study. It analyses what other scholars have done on the relationship between financial resource access and sustainability of SMEs.
2.4.1 Business Capital Access

Business capital is the prerequisite for development, hence raising its quality and productivity is a critical factor for increasing SMEs sustainability and reducing poverty levels (Msoka, 2013). Even where microfinance institutions have come in to address the issue of access to credit, their focus has largely been poverty reduction, rather than SME development and growth. Their loan sizes have therefore tended to be too small to support growth (Stevenson & St-Onge, 2015). On the subject of supporting and investing in innovation, in addition to the challenges aforementioned, SMEs are starved for finance to support innovation even when they have sound business and expansion plans worthy of investment, as they are considered risky because their innovative business ideas have not been tried and tested. The SMEs therefore find themselves in a vicious cycle of providing what is already in the market and not able to grow and expand to realize their full potential as they lack both funding and business support services to venture into unexplored business ideas (Aikaeli, 2007).

Sources of finance and other forms of support are needed not only for existing SMEs but also for those budding entrepreneurs who will build the SMEs of today and develop them into the largest businesses of tomorrow. These budding entrepreneurs will succeed, not by replicating the business models of the past, but by innovating new ways, products and services to reach an increasingly demanding market (Kiraka, 2013). The World Bank’s most recent Global Financial Development Report (World Bank 2013) has once again stressed lack of both financial capital and business-related knowledge as key impediments to firm growth in developing countries. Yet, the most popular instruments to relax these constraints are largely unsuccessful in spurring firm growth. Access to credit is not a major constraint for microenterprise start-ups because the majority of interventions directed at credit facilitation are in the area of microfinance. However, lack of access to medium or long-term credit is a major constraint for those enterprises that wish to expand their activities. The reasons for this are well known, particularly the fact that SMEs present a high risk to the lender because many of them have insufficient assets and suffer from low capitalization. In addition, poor accounting records and the lack of other financial records make it difficult for banks to assess the creditworthiness of potential SME borrowers.
2.4.2 Cost of Credit Access for SMEs

Moreover, the relatively high cost of processing small loans means that lending to SMEs is generally not for banks (Matfobhi & Ruffing, 2012). Micro, small and medium-sized enterprises are also constrained by a lack of collateral. Banks favour urban housing permits (PUH) for concrete structures or a sizeable deposit as collateral. The majority of micro, small and medium-sized enterprises consequently relies on informal sources of credit: 85 per cent of SMEs rely on personal savings, family or friends for finance (Llelart, 2015). Grimm and Paffhausen, (2014) report states that programmatic interventions targeting MSMEs may include interventions to improve access to finance through the provision of (micro-) credit, advisory services and business skills training, while policy interventions focus on improving the framework conditions for MSMEs and may entail labour market regulations, the instauration and enforcement of property rights, or credit information systems, to mention just a few.

Interventions, however, may also target the (potential) labour force through programmatic interventions such as technical vocational education and training (TVET) or employment services. SME, in Kenya have difficulties in growth due to lack of finance. They hardly grow beyond start-up stage. Others go out of business at a very early stage (Bronwyn, 2015). The study undertaken by Hallberg (2008) and Mead and Liedholm (2008) reveals that access to finance is an important ingredient to development of SME. They have few alternatives of accessing finance other than relying on their retained earnings to finance their investments. Notwithstanding the financial difficulties faced by SME presently in Kenya, alternative sources of funds have to be sought to sustain this important sector (Memba, 2012).

A large part of the world’s poor has only insufficient access to formal sources of finance, and the prevalence of capital market imperfections and resulting lack of access to financial capital has been frequently stressed as a major impediment to firm growth in developing countries. For example, the World Bank informal enterprise surveys reveal that lack of access to finance is perceived to be the most pressing obstacle that small firms in developing countries face (World Bank 2013). A couple of academic studies report high returns on grants of cash or in kind capital among microenterprise owners in developing countries that are typically well above prevailing market interest rates (Prediger & Gut, 2014).
In Kenya various studies have been carried out on growth of SMEs. (Namusonge, 1998) studied Determinants of growth oriented SMEs in Nairobi. The key determinants in the study were managerial experience, education and training and the psychology of the entrepreneur. He concluded that availability and type of finance are key determinants of the growth performance of SMEs.

Entrepreneurs’ attributes also have influence on growth performance. In the study the specific measures of growth are not highlighted. In his study, the role of quality on growth of SMEs in Kenya Wanjau (2010) established that adoption of quality influences the growth of SMEs. In his study Mungah (2010) Determinants of growth of manufacturing SMEs in Kenya established that interest rate, fuel cost, business skills and political instability were major factors found to influence SMEs growth into large business enterprises. The subject achieves acknowledged relevance, especially because of the fact that restrictions on credit to small business are a global phenomenon (Baas & Schrooten, 2015).

Small firms are more informational opaque and, therefore, have less access to external funding than larger firms; financiers are unable to solve problems of asymmetric information and to adequately fund small business expansion (Hartarska & Gonzalez-Vega, 2016). The availability of appropriate economic resources is important for business development (Ronainen, 2013). This enables SMEs to secure the necessary expertise and raw materials to put entrepreneurial ideas into practice, to be competitive, to survive during unfavourable conditions and to grow (Wickham, 2011). The results obtained by Cooley and Quadrini, (2011), and Cabral and Mata, (2013), show that the growth of new small companies is hindered by restrictions concerning finance and by the shortage of resources of diverse nature.

The strategies of SMEs for finance are fundamental in explaining their growth, and this can be seriously hindered when companies are subject to considerable financial restrictions (Reid, 2013). (Drever, 2015) argued that financial problems (lack of funds) constrained the development and growth of small enterprises, as many of them are unable to access the same kinds of growth funding often available to large enterprises (Watson, 2012). Empirical evidence reveals the importance of internal finance for SME growth, pointing towards a positive relationship between growth and internal finance, in different economies, namely Germany (Audretsch & Elston, 2012), United States (Carpenter &
Petersen, 2012), Portugal (Cabral & Mata, 2013) and Spain (Moreno & Casillas, 2007). Meyer, (2008) concludes that in cases of insufficient internal finance, access to external finance can be fundamental to encourage company investment and consequently growth. However, insufficiency of internal finance can be a problem, given the greater difficulties faced by SMEs in accessing external finance (Becchetti & Trovato, 2012).

2.4.3 Financial Institutions in Advancing Credit

Most financial institutions like banks are very conservative and risk averse and therefore avoid SMEs that are considered risky and with no collateral or dependable track records (Mughan, 2012). Most of those SMEs that are able to secure start up finance find the cost of capital too high (Rwigema, 2014). Availability of finance determines the capacity of an enterprise in a number of ways, especially in choice of technology, access to markets, and access to essential resources which in turn greatly influence the viability and success of a business Wole (2009). Wole (2014) further states that securing capital for business start-up or business operation is one of the major obstacles every entrepreneur faces particularly those in the SMEs sector. Within the SMEs sectors lack of access to credit is one of the major factors accountable for hindering the emergence and growth of their businesses.

Banerjee and Duflo (2014) studied detailed loan information on 253 small and medium size borrowers from a bank in India both before and after they became newly eligible for the program. Specifically the size definition of the program was changed in 1998 which enabled anew group of medium-size firms to obtain loans at subsidized interest rates. Naturally these firms began to borrow under this favoured program, but instead of simply substituting subsidized credit for more costly finance, they expanded their sales proportionately to the additional loan sources which suggest that these firms must have previously been credit constrained.

SMEs therefore, cannot raise funds from other alternative sources. Lack of credit for SMEs' development is a cardinal problem to SME development in developing countries. Owing to the problems associated with accessing alternative credit facilities, a large proportion of Kenyan SMEs rely more on self-financing in terms of retained earnings. They hardly grow beyond start-up stage, others go out of business at very early stage Brownwyn (2015). The study undertaken by Hallberg (2008) reveals that access to credit is an important ingredient to development of SME. They have few alternatives of
accessing finance other than relying on their retained earnings to finance their investment. The implication therefore is that SMEs do not have adequate credit to meet the needs at different levels of growth. Therefore, a finance gap exists for firms starting or wishing to expand.

2.5 Competitive Scope and Sustainability of Small and Medium Enterprises

This section addresses the fourth variable of this study. It analyses what other scholars have done on the relationship between competitive scope and sustainability of SMEs. Competitive scope of a firm is its capacity to achieve its targets. These targets are likely to be expressed in a variety of terms depending on the context (Barney 2012). Within a macroeconomic perspective, a competitive firm develops and sustains a level of performance that contributes to the Gross Domestic Product (GDP), employment opportunities, and the wealth of the people. From an entrepreneurial perspective, a competitive firm needs to survive in the market and to achieve market share and profitability. The success of a competitive firm can be measured by both objective and subjective criteria. Objective criteria include return on investment, market share, profit and sales revenue, while subjective criteria include enhanced reputation with customers, suppliers, and competitors, and improve quality of delivered services (Barney 2012).

There are different definitions for the firm's strategy. All these definitions are sharing in defining the strategy as an action to be taken in the future. Mintzberg and Waters (2015) consider corporate strategy as a political process, which is socially constructed rather than an unproblematic aid to the rational decision-making. Porter (2012) defines strategy as the creation of a unique and variable position, involving a different set of activities. He states that the essence of strategy is choosing to perform activities differently from rivals do and those firms must consider strategic positioning and strategic fit when crafting strategies.

2.5.1 Porter’s Generic Strategies

Porter (1980) determines three generic strategies firms can possess: the cost leadership, differentiation and focus. Sources of cost advantage are likely to be rare including learning-curve economies, differential low-cost access to factors of production, and technology. Firms can differentiate their products in different ways: product features, linkages between functions, timing, location, product mix, links with other firms, product customization, product complexity, consumer marketing, distribution channels, service
and support, and reputation. Firms focus on a particular market niche and company resources are devoted to maintain market leadership in that niche. By concentrating on the industrial level, Porter (1979, 1980 & 1985) underestimated the importance of the unique resources within the firm. Moreover, his work has been criticized for becoming too eclectic (Van Gils 2010).

Furthermore, recent work contradicts Porter’s assertion about being stuck in the middle. This work suggests that the firms that are successful in both cost leadership and product differentiation can often expect to gain sustained competitive advantage (Barney 2012). Firms that are able to differentiate successfully their products and services are likely increasing their volume of sales. An increased volume of sales can lead to economies of scale, learning curve, and other forms of cost reduction. Differentiation is more attractive to small companies, particularly when linked with focus. In a survey to the 1500 smaller companies across Europe, the 3i European Enterprise Center (2008) found that the companies that achieved growth in sales and/ or profits were implementing the differentiation strategy. In 2010, 3i carried out a survey to the 3500 UK super league companies. It concluded that most of these high-growth companies served niche markets following a strategy of differentiation. Providing higher quality products when compared to competitors and being innovative are the key elements of the differentiated strategy (Jones & Tilley, 2013).

Besides that, marketing, development of alliances and the focus on the ethical issues comprise important components of the differentiated strategy (Kazem, 2014). The generic strategies rely on a static picture of competition, and thus understate the role of innovation (Stalk, 2012). As well, they overemphasize the importance of industry structure (Rumelt, 2011) and the wider environment, while they de-emphasize the significance of individual company differences in the procession of resources, capabilities and competence (Prahalad & Hamel, 2010). O’Gorman (2011) notes that success strategies are characterized as high growth businesses. High growth businesses in turn are competitive on product quality, price and new product offering. Firms competing on the basis of innovation would essentially be oriented towards continuously offering a product that would take a high rank on the ‘state-of-the-art’ scale in the market.
2.5.2 Innovation Strategy

Innovation is a broad term that encompasses any new development in firms (OECD 2010). It can involve creating or reengineering products or services to meet new market demand, introducing new processes to improve productivity, developing or applying new marketing techniques to expand sales opportunities, and incorporate new forms of management systems and techniques to improve operational efficiency (Porter & Stern, 2011). The most important impediments to innovation in the SMEs (OECD 2010) are: Limited resources within many SMEs for carrying out research and development. Investing in new knowledge is a risky activity that most SMEs cannot justify.

One of the most systematic examinations of innovation in the SMEs utilizes resources-based theory, which stresses the way in which internal factors including knowledge, skills, patents and brands are combined in unique ways by means of managerial capabilities (Grant, 2008). This combination of resources and capabilities leads to the creation of core competences, which help establish the firm's competitive advantage (Prahalad & Hamel, 2010). Hoffman (2007) identified positive relations between the SME’s innovation and sustainability. Tidd (2011) discuss a range of mechanisms for measuring both innovation output and organizational performance, which are relevant to smaller firms. Barnett and Storey (2010) reported on detailed interviews with owner-managers concerning innovation in the SMEs.

Freel (2010) used data from a postal questionnaire to investigate the barriers to innovation in 238 manufacturing SMEs based in the West Midlands. Freel (2000) suggests that there are four constraints on the ability of SMEs to innovate. These constraints are: finance, management and marketing, labor, and information. A questionnaire survey of CEOs in 445 Quebec-based SMEs was used to investigate links between innovativeness and competitiveness (Lefebvre, 2013). Bagch-Sen (2011) carried out a questionnaire survey of 54 SMEs in the Niagara region of Canada. The research was designed to investigate the relationship between innovation and competitive advantage. The SMEs were classified as either high or low innovators according to the number of new or revised products they had introduced in the previous five-year period. It was found that innovators performed higher in terms of sales and exports. Also, there were direct links between increased R&D expenditure and innovativeness in terms of the introduction of new products and in higher levels of export intensity.
Furthermore, quality, specialization, speed of delivery and after sales services were regarded as much more important in terms of improved competitiveness by innovators in comparison to non-innovators who tended to concentrate on low-cost leadership strategies. Also, high innovators placed more emphasis on a wide range of network linkages to access services such as market research, advertising, legal, banking, insurance and technical support. However, Scozzi (2015) present the problems facing the SMEs in innovation processes and the possible support offered by business modeling techniques. Though methods and models alone do not assure the success in the innovation development process, they are enabling factors and can support the creation of strategies, reasoning, insights and communication.

2.5.3 Network and Cluster Strategy

The SMEs belong to clusters and networks are often more competitive and innovative than those operating in isolation (OECD 2010). Some clusters are structured and formal while others are informal. Some clusters are shared at general information, while others deal with more specific objectives. Networking allows the SMEs to combine the advantages of smaller scale and greater flexibility with economies of scale and scope in larger markets regionally, nationally and globally. A large number of firms result in greater competition for new ideas and facilitates (Porter 1990). Competitiveness of small firms is strongly influenced by the level of the inter-firms collaboration. The links take different shapes in which different firms join together to co-produce, co-market, cooperate in new product development, or share of information.

While networking is viewed as an important requirement in enterprises of all sizes, these learning opportunities are argued to be of particular importance to small firms in order to offset the vulnerability of size acting as the key determinant of organizational success. Pecas and Henriques (2006) argue that the collaboration between universities and the SME companies should be based on a small-projects base. These projects must be focused in localized and specific problematic areas in the industrial companies. Ramsden and Bennett (2005) provide a better understanding of the form of intangible benefits that businesses receive from advice.

2.5.4 Flexibility Strategy

The SMEs have the ability to change the direction quickly at low cost. Small businesses offer some of the best options for making meaningful productivity gained in the global
marketplace based on their flexibility and speed in adapting to market dynamism. According to Jones and Tilley (2013), organizational flexibility is the key source of competitive advantage for most SMEs. Rothwell (2009) believes that the innovative advantages of small firms are derived from their flexible managerial structures, which are more responsive to changes in the marketplace (Vossen, 2008). However, smaller firms have little commitment to the R&D and are information-constrained which make them highly dependent on external knowledge sources. Halberg (2010) has noted that the SMEs are often viewed as being more innovative than larger firms. The SMEs adopt high quality, flexibility, and responsiveness to customer needs as means of competing with large-scale mass producers. However, accounting for their relatively limited base of resources the contribution of innovations to productivity often takes time that is longer than in larger firms.

2.6 Chapter Summary
In Kenya, market failures have constrained SME sustainability, as in many developing countries, by limiting the necessary access to information, finance, labour skills, and business development services to increase competitiveness and productivity. Lack of information and negative past experience with transactions is a common factor that limits the willingness of potential suppliers to take risks to adapt products to. Embu Town has the capacity to grow SMEs. This is due to the positioning and population of the town. The literature review showed that various SMEs have adopted modern methods of doing business this include financing, entrepreneurial skills, marketing and adaption of the use of technologies. Since the influence of entrepreneurial factors on sustainability of small and medium enterprises in Embu Town has not been researched on, this was a good opportunity to document these factors, their availability and its importance on the sustainability of SMEs.
CHAPTER THREE

3.0 RESEARCH METHODOLOGY

3.1 Introduction

This chapter discusses the research design and methodology of the study; it highlights a full description of the research design, the research variables and provides a broad view of the description and selection of the population. The research instruments, data collection techniques and data analysis procedure have also been presented.

3.2 Research Design

The research design according to Mugenda and Mugenda (2003) provides answers for questions such as; what techniques will be used to gather data, what kind of sampling strategies and tools will be used and how will time and cost constraints be dealt with. In other words, it is an arrangement of conditions for collection and analysis of data in a way that combines their relationship with the purpose of the research. It is a means to achieve the research objectives through empirical evidence that is required economically. According to Mugenda and Mugenda (2009) descriptive research is used to obtain information concerning the current status of the phenomena to describe "what exists" with respect to variables or conditions in a situation.

This study employed a survey research design. The purpose of using a survey design was to provide quantitative or numeric description of trends, attitudes or opinions of SMEs population by studying a sample of SMEs population (Creswell, 2009). A survey design was therefore the preferred type of data collection procedure for the study because of the economy of the design and the rapid turnaround in data collection. It provided a wide and inclusive coverage of SMEs in Embu Town and the results were the representative of the wider SMEs population.

A survey design research can be subjected to further testing leading to confirmation or refutation of its findings. The survey is an effective tool to get opinions, attitudes and descriptions as well as for capturing cause-and-effect relationships, (Ghauri et al, 2010; 118). In this study, group-administered survey was conducted where the researcher distribute and collect the research questionnaires undertaken in Embu town from the respondents (Denscombe, 2010; 16).
The study employed questionnaires as the research tool because it is economical than other data generation methods (Oates, 2010; 229). A large amount of data can be generated for relatively low cost of materials and time. Questionnaires are easy for respondents to complete and easy for researcher to analyze. Descriptive statistics were used by use of pie charts, bar graphs, frequencies and percentages. Inferential statistics were used by applying spearman’s correlation of coefficient to ascertain the relationship between the variables.

3.3 Population and Sampling Design

3.3.1 Population

Target population is that population to which a researcher wants to generalize the results of a study (Mugenda and Mugenda, 2003). The target population in a research study comprised all those potential participants that could make up a study.

Table 3.1 Target Population

<table>
<thead>
<tr>
<th>SME List</th>
<th>Target</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Trade</td>
<td>389</td>
<td>54</td>
</tr>
<tr>
<td>Storage, Transport, Communications</td>
<td>152</td>
<td>21</td>
</tr>
<tr>
<td>Agriculture, Forestry, Natural Extracts</td>
<td>34</td>
<td>5</td>
</tr>
<tr>
<td>Accommodation &amp; Catering</td>
<td>26</td>
<td>4</td>
</tr>
<tr>
<td>Professional &amp; Technical</td>
<td>29</td>
<td>4</td>
</tr>
<tr>
<td>Private Education, Health, Entertainment</td>
<td>39</td>
<td>5</td>
</tr>
<tr>
<td>Plants, Factories, Workshops, Contractors</td>
<td>51</td>
<td>7</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>720</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

Source: Embu County Council (2015)

The study population were the SMEs located within Embu town in Embu County. The said target population was critical to this study because it gave first-hand information to the researcher.

3.3.2 Sampling Design

3.3.2.1 Sampling Frame

The sampling frame describes the list of all population units from which the sample was selected (Cooper & Schindler, 2008). It is a physical representation of the target population and comprises all the units that are potential members of a sample (Kothari, 2004). The sample frame in this study constituted of 72 respondents who were either the
business managers or owners. The respondents were picked from the different business categories as indicated in table 3.1.

3.3.2.2 Sampling Technique

The sampling techniques describe the sampling process in selecting the sample size for the study. The sampling techniques describe the methods in which the sample was selected (Cooper & Schindler, 2003). The study made use multi-stage sampling techniques to come up with a sample.

Stage One: Selection of the SMES, stratified random sampling method was used to select the different types of SMEs operating in the town. Stratified random sampling is a combination of stratified sampling, random sampling and quota sampling technique (Leedy & Ormrod, 2001). An advantage of stratified random sampling method is that it does increase the likelihood of representativeness of the sample, and it further ensures that the major population individuals are included (Fraenkel & Wallen, 2009). The strata were based on the type of SMEs in terms of which services or goods the SMEs deals with. Then, random sampling was employed to select the sample of SMEs from the strata.

Stage Two: Selection of business owners and employees, Random sampling method was used to select the respondents. From each SME, respondents were randomly sampled from the list provided by Embu Town County Council. Random sampling was used because this technique increases the likelihood of all the SMEs sampled to be involved in the study.

3.3.2.3 Sample Size

A sample of respondents was drawn from all the SMEs operating in Embu town. For the purposes of the research stratified random sampling was used to select the target group. Stratified random sampling was employed in selecting respondents. The population was segregated into several mutually exclusive sub-populations or strata herein referred to as business categories as shown in Table 3.2.

The research applied 10% sampling across the strata. According to Mugenda and Mugenda (2003) a good sample should be the one of 10% to 30% of the entire population. The actual businesses sampled were arrived at by using simple random procedures to draw the sample from each stratum. A total of 72 questionnaires were given...
to business managers and owners which represent 10% of the population planned. In order to achieve the intended 72 interviews, 100 contacts were made.

Table 3.2 Sampling Frame

<table>
<thead>
<tr>
<th>SMEs in Embu Town</th>
<th>Target</th>
<th>Sample (%)</th>
<th>Sample(count)</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Trade</td>
<td>389</td>
<td>10</td>
<td>39</td>
</tr>
<tr>
<td>Storage, Transport, Communications</td>
<td>152</td>
<td>10</td>
<td>15</td>
</tr>
<tr>
<td>Agriculture, Forestry, Natural Extracts</td>
<td>34</td>
<td>10</td>
<td>3</td>
</tr>
<tr>
<td>Accommodation &amp; Catering</td>
<td>26</td>
<td>10</td>
<td>3</td>
</tr>
<tr>
<td>Professional &amp; Technical</td>
<td>29</td>
<td>10</td>
<td>3</td>
</tr>
<tr>
<td>Private Education, Health, Entertainment</td>
<td>39</td>
<td>10</td>
<td>4</td>
</tr>
<tr>
<td>Plants, Factories, Workshops, Contractors</td>
<td>51</td>
<td>10</td>
<td>5</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>720</strong></td>
<td><strong>10</strong></td>
<td><strong>72</strong></td>
</tr>
</tbody>
</table>

Source: Embu County Council (2015)

3.4 Data Collection Method

This study utilized a questionnaire to collect primary data as used in various previous research projects (Lumpkin, 2001). The questionnaire designed in this study comprised of two sections. The first part included the demographic and operational characteristics designed to determine fundamental issues including the demographic characteristics of the respondent. The second part was devoted to the identification of the entrepreneurial factors on sustainability of small and medium enterprises where the four variables of the study were put into focus. The questionnaire was designed to include both structured and unstructured questions. The structured questions were used in an effort to conserve time and money as well as to facilitate an easier analysis as they were in immediate usable form.

A 5 point Likert-type response scale ranging from 5 strongly agree to 1 strongly disagree were used to determine SMEs sustainability. The questionnaires were hand delivered and administered at the respondents’ place of business to ensure objective response and reduce non-response rate. A cover letter from USIU was taken along to enable the administering of the questionnaire. The respondents were assured of confidentiality of their names and responses and that the responses would not be handled by any other person but rather to be used purely for academic purposes. Each questionnaire was coded and only the researcher had the knowledge on which person responded.
3.5 Research Procedure
The researcher first trained research assistants before the actual data collection. The procedures involved were as follows: Two research assistants recruited and trained to assist in data collection process. Research assistants involved were individuals with research skills and good communication skills in both English and Kiswahili languages. The training involved the principal researcher stating the purpose of study, reading through and providing clarifications of the questionnaire items before distribution of the instrument. After training, the research assistants practically he was involved in administering the questionnaires during the study.

After obtaining permission from the university and the County Government, the researchers distributed the questionnaires to the respondents in the targeted SMEs. After several days the principal researcher and research assistants collected the returned questionnaires. The researchers kept contacting the SMEs owners and asking whether there are any additional questionnaires. Generally, the process took six weeks from start to finish.

3.6 Data Analysis Methods
Data was analyzed quantitatively and qualitatively. Quantitative data was analyzed by frequency tables and percentages. Frequency tables represent the most commonly used method in presenting data in descriptive research. The analysis of the structured items was done by using the Statistical Package for Social Sciences (SPSS). Unstructured items were analyzed manually along major concepts and themes, and the results presented using descriptive statistics. Regression analysis and the bivariate correlation analysis were performed to determine the relationship between entrepreneurial factors with sustainability of SMEs in Embu town.

Inferential statistics were used to develop a straight line predictor model. The variables in the study were classified into dependent and independent variables. The relationship between the variables was stated using a mathematical function.

\[ Y = f(X_1, X_2, X_3, X_4) \]

Where \( Y \) is the dependent variable and \( X_1, X_2, X_3 \) and \( X_4 \) are the independent variables. SMEs sustainability was represented by \( Y \). Therefore, an analytical model of a linear multiple regression equation of the form shown below was developed.
Where:

\[ Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + e_1 \]

\( Y = \) SMEs Sustainability

\( \alpha = \) Autonomous factors

\( X_1 = \) Strategic Positioning

\( X_2 = \) Entrepreneurial Managerial Competence

\( X_3 = \) Financial Resources Access

\( X_4 = \) Competitive Scope

\( \beta_1 = \) Coefficient for Strategic Positioning

\( \beta_2 = \) Coefficient for Entrepreneurial Managerial Competence

\( \beta_3 = \) Coefficient for Financial Resources Access

\( \beta_4 = \) Coefficient for Competitive Scope

\( e = \) Error term - Captures all relevant variables not included in the model because they are not observed in the data set

This regression relationship shows the extent to which each independent variable influence the dependent variable. This was shown by the coefficient of the independent variable in each case. Conclusions were drawn from the analyzed data, leading to recommendations and suggestions for further studies.

3.7 Chapter Summary

This chapter involved the introduction, research design, population and sampling design, data collection methods, research procedures and data analysis methods. The next chapter involved data analysis and the presentation of the findings.
CHAPTER FOUR

4.0 DATA ANALYSIS AND INTERPRETATION

4.1 Introduction

This chapter analyses, interprets and presents the study findings as per the aim of this study, which was to assess the influence of entrepreneurial factors on sustainability of small and medium enterprises in Embu Town. The study also sought to; determine the influence of strategic positioning, analyze the influence of entrepreneurial managerial competence, assess the influence of financial resources access and to analyze the influence of competitive scope on sustainability of small and medium enterprises.

4.2 Response Rate

The study had a sample size of 72 respondents. A total of 72 questionnaires were given to business managers and owners. Out of the 72 respondents approached 63 responses were obtained giving a response rate of 87.5 %. The study did not achieve a 100% response rate as some of the questionnaires were half way filled by the respondents and hence could not be used in the study.

Table 4.1: Response Rate

<table>
<thead>
<tr>
<th>Response Rate</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Questionnaires Returned</td>
<td>63</td>
<td>87.5</td>
</tr>
<tr>
<td>Questionnaires Not Returned</td>
<td>9</td>
<td>12.5</td>
</tr>
<tr>
<td>Total</td>
<td>72</td>
<td>100</td>
</tr>
</tbody>
</table>

4.3 Background Information

The respondents were asked to indicate their gender. The results are shown in figure 4.1. From the findings, 60.3% of the respondents indicated that they were male while 39.7% indicated that they were female. This shows that most of the respondents in this study were male although the difference was not very large thus both genders were represented in the study.
4.3.1 Age of the Respondent

The respondents were also asked to indicate their ages. The results are shown in figure 4.2. From the findings, 39.7% of the respondents indicated that they were aged between 30 and 39 years, 28.6% indicated that they were aged between 21 and 29 years, 14.3% of the respondents indicated that they were aged between 40 and 49 years, 11% of the respondents indicated that they aged below 20 years, whereas 6.3% of the respondents indicated that they were aged 50 years and above. This is an indicator that the study included all respondents despite their age categories.
4.3.2 Highest Level of Education
The respondents were requested to indicate their education level. The results are shown in figure 4.3. From the findings, 46% of the respondents indicated that they had bachelors and also in the same response, 46% of the respondents indicated that they had a certificate or a diploma whereas 8% of the respondents indicated that they had a master degree. This indicates that most of the respondents in the study were having a degree, diploma or certificate as the highest level of education. The study also indicated that some of the respondents involved in the study had reached at their O levels.

![Highest level of Education](image)

**Figure 4.3: Highest Level of Education**

4.3.3 Period of Service
The respondents were asked to indicate for how long they had been operating. The responses were presented in the figure 4.4. From the findings the study found out that 38.1% of the respondents indicated that they had been operating 4 to 7 years and also concurrently 38.1% of the respondents indicated that they had been operating for a period of 8 to 10 years. 19% of the respondents indicated that they had been operating for a period of less than 3 years whereas 4.8% of the respondents indicated that they had been operation for a period of 11 years and above. Thus this indicates that most of the respondents involved in this study had been operation for a period of 4 years and above.
Figure 4.4: Period of Service

4.3.4 Employees Number in Enterprise

The researcher requested the respondents to indicate the number of employees that are in their enterprises. The study findings were represented in the figure 4.5. From the findings the study found out that 38.1% of the respondents indicated that number of employees that were in their enterprises was in a range of 21 to 30 employees, 31.7% of the respondents indicated that the number was 11 to 20 employees, 14.3% of the respondents indicated that the number was 31-40 employees, 9.5% of the respondents indicated that the number was 1 to 10 employees whereas 6.3% of the respondents indicated that the number was 50 and above. Thus the study indicates that most employees in an enterprise number is from 21 to 30 employees.

Figure 4.5: The number of Employees in an Enterprise.
4.4 Strategic Positioning on Sustainability of SMEs.

The respondents were requested to indicate their level of agreement on statements relating to the effects of strategic positioning on sustainability of SMEs. The study findings were presented in the table below. A scale whereby 1= Strongly Disagree, 2= Disagree, 3= Neutral, 4= Agree and 5= Strongly Agree was used. From the study findings the study indicated that majority of the respondents agreed that; respondent’s organization have developed a strategy to encounter business rivals and enables their firm fulfill its business activities as was indicated by a mean of 3.8095, also respondents agreed that their organizations have a clear understanding of customer needs and right communication channels have been established as was indicated by a mean of 3.6190. In addition, the study found out that respondents also agreed that strategic positioning has given respondents firm continuous competition edges and extra benefits and returns of enterprises as was indicated by a mean of 3.5397.

Further the study found out that respondents were neutral that; strategic positioning has helped the respondents organization to integrate and enhance efficient during business operation as was indicated by a mean of 3.4921, respondents also indicated that strategic positioning had helped their firm in grasping market opportunities more effectively this was indicated by a mean of 3.2381. In addition, the study found out that the respondents have positioned themselves strategically to help their firm in offerings different products and services from what their competitors were offering this was illustrated by a mean of 3.1587 also the study found out that respondents were of neutral opinion as they indicated that their firm has established a unique operation status in dealing with varieties of business activity this was indicated by a mean of 3.0476.

This study finding goes hand in hand with those of Johansen and Riis (2012) who presented the strategic positioning of a company by proposing a framework which comprises three inter-related levels, considering a position of a company in supply chain together with the role of production. Also the study findings go hand in hand with those of Bigne, Vila-Lopez, and Kuster-Boluda, (2010) and Burke, (2011). They stated that a business needs to be knowledgeable of the competitor: what they do, who they are and what makes the business’s brand better than that of the competitor because implementing this positioning strategy gives reason to the consumer for purchasing one brand over the competitor’s brand.
Table 4.2: Strategic Positioning On Sustainability of SMEs.

<table>
<thead>
<tr>
<th>Statements</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Our firm has established a unique operation status in dealing with varieties of business activity</td>
<td>3.0476</td>
<td>1.26272</td>
</tr>
<tr>
<td>We have developed a strategy to encounter business rivals and enables our firm fulfill its business activities</td>
<td>3.8095</td>
<td>.94795</td>
</tr>
<tr>
<td>We have positioned our self strategically to help our firm in offerings different products and services from what our competitors are offering</td>
<td>3.1587</td>
<td>1.19416</td>
</tr>
<tr>
<td>Strategic positioning has given our firm continuous competition edges and extra benefits and returns of enterprises</td>
<td>3.5397</td>
<td>1.08992</td>
</tr>
<tr>
<td>Strategic positioning has helped our firm in grasping market opportunities more effectively</td>
<td>3.2381</td>
<td>1.17383</td>
</tr>
<tr>
<td>Strategic positioning has helped us to integrate and enhance efficient during business operation</td>
<td>3.4921</td>
<td>1.10531</td>
</tr>
<tr>
<td>We have a clear understanding of customer needs and right communication channels have been established</td>
<td>3.6190</td>
<td>1.30048</td>
</tr>
</tbody>
</table>

4.5 Entrepreneurial Managerial Competence on Sustainability

The researcher requested the respondents to indicate their level of agreement according to the listed statements relating to the role of entrepreneurial managerial competence on sustainability of SMEs. The study findings were represented in the table below. A scale where 1= Strongly Disagree, 2= Disagree, 3= Neutral, 4= Agree and 5= Strongly Agree was used. From the study findings the study found out that majority of the respondents agreed that; lack of marketing capacity and knowledge on how marketing structure operates have hindered the sustainability of SMEs this was indicated by a mean of 3.7619, also respondents indicated agreed that their managers show great competence and performs multiple roles effectively as was indicated by a mean of 3.6349.

Further the study indicated by a mean of 3.6190 respondents agreed that their firm’s sustainability relies on our manager’s ability to lead and help team towards a completing common goal. Also the study found out that respondents were neutral that; lack of management backing is the main inhibiting factor in sustainability of SMEs this was shown by a mean of 3.4921, respondents competent managers have kept their firms operations on the right track as was shown by a mean of 3.3016 and also that respondents firms management is commitment to the strategic direction which is critical for sustainability as was indicated by a mean of 3.1746.
The study findings concur with those of Ramsden and Bennett (2015). They indicated that the success of a small firm depends mainly on the networks of business. The effective usage of contacts and networks is also important for both inside and outside of the firm. Also the findings agrees with those of McClelland (2007) who argued that to be able to keep an efficient firm operating, monitoring should be a required competencies in managing various functional areas.

Table 4.3: Entrepreneurial Managerial Competence on Sustainability

<table>
<thead>
<tr>
<th>Statement</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Our firms Management is commitment to the strategic direction which is critical for sustainability</td>
<td>3.1746</td>
<td>1.33851</td>
</tr>
<tr>
<td>Our managers show great competence and performs multiple roles effectively</td>
<td>3.6349</td>
<td>1.12596</td>
</tr>
<tr>
<td>Our competent managers have kept our firm’s operations on the right track</td>
<td>3.3016</td>
<td>1.23960</td>
</tr>
<tr>
<td>Our firm’s sustainability relies on our manager’s ability to lead and help team towards a completing common goal</td>
<td>3.6190</td>
<td>1.26272</td>
</tr>
<tr>
<td>Lack of management backing is the main inhibiting factor in sustainability of SMEs</td>
<td>3.4921</td>
<td>1.18965</td>
</tr>
<tr>
<td>Lack of marketing capacity and knowledge on how marketing structure operates have hindered the sustainability of SMEs</td>
<td>3.7619</td>
<td>1.39947</td>
</tr>
</tbody>
</table>

4.6 Financial Resources Access on Sustainability of SMEs

The researcher requested the respondents to indicate their level of agreement with the listed statements relating to the role of financial resources on sustainability of SMEs. The study findings were presented in the table below. A scale where 1= Strongly Disagree, 2= Disagree, 3= Neutral, 4= Agree and 5= Strongly Agree was used. From the study findings the study found out that majority of the respondents agreed that; market fluctuations trickle down the normal operation of SMEs and future sustainability this was indicated by a mean of 3.6984, respondents also agreed that SMEs must have financial systems that facilitates development of marketable products this was indicated by a mean of 3.6032, unpredictable changes in economic/market trends have an adverse effects on both SMEs operations and future sustainability this was indicated by a mean 3.5873.
Further the study indicated that respondents were neutral that; SMEs should have reliable sources of funding as was indicated by a mean of 3.4762, the finance function plays a critical role in formulating and implementing a sustainability strategy of SMEs as was indicated by a mean of 3.1774 also the study indicated that respondents were also neutral that for SMEs to be sustainable, they must have financial systems that facilitates accountability and cash flow projections as was shown by a mean of 2.8413.

The study findings concur with those of Aikaeli (2007) who stated that SMEs find themselves in a vicious cycle of providing what is already in the market and not able to grow and expand to realize their full potential as they lack both funding and business support services to venture into unexplored business ideas. The findings also concur with those of Kiraka (2013) who argued that the sources of finance and other forms of support are needed not only for existing SMEs but also for those budding entrepreneurs who will build the SMEs of today and develop them into the largest businesses of tomorrow. These budding entrepreneurs will succeed, not by replicating the business models of the past, but by innovating new ways, products and services to reach an increasingly demanding market

**Table 4.4: Financial Resources Access on Sustainability of SMEs**

<table>
<thead>
<tr>
<th>Statement</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>For SMEs to be Sustainable, they must have financial systems that</td>
<td>2.8413</td>
<td>1.32234</td>
</tr>
<tr>
<td>facilitates accountability and cash flow projections</td>
<td></td>
<td></td>
</tr>
<tr>
<td>SMEs must have financial systems that facilitates development of</td>
<td>3.6032</td>
<td>1.00867</td>
</tr>
<tr>
<td>marketable products</td>
<td></td>
<td></td>
</tr>
<tr>
<td>SMEs should have reliable sources of funding.</td>
<td>3.4762</td>
<td>1.29337</td>
</tr>
<tr>
<td>Unpredictable changes in economic/market trends have an adverse effects</td>
<td>3.5873</td>
<td>1.31535</td>
</tr>
<tr>
<td>on both SMEs operations and future sustainability</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Market fluctuations trickle down the normal operation of SMEs and</td>
<td>3.6984</td>
<td>1.15891</td>
</tr>
<tr>
<td>future sustainability</td>
<td></td>
<td></td>
</tr>
<tr>
<td>The finance function plays a critical role in formulating and implementing a sustainability strategy of SMEs</td>
<td>3.1774</td>
<td>1.10919</td>
</tr>
</tbody>
</table>

**4.7 Competitive Scope on Sustainability of SMEs**

The respondents were requested to indicate their level of agreement regarding the listed statements relating to the effect of competitive scope on sustainability of SMEs. The findings were presented on the table below. A scale where 1= Strongly Disagree, 2= 
Disagree, 3= Neutral, 4= Agree and 5= Strongly Agree was used. From the findings the study found out that majority of the respondents agreed that; their firm seeks to build customer loyalty by positioning its goods and services in a unique or different fashion this was indicated by a mean of 3.5323, in order to survive in today's competitive business environment, SME must find and use creative techniques as a source of competitive advantage this was indicated by a mean of 3.5161.

Further the study indicated that the respondents were neutral that; market product differentiation has helped the respondents firm to survive in today's competitive business environment and also that in order to ensure SME success and sustainability, the SMEs have developed a unique competitive advantage that creates value for customers and is difficult for competitors to duplicate this was shown by a mean of 3.3871 in each case. In addition the study found out that the respondents indicated that in order to ensure that their firm is successful and sustainable, they strive to be the low-cost producer relative to their competitors this was indicated by a mean of 3.2903 and that the respondents firms keep selecting one or more market segments, identifying new customer’s special needs, wants, and interests this was shown by a mean of 3.2097. The findings goes along with those of Rothwell (2009) he asserted that the innovative advantages of small firms are derived from their flexible managerial structures, which are more responsive to changes in the marketplace.

Table 4.5: Competitive Scope on Sustainability of SMEs

<table>
<thead>
<tr>
<th>Statement</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>To ensure that our firm is successful and sustainable, we strive to be the low-cost producer relative to our competitors</td>
<td>3.2903</td>
<td>1.09225</td>
</tr>
<tr>
<td>Our firm seeks to build customer loyalty by positioning its goods and services in a unique or different fashion.</td>
<td>3.5323</td>
<td>1.35160</td>
</tr>
<tr>
<td>We keep selecting one or more market segments, identifying new customer’s special needs, wants, and interests.</td>
<td>3.2097</td>
<td>1.22992</td>
</tr>
<tr>
<td>In order to survive in today's competitive business environment, SME must find and use creative techniques as a source of competitive advantage</td>
<td>3.5161</td>
<td>1.31501</td>
</tr>
<tr>
<td>Market product differentiation has helped our firm to survive in today's competitive business environment</td>
<td>3.3871</td>
<td>1.17842</td>
</tr>
<tr>
<td>To ensure SME success and sustainability, the SMEs have developed a unique competitive advantage that creates value for customers and is difficult for competitors to duplicate</td>
<td>3.3871</td>
<td>1.23281</td>
</tr>
</tbody>
</table>
4.8 Sustainability of SMEs

Respondents were requested to indicate their level of agreement on the statements relating to sustainability of SMEs. A scale where 1= Strongly Disagree, 2= Disagree, 3= Neutral, 4= Agree and 5= Strongly Agree was used. The research findings were presented in the table 4.6. From the findings the study found out that majority of the respondents agreed that; in order to ensure respondents firms sustainability, the firms always target a market niche and avoid direct competition with larger companies this was indicated by a mean of 3.7097, sustainable business should have resilient business model and is therefore able to generate reliable cash flow this was indicated by a mean of 3.6290. Further the study research indicated that the respondents were in a neutral opinion that; in order to ensure firms sustainability, the management always show willingness to create change and experiment with new business models as was indicated by a mean of 3.2581 and also that sustainability of SMEs requires development of clear metrics, periodic review of established metrics in view of maintaining realistic, attainable targets this was indicated by a mean of 3.2097.

The findings concur with those of Abratt, & Kleyn (2012) who asserted that in order to achieve a well-positioned organization, businesses need to ensure that the core values of a business are communicated both internally and externally. Through positioning by corporate identity, an organization is able to communicate the essence of a brand to which both internal stakeholders and the target market can relate.

Table 4.6: Sustainability of SMEs

<table>
<thead>
<tr>
<th>Statements</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sustainability of SMEs requires development of clear metrics, periodic review of established metrics in view of maintaining realistic, attainable targets.</td>
<td>3.2097</td>
<td>1.29485</td>
</tr>
<tr>
<td>Sustainable business should have resilient business model and is therefore able to generate reliable cash flow.</td>
<td>3.6290</td>
<td>.99563</td>
</tr>
<tr>
<td>To ensure our firms sustainability, the management always show willingness to create change and experiment with new business models</td>
<td>3.2581</td>
<td>1.22723</td>
</tr>
<tr>
<td>To ensure our sustainability we always target a market niche and avoid direct competition with larger companies</td>
<td>3.7097</td>
<td>1.03047</td>
</tr>
</tbody>
</table>
4.9 Correlation
After the descriptive analysis, the study conducted Pearson correlation analysis to indicate a linear association between the predicted and explanatory variables or among the latter. It, thus, help in determining the strengths of association in the model. On the correlation of the study variable, the researcher conducted a Pearson moment correlation. From the finding in the table 4.9, the study found a strong positive correlation between strategic positioning and SMEs Sustainability as shown by correlation factor of 0.774, this strong positive relationship was found to be statistically significant as the significant value was 0.000 which is less than 0.05. The study also found strong positive correlation between managerial competence and SMEs Sustainability shown by correlation coefficient of 0.791; this too was also found to be statistically significant at 0.000 confidence levels.

The study further found a strong positive correlation between financial resources and SMEs Sustainability as shown by correlation coefficient of 0.808; this too was also found to be statistically significant at 0.000 confidence level. Finally, the study also found a strong positive correlation between competitive scope and SMEs sustainability as shown by correlation coefficient of 743 at 0.000 level of confidence. The findings concur with Franks and Sharma and Dayaratna (2004), who found a strong positive correlation between SMEs Sustainability and availability of Financial Resources. The findings further agree with Douglas Huber, et al (2008), who found out that strong positive correlation between managerial competence and SMEs Sustainability
Table 4.7 Correlation

<table>
<thead>
<tr>
<th></th>
<th>SMEs Sustainability</th>
<th>Strategic Positioning</th>
<th>Managerial Competence</th>
<th>Financial Resources</th>
<th>Competitive Scope</th>
</tr>
</thead>
<tbody>
<tr>
<td>SMEs Sustainability</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Correlation Pearson</td>
<td>1</td>
<td>.774**</td>
<td>.791**</td>
<td>.808**</td>
<td>.743**</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>.000</td>
<td>.000</td>
<td>.000</td>
<td>.000</td>
<td>.000</td>
</tr>
<tr>
<td>N</td>
<td>63</td>
<td>63</td>
<td>62</td>
<td>62</td>
<td>62</td>
</tr>
<tr>
<td>Strategic positioning</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Correlation Pearson</td>
<td>.774**</td>
<td>1</td>
<td>.686**</td>
<td>.725**</td>
<td>.743**</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>.000</td>
<td>.000</td>
<td>.000</td>
<td>.000</td>
<td>.000</td>
</tr>
<tr>
<td>N</td>
<td>63</td>
<td>63</td>
<td>62</td>
<td>62</td>
<td>62</td>
</tr>
<tr>
<td>Managerial competence</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Correlation Pearson</td>
<td>.791**</td>
<td>.686**</td>
<td>1</td>
<td>.832**</td>
<td>.712**</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>.000</td>
<td>.000</td>
<td>.000</td>
<td>.000</td>
<td>.000</td>
</tr>
<tr>
<td>N</td>
<td>62</td>
<td>62</td>
<td>62</td>
<td>62</td>
<td>62</td>
</tr>
<tr>
<td>Financial resources</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Correlation Pearson</td>
<td>.808**</td>
<td>.725**</td>
<td>.832**</td>
<td>1</td>
<td>.685**</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>.000</td>
<td>.000</td>
<td>.000</td>
<td>.000</td>
<td>.000</td>
</tr>
<tr>
<td>N</td>
<td>62</td>
<td>62</td>
<td>62</td>
<td>62</td>
<td>62</td>
</tr>
<tr>
<td>Competitive scope</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Correlation Pearson</td>
<td>.743**</td>
<td>.743**</td>
<td>.712**</td>
<td>.685**</td>
<td>1</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>.000</td>
<td>.000</td>
<td>.000</td>
<td>.000</td>
<td>.000</td>
</tr>
<tr>
<td>N</td>
<td>62</td>
<td>62</td>
<td>62</td>
<td>62</td>
<td>62</td>
</tr>
</tbody>
</table>

4.10 Regression Analysis

In this study, a multiple regression analysis was conducted to test the influence among predictor variables. The research used statistical package for social sciences (SPSS V 22.0) to code, enter and compute the measurements of the multiple regressions.

4.10.1 Model Summary

The model summary is presented in the table 4.8. Adjusted R squared is coefficient of determination which tells us the variation in the dependent variable due to changes in the independent variable. From the findings in the above table the value of adjusted R squared was 0.620 an indication that there was variation of 62 percent on SMEs Sustainability due to strategic positioning, entrepreneurial managerial competence, financial resources and competitive scope at 95 percent confidence interval. This shows that 62 percent changes in SMEs Sustainability could be accounted to strategic positioning, entrepreneurial managerial competence, financial resources and competitive
scope. R is the correlation coefficient which shows the relationship between the study variables, from the findings shown in the table above is notable that there exists strong positive relationship between the study variables as shown by 0.803.

Table 4.8 Model Summary

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.803</td>
<td>.645</td>
<td>.620</td>
<td>1.75694</td>
</tr>
</tbody>
</table>

4.10.2 Analysis of variance
The study further tested the significance of the model by use of ANOVA technique. The findings are tabulated in table 4.9. From the ANOVA statics, the study established the regression model had a significance level of 0.1% which is an indication that the data was ideal for making a conclusion on the population parameters as the value of significance (p-value) was less than 5%. The calculated value was greater than the critical value (4.759>1.966) an indication that strategic positioning, entrepreneurial managerial competence, financial resources and competitive scope all affects SMEs sustainability. The significance value was less than 0.05 indicating that the model was significant.

Table 4.9 Summary of One-Way ANOVA results

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regression</td>
<td>39.728</td>
<td>4</td>
<td>9.932</td>
<td>4.759</td>
<td>.000</td>
</tr>
<tr>
<td>Residual</td>
<td>139.829</td>
<td>67</td>
<td>2.087</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>179.557</td>
<td>71</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

4.10.3 Coefficients
In addition, the study used the coefficient table to determine the study model. The findings are presented in the table 4.10. From the data in the above table the established regression equation was

\[ Y = 1.527 + 0.274X_1 + 0.396X_2 + 0.481X_3 + 0.242X_4 \]

From the above regression equation it was revealed that holding strategic positioning, entrepreneurial managerial competence, financial resources and competitive scope to a constant zero, the sustainability of small and medium enterprises would be at 1.527, a
unit increase in strategic positioning would lead to an increase in sustainability of small and medium enterprises by a factors of 0.274, a unit increase in entrepreneurial managerial competence would lead to an increase in sustainability of small and medium enterprises by factors of 0.396, a unit increase in financial resources would enhance the sustainability of small and medium enterprises by a factor of 0.481, and a unit increase in competitive scope would lead to an increase in sustainability of small and medium enterprises by a factors of 0.242 and all the variables were significant as their significant value was less than (p<0.05).

Table 4.10: Coefficients

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
</tr>
<tr>
<td>1 (Constant)</td>
<td>1.527</td>
<td>1.243</td>
</tr>
<tr>
<td>Strategic Positioning</td>
<td>.274</td>
<td>.072</td>
</tr>
<tr>
<td>Managerial Competence</td>
<td>.396</td>
<td>.091</td>
</tr>
<tr>
<td>Financial Resources</td>
<td>.481</td>
<td>.103</td>
</tr>
<tr>
<td>Competitive Scope</td>
<td>.242</td>
<td>.057</td>
</tr>
</tbody>
</table>

4.11 Chapter Summary

Chapter four has mainly described the research findings on influence of entrepreneurial factors on sustainability of small and medium enterprises in Embu Town. The study has established that strategic positioning influence sustainability of small and medium enterprises to a greater extent. The study further established that entrepreneurial managerial competence influence sustainability of small and medium enterprises to a greater extent. Further it has been established that financial resources influence sustainability of small and medium enterprises to a great extent. The study findings further revealed that strategic positioning, entrepreneurial managerial competence, financial resources and competitive scope were all significant factors and positively influenced sustainability of small and medium enterprises. The next chapter will be the discussion, conclusion and recommendations.
CHAPTER FIVE

5.0 DISCUSSIONS, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter presents a summary of the findings, conclusions and recommendations for practice and further research on the problem. The main objective of this study was to assess the influence of entrepreneurial factors on sustainability of small and medium enterprises in Embu Town. The study also sought to; determine the influence of strategic positioning, analyze the influence of entrepreneurial managerial competence, assess the influence of financial resources access and to analyze the influence of competitive scope on sustainability of small and medium enterprises.

5.2 Summary

Small and Micro Enterprises (SMEs) play an important economic role world over. Their contribution to economic development, income generation and poverty alleviation is widely recognized. Kenyan SMEs significantly contribute to the economy, yet there is little or no empirical evidence available on the influence of entrepreneurship on sustainability of SMEs in Kenya. This study aimed at filling this gap. The general objective of this study was to assess the influence of entrepreneurial factors on sustainability of small and medium enterprises in Embu Town. The study was guided by four specific objectives which included; strategic positioning, entrepreneurial managerial competence, financial resources access and competitive scope.

This study employed a survey research design. The study population was 720 SMEs located within Embu town in Embu County. The said target population was critical to this study because gave first-hand information to the researcher. Stratified random sampling was employed to select a sample of 72 SMEs from the stratas.

With respect to entrepreneurial factors and SMEs growth; this study utilized a questionnaire to collect primary data. Data was analyzed quantitatively and qualitatively. Quantitative data was analyzed by frequency tables and percentages. The analysis of the structured items was done by using the Statistical Package for Social Sciences (SPSS). Unstructured items were analyzed manually along major concepts and themes, and the results were presented using descriptive statistics. Regression analysis and the bivariate correlation analysis was performed to determine the relationship between entrepreneurial
factors with sustainability of SMEs in Embu town. The relationship between the variables was stated using a mathematical function.

On strategic positioning, this study revealed that most SMEs have developed a strategy to encounter business rivals and enable their firm fulfill its business activities. It was further revealed that SMEs have a clear understanding of customer needs and right communication channels have been established. Strategic positioning gives a firm continuous competition edges and extra benefits and returns of enterprises.

On entrepreneurial managerial competence, study revealed that majority of the respondents agreed that; lack of marketing capacity and knowledge on how marketing structure operates have hindered the sustainability of Sesotho study further revealed that if managers show great competence and performs multiple roles the SMEs would function effectively.

On financial resource and access, the study revealed that majority of SMEs do not have reliable sources of funding. The finance function plays a critical role in formulating and implementing a sustainability strategy of SMEs also the study revealed that for SMEs to be sustainable, they must have a financial system that facilitates accountability and cash flow projections.

On the competitive scope, the study revealed that; firms should seek to build customer loyalty by positioning its goods and services in a unique or different fashion, in order to survive in today's competitive business environment, SME must find and use creative techniques as a source of competitive advantage.

5.3 Discussions

5.3.1 Strategic Positioning on SMEs Sustainability

This study revealed that most SMEs develop a strategy to encounter business rivals and enable their firm fulfill its business activities. It was further revealed that SMEs have a clear understanding of customer needs and right communication channels have been established. Strategic positioning gives a firm continuous competition edges and extra benefits and returns of enterprises. These findings concur with those of Cespedes (2013) who stated that by understanding core customers, small business owners will recognize key relationships in business growth and understand the effects of change. Good customer service remains an important concern for growth. Owners should be cognizant about
honoring commitments and providing every customer with the best service. In essence, the owner should think relationship. Customer satisfaction is extremely significant to small firms, especially during an economic turmoil (Thomason, 2013).

Insufficient products make business owners less able to provide good service to customers. The customer is paramount to a retail business. The participants recognized the importance of building relationships and improving communication with customers. Business owners should ensure customer satisfaction. To remain competitive, business owners should pay close attention to the service component in a business’s operations (Cook, 2015). The customer wants fair treatment, accuracy, and timeliness of product. Developing good customer relationships and sustaining that relationship are a significant challenge for business owners, but doing so produces substantial rewards. The participants in the study made a strong case for developing and maintaining good customer relationships. A good customer relationship is sustainable if it permeates the business. The business owner should not lose sight of reason why the business exists, to the customer. Simply stated, customers are at the core of retail business. Cook and Wolverton (2015) identified that serving and attracting customers as a strategic performance indicator. Overall, the goal of each small business owner should be to provide good customer service.

It was further revealed that many SMEs have not positioned themselves strategically to help their firm in offerings different products and services from what their competitors were offering. Kotey and Meredith (2011) pointed out that when firms are advertising more, identifying brand names for products, greater emphasizing customer service and credit, exploring marketing techniques, it leads to an increase in high performance. The activities of improving existing products to meet changing customer needs, developing new products and emphasizing product quality are associated with market share increases by attracting new customers and retaining existing ones (Robinson & Pearce, 2012). In contrast, low performing firms are likely to ignore these innovative and risk taking activities. High performing firms are implementing new production technologies, emphasizing cost effectiveness and concerned with employee productivity to compete with competitors within the industry more so than the low performing firms (Vickery, 2013).
5.3.2 Entrepreneurial Managerial Competence on Sustainability

On entrepreneurial managerial competence on sustainability of SMEs the study revealed that majority of the respondents agreed that; lack of marketing capacity and knowledge on how marketing structure operates have hindered the sustainability of SMEs, managers show great competence and performs multiple roles effectively. Further the study revealed that firms’ sustainability relies on the manager’s ability to lead and help team towards a completing common goal. Also the study revealed that majority of the respondents were neutral that; lack of management backing is the main inhibiting factor in sustainability of SMEs, competent managers have kept their firms operations on the right track and also that firms management is commitment to the strategic direction which is critical for sustainability.

The study also noted that entrepreneurial competencies play a key role in determining firm performance; competencies of entrepreneurs make a business more successful and may lead towards its sustainable competitive advantage as well. Entrepreneurial competencies are related with the performance of the firm and its competitiveness, entrepreneurs psychological and behavioural, demographic characteristics, managerial and technical skills are the most important determinants for the performance and success or failure of small and medium sized enterprises. The findings are in support of the research by (Bird, 2015) that Entrepreneurial competencies are possessed by individuals who are the entrepreneur’s means who start organizations and then add value through resource organization and opportunities. It is very essential to understand entrepreneurs in the context of emerging economies because the entrepreneurial competencies for business growth and survival in emerging economies are different from those of in developed economies.

The research revealed that Entrepreneur’s competencies are key a resource of the firms that are valuable as well. Human capital is an intangible asset of firms that enables them to be more successful. The valuable skills, knowledge and abilities of an entrepreneur may lead to sustainable competitive advantage of firm because entrepreneurial competencies are usually very rare and difficult for rivals to develop all essential competencies. Competent entrepreneurs may develop and lead successful strategies towards the success of businesses. For instance, the firm’s RBV theory relates its value creation process to the manager’s capability in finding or developing resources (Grant, 1991; Barney, 1991).
The research revealed that the competencies are essential to start a new venture but successful entrepreneurs are those who survive and grow their businesses through their competencies. The competencies are learnable; therefore it is crucial to recognize the importance of competencies. The findings are in support of Bird (1995) who referred entrepreneurial competencies to the underlying characteristics such as traits, self-images, specific knowledge, motives, social roles and skills that lead to venture birth, survival its growth and that there is a general consensus that the competencies of entrepreneurs are possessed by those individuals who start and further develop their businesses.

The study observed that the main aspect of competency literature is to search for all those individual characteristics that contribute towards the success of an organization. These characteristics of individuals can vary due to their different motives, traits, social roles and skills, the study recognized the difference between entrepreneurial competencies and managerial competencies, as different entrepreneurial competencies are needed to start a new venture than those who manage the growth of an existing business (Man et al., 2002; Chandler & Hanks, 1994; Chandler & Jansen, 1992).

5.3.3 Financial Resources Access on Sustainability

From the study findings the study revealed that on financial resources access on sustainability majority of the respondents agreed that; market fluctuations trickle down the normal operation of SMEs and future sustainability, SMEs must have financial systems that facilitates development of marketable products, unpredictable changes in economic/market trends have an adverse effects on both SMEs operations and future sustainability. The findings are in line with the research by Stevenson and St-Onge, (2015) that SMEs are starved for finance to support innovation even when they have sound business and expansion plans worthy of investment, as they are considered risky because their innovative business ideas have not been tried and tested

Further the study revealed that respondents were neutral that; SMEs should have reliable sources of funding, the finance function plays a critical role in formulating and implementing a sustainability strategy of SMEs also the study revealed that for SMEs to be sustainable, they must have a financial system that facilitates accountability and cash flow projections. The findings are in line with the research by Aikaeli, (2007) Inadequate understanding by banks of the nature and operations of SMEs hampers their ability to
assess business viability and financing needs of SMEs. Resultantly, banking institutions fail to offer appropriate banking products to suit SME needs.

The study revealed that SMEs require greater access to financial services and investment capital, SMEs fall in between and often struggle to obtain credit and loans, Many financial institutions in the developed and the developing world are reluctant to fund SMEs because of perceived risk and high transaction costs. The relatively large of SMEs and the small loan amounts required make SME financing cumbersome and expensive to administer, Many of SME enterprises are run by the owner or family-operated. As a result, they do not keep business and personal finance separate. Further, many SMEs do not have adequate skills to ensure compilation of financial records and accounts. SMEs do not have adequate skills to ensure compilation of financial records and accounts. The findings are in line with the research by Kiraka (2013) who argued that the sources of finance and other forms of support are needed not only for existing SMEs but also for those budding entrepreneurs who will build the SMEs of today and develop them into the largest businesses of tomorrow.

Further the study revealed that small enterprises face problems and difficulties to their development as a consequence of lack of access to finance. SMEs usually have difficulties to develop as a consequence of lack of collateral, high transaction costs and the inability to deal with complex financial institutions formalities. This is confirmed by the literature review that SMEs face difficulties in obtaining loans because they are seen as high-risk enterprises. SMEs in the developing world like Kenya are considered high-risk, as their managers are perceived as lacking managerial expertise, credit history, and/or tangible assets to secure loans. Thus loans to SMEs, when they are able to obtain them, tend to carry higher interest rates and shorter pay-back times. The findings are in line with the research by World Bank (2013). Financial support to SMEs has remained limited, due to a number of factors, hindering their ability to grow and contribute meaningfully to the economic recovery of the nation

5.3.4 Competitive Scope on Sustainability

The study research revealed that majority of the respondents agreed that; firms seeks to build customer loyalty by positioning its goods and services in a unique or different fashion, in order to survive in today's competitive business environment, SME must find and use creative techniques as a source of competitive advantage. The findings are in line
with the research by Adrien (2005) most markets are now open to free trade thereby increasing competition in each market making it almost impossible for SMEs from the less developed countries like Kenya to survive the stiff competition.

Further the study revealed that the respondents were neutral that; market product differentiation has helped the respondents firm to survive in today's competitive business environment and also that in order to ensure SME success and sustainability, the SMEs have developed a unique competitive advantage that creates value for customers and is difficult for competitors to duplicate. In addition the study also revealed that in order to ensure that the firm is successful and sustainable, SMEs strive to be the low-cost producer relative to their competitors and that the respondents firms keep selecting one or more market segments, identifying new customer’s special needs and wants. The findings are in line with the research by Wanjohi and Mugure (2008) also indicate that business environment is among the key factors that affect the growth and sustainability of SMEs.

Further the study revealed competitive scope can help small and medium-sized businesses. By adopting a transparent approach to business practice and reporting, SMEs can gain significant business advantage, both in terms of more effective internal processes and in terms of reputation, customer loyalty and business-building. SMEs that get ahead of the curve by demonstrating their commitment to sustainability stand to gain considerable competitive advantage the findings are in line with the research by Barney, (2012) that the ability of SMEs to create, access and commercialize new knowledge on global markets is fundamental to their sustained competitiveness.

The study revealed SMEs are usually not very competitive in terms of market knowledge, innovation, prudent investment, business operations and good management, which is important factors in improving the quality, competition represents a risk for survival for individual enterprises. Although competition represents high risk, it is the one who pushes SMEs towards higher productivity which actually results in their growth and development unfair competition as an obstacle to the development of SMEs in Kenya. Also, the attitude of consumers towards local products being associated with a lack of confidence in the quality of these products is a negative phenomenon in the development of these enterprises. The findings are in line with the research by Abor and Quartey (2010) making imported products to be much more desired which can be proven by the negative trade balance
The study revealed competitiveness is highly crucial for the survival of SMEs in Kenya, in an increasingly competition from bigger firms with plentiful resources, the survival and growth of the SMEs hinge on the formulation of effective competitive strategies. The findings are in line with the research by Kayanula and Quartey, (2000) for SMEs to fully develop and use this potential, they need to have a global look, develop strategies for success and improve ways of gathering information about the larger market to ensure their competitiveness. Appropriate strategies, such as developing networking relationships with other firms, must be carefully designed and implemented in order to take advantage of market opportunities and minimize the challenges from increasing competitive intensity.

5.4 Conclusion

5.4.1 Strategic Positioning on SMEs Sustainability

With regards to the influence of strategic positioning on sustainability of small and medium enterprises, the study revealed that strategic positioning gives the firm continuous competition edges and extra benefits and returns of enterprises while it is in operations. Thus the study concludes that strategic positioning has helped our firm in grasping market opportunities more effectively thus playing a vital role in sustaining the SMEs.

5.4.2 Entrepreneurial Managerial Competence on Sustainability

With regards to entrepreneurial managerial competence on sustainability of small and medium enterprises, the study revealed that lack of marketing capacity and knowledge on how marketing structure operates has hindered the sustainability of SMEs. Thus the study concludes that lack of management backing is the main inhibiting factor in sustainability of SMEs.

5.4.3 Financial Resources Access on Sustainability

On the influence of financial resources access on sustainability of small and medium enterprises, the study revealed that market fluctuations trickle down the normal operation of SMEs and future sustainability and also those unpredictable changes in economic/market trends have adverse effects on both SMEs operations and future sustainability. Therefore, the study concludes that the finance function plays a critical role in formulating and implementing a sustainability strategy of SMEs.
5.4.4 Competitive Scope on Sustainability

Regarding the influence of competitive scope on sustainability of small and medium enterprises, the study revealed that sustainable business have resilient business model and is therefore able to generate reliable cash flow. Thus the study concludes that sustainability of SMEs requires development of clear metrics, periodic review of established metrics in view of maintaining realistic, attainable targets.

5.5 Recommendations

5.5.1 Recommendations for Improvement

5.5.1.1 Strategic Positioning on SMEs Sustainability

Regarding the influence of strategic positioning on sustainability of small and medium enterprises, the study revealed that firms have positioned themselves strategically to help themselves in offerings different products and services from what the competitors are offering and also that firms have clear understanding of customer needs. Thus the study recommends that the firm’s management should establish a unique operation status in dealing with varieties of business activities and should also formulate strategies to encounter business rivals and enables the firm to fulfill its business activities.

5.5.1.2 Entrepreneurial Managerial Competence on Sustainability

With regards to entrepreneurial managerial competence on sustainability of small and medium enterprises, the study revealed that firms’ sustainability relies on the manager’s ability to lead and help the team towards a completing common goal. Thus the study recommends that the management of the firms should invest on extra competent managers as they will keep the firms operations on the right track and also that managers will show great competence and will performs multiple roles effectively.

5.5.1.3 Financial Resources Access on Sustainability

On the influence of financial resources access on sustainability of small and medium enterprises, the study revealed that for SMEs to be sustainable, they must have financial systems that facilitate accountability and cash flow projections. Thus the study research recommends that the firm’s management should ensure that the SMEs should have reliable sources of funding to always counter unfavorable situation that may arise due to financial reasons.

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5.5.1.4 Competitive Scope on Sustainability

On the influence of financial resources access on sustainability of small and medium enterprises, the study revealed that sustainable business should have resilient business model to be able to generate reliable cash flow. Thus the study recommends that firms management should develop viable business models for the firms so as it is more competitive and to also remain in operations.

5.5.2 Recommendations for Further Studies

This study was limited to investigate the influence of entrepreneurial factors on sustainability of small and medium enterprises in Embu Town. The research suggests that further studies should be conducted to investigate on the influence of advancement in technology on the development of small and medium enterprises in the other counties.
REFERENCES


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APPENDICES

Appendix I: Letter of Introduction

PATRICK MAGARA
United States International University
P.O. Box 14634 - 00800
Nairobi, Kenya

Dear Sir/Madam,

RE: REQUEST FOR PARTICIPATION IN A RESEARCH STUDY
I am a student undertaking my master’s degree; I am currently conducting a study on the influence of entrepreneurial factors on sustainability of small and medium enterprises in Embu Town. I would be grateful if you could spare some time from your busy schedule and complete the questionnaire. All the information provided will be used purely for academic purpose only and will be treated with utmost confidentiality. Thank you for your cooperation.

Yours sincerely,

Patrick Mbogo Magara
Appendix II: Questionnaire for Employees

Questionnaire for Managers and Business Owners

Section A: Background information

1. What is your gender?
   Male ( )
   Female ( )

2. Age of the respondent
   Below 20 years ( )
   21 – 29 years ( )
   30 – 39 years ( )
   40 – 49 years ( )
   50 years and above ( )

3. What is your highest level of education?
   Masters ( )
   Bachelors ( )
   Certificate/Diploma ( )
   Other ………………………………………………………………………………………………………

4. For how long have you been operating?
   Less than 3 years ( )
   4 to seven years ( )
   8 to 10 years ( )
   11 years and above ( )

5. How many employees are in your enterprise?
   1 - 10 employees ( )
   11 – 20 employees ( )
   21 – 30 employees ( )
   31 – 40 employees ( )
   50 and above ( )
Section B: Strategic Positioning On Sustainability

6. Kingly indicate your level of agreement with the following statements relating effect of strategic positioning on sustainability on sustainability of SMEs.

<table>
<thead>
<tr>
<th>Statement</th>
<th>Strongly Disagree</th>
<th>Disagree</th>
<th>Neutral</th>
<th>Agree</th>
<th>Strongly Agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>Our firm has established a unique operation status in dealing with</td>
<td>1</td>
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<tr>
<td>varieties of business activity</td>
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<tr>
<td>We have developed a strategy to encounter business rivals and enables our</td>
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<tr>
<td>firm fulfill its business activities</td>
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<td>We have positioned our self strategically to help our firm in</td>
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<tr>
<td>offerings different products and services from what our competitors are</td>
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<tr>
<td>offering</td>
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<tr>
<td>Strategic positioning has given our firm continuous competition edges and</td>
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<td>extra benefits and returns of enterprises</td>
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<tr>
<td>Strategic positioning has helped our firm in grasping market</td>
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<tr>
<td>opportunities more effectively</td>
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<tr>
<td>strategic positioning has helped us to integrate and</td>
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<td>enhance efficient during business operation</td>
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<td>We have a clear understanding of customer needs and right communication</td>
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<td>channels have been established</td>
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</tbody>
</table>

Section C: Entrepreneurial Managerial Competence on Sustainability

7. Kingly indicate your level of agreement with the following statements relating role of entrepreneurial managerial competence on sustainability of SMEs.

<table>
<thead>
<tr>
<th>Statement</th>
<th>Strongly Disagree</th>
<th>Disagree</th>
<th>Neutral</th>
<th>Agree</th>
<th>Strongly Agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>Our firms Management is commitment to the strategic direction which is</td>
<td>1</td>
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<tr>
<td>critical for sustainability</td>
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</tr>
<tr>
<td>Our managers show great competence and performs multiple roles effectively</td>
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</tr>
<tr>
<td>Our competent managers have kept our firms operations on the right track</td>
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</tr>
<tr>
<td>Our firms sustainability relies on our manager’s ability to lead and help</td>
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<td>team towards a completing common goal</td>
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<tr>
<td>Lack of management backing is the main inhibiting factor in sustainability</td>
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<tr>
<td>of SMEs</td>
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</tr>
<tr>
<td>Lack of marketing capacity and knowledge on how marketing structure</td>
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</tr>
<tr>
<td>operates have hindered the sustainability of SMEs</td>
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</tr>
</tbody>
</table>
Section D: Financial Resources Access on Sustainability

8. Kindly indicate your level of agreement with the following statements relating role of financial resources on sustainability of SMEs

<table>
<thead>
<tr>
<th>Statement</th>
<th>Strongly Disagree</th>
<th>Disagree</th>
<th>Neutral</th>
<th>Agree</th>
<th>Strongly Agree</th>
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</thead>
<tbody>
<tr>
<td>For SMEs to be Sustainable, they must have financial systems that facilitates accountability and cash flow projections</td>
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<tr>
<td>SMEs must have financial systems that facilitates development of marketable products</td>
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<tr>
<td>SMEs should have reliable sources of funding.</td>
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<tr>
<td>Unpredictable changes in economic/market trends have an adverse effects on both SMEs operations and future sustainability</td>
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<tr>
<td>Market fluctuations trickle down the normal operation of SMEs and future sustainability</td>
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</tr>
<tr>
<td>The finance function plays a critical role in formulating and implementing a sustainability strategy of SMEs</td>
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</tbody>
</table>

Section E: Competitive Scope on Sustainability

9. Kindly indicate your level of agreement with the following statements relating effect of competitive scope on sustainability of SMEs

<table>
<thead>
<tr>
<th>Statement</th>
<th>Strongly Disagree</th>
<th>Disagree</th>
<th>Neutral</th>
<th>Agree</th>
<th>Strongly Agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>To ensure that our firm is successful and sustainable, we strive to be the low-cost producer relative to our competitors</td>
<td>1</td>
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<tr>
<td>Our firm seeks to build customer loyalty by positioning its goods and services in a unique or different fashion.</td>
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<tr>
<td>We keep selecting one or more market segments, identifying new customer's special needs, wants, and interests.</td>
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<tr>
<td>In order to survive in today's competitive business environment, SME must find and use creative techniques as a source of competitive advantage</td>
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</tr>
<tr>
<td>Market product differentiation has helped our firm to survive in today’s competitive business environment</td>
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</tr>
<tr>
<td>To ensure SME success and sustainability, the SMEs have developed a unique competitive advantage that creates value for customers and is difficult for competitors to duplicate</td>
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</tbody>
</table>
Section F: Sustainability of SMEs

10. Kingly indicate your level of agreement with the following statements relating to sustainability of SMEs

<table>
<thead>
<tr>
<th>Statement</th>
<th>Strongly Disagree</th>
<th>Disagree</th>
<th>Neutral</th>
<th>Agree</th>
<th>Strongly Agree</th>
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</thead>
<tbody>
<tr>
<td>Sustainability of SMEs requires development of clear metrics, periodic review of established metrics in view of maintaining realistic, attainable targets.</td>
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<tr>
<td>Sustainable business should have resilient business model and is therefore able to generate reliable cash flow.</td>
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<tr>
<td>To ensure our firms sustainability, the management always show willingness to create change and experiment with new business models</td>
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<tr>
<td>To ensure our sustainability we always target a market niche and avoid direct competition with larger companies</td>
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</tbody>
</table>

THANK YOU FOR YOUR TIME