THE EFFECT OF ENTREPRENEURIAL COMPETENCIES ON BUSINESS PERFORMANCE: A CASE OF KENYA'S PUBLIC TRANSPORT INDUSTRY.

BY

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UNITED STATES INTERNATIONAL UNIVERSITY - AFRICA

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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 2017
STUDENT'S DECLARATION

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

Signed: ___________________________  Date: ___________________________

Debrah Ndiwa Kimeu (ID NO: 646287)

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

Signed: ___________________________  Date: ___________________________

Dr. Joseph Ngugi Kamau

Signed: ___________________________  Date: ___________________________

Dean, Chandaria School of Business
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ABSTRACT

Entrepreneurial competencies have been illustrated to have an impact on business performance and growth. The purpose of this paper is therefore to establish the effect of entrepreneurial competencies on business performance in Kenya's Public transport industry, so as to provide an integrated account of contributions relating to entrepreneurial competencies, develop an agenda for future research, and practice in relation to entrepreneurial competencies.

The focus of the research is to measure the entrepreneurs competencies exhibited through innovativeness, creativity and risk taking and how these attributes contribute to the performance of a business enterprise. The research focused on a sample population of 150 entrepreneurs in the public transport industry who were selected through stratified random sampling method. A questionnaire with 40 questions was used to collect the data and the SPSS software was used by the researcher to run a descriptive and inferential statistics which included discriminant and convergent validity and structural model estimation.

The study findings revealed that innovativeness, creativity and risk taking, are positively and statistically significant to performance in the public transport industry. This means that increase in the extent of innovativeness, creativity and risk taking, has a positive effect to performance, with a coefficient estimate of 0.316 and at significance of 5% level. This means if the three entrepreneurial competencies increase by 1, business performance will increase by 0.316, and that an increase in entrepreneurial competencies would lead to improved performance.

The recommendations from the research were that fostering entrepreneurial education on innovativeness in the industry should be adopted as it is an important step towards growing the industry. This will expose players and stakeholders to efficient and effective ways to handle industry parameters which in turn will make the industry more competitive, and improve performance as a consequence. Key stakeholders in the industry should also strategize on how to incorporate creativity. Each industry should come up with unique creative ways in which they can gain competitive advantages and increase on performance as a consequence. Risk diversification in the industry could be pursued by the entrepreneurs, to cushion against unexpected and un- mitigated slumps in the industry. Entrepreneurs should also plan on potential risk implications on every venture they invest in by under taking
surveys, conducting due diligence on these ventures and taking out insurance policies to act as buffers in times of depression and decreased business performance.

A key element of the study was that it was based on business performance and not on the individual entrepreneurs competency set. Future studies were therefore recommended to incorporate individual competencies to business performance. The study used subjective data in measuring business performance as all the respondents are from one area. Objective data from other entrepreneurs could be used to mitigate the subjectivity of the study findings.
ACKNOWLEDGEMENT

I give thanks to God Almighty for granting me good health, knowledge and wisdom, all which enabled me to complete this research project.

I also acknowledge the great contribution of my supervisor Dr. Joseph Ngugi Kamau for his professional guidance, support and availability. My gratitude also goes to United States International University - Africa staff for their support and assistance.
DEDICATION

To my mother, Salome Wavinya Kimeu who has been the pillar of my strength throughout my academic journey and to my brother Abraham Mulela, who has always been my number one supporter.
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LIST OF ACRONYMS AND ABBREVIATIONS

EC – Entrepreneurial competencies

EE - Entrepreneurial Education

EO - Entrepreneurial Orientation

LO – Learning Orientation

MO – Market Orientation

SME – Small and Medium enterprises

SWOT - Strengths, Weakness, Opportunities, Threats

PESTEL - Political, Economic, Socio-Cultural, Technological, Environmental, Legal factors
CHAPTER ONE

1.0 INTRODUCTION

1.1 Background of the Study

Mitchelmore and Rowley (2010), the entrepreneurial competency concept has its foundation in both competence and entrepreneurship. This maybe expounded more when identifying outstanding and publically visible figures such as Bill Gates and Steve Jobs as entrepreneurs. However it is much more difficult to identify traits that make us identify them as entrepreneurs and it even becomes more difficult to identify which students or new venture founders are, or might be, entrepreneurs.

Assessment Tools and Indicators for Entrepreneurship Education (2014), defines entrepreneurial competencies to cover both cognitive and non-cognitive skills required in the different phases of an entrepreneurial venture. A number of constructs are used to capture these skills: Creativity, Planning, Financial literacy, Marshalling of resources, Managing ambiguity, and Teamwork. Bird (1995), competencies are exhibited by individuals or entrepreneurs, who begin, transform and add value to organisations through their organizing of resources and opportunities. She goes further to suggest that the competencies necessary to launch and plan a new venture may be conceived as "baseline". Highly effective entrepreneurs are deemed as those who go beyond launch into organisations who survive and grow (Mitchelmore & Rowley 2010).

As a way of studying entrepreneurial characteristics, the competency approach has become popular (e.g. Bird, 1995; Chandler & Jansen, 1992; Man, Lau, & Chan, 2002; Schmitt-Rodermund, 2004). Bird (1995), defined entrepreneurial competencies as, primary characteristics such as basic and specific knowledge, motives, traits, self-image, roles and skills which are required for business startup, survival and/or growth. Further she suggested competencies can be seen as behavioral and observable. Thus it can be learnable and possible to change through intervention such as selection and teaching of entrepreneurship (Man et al, 2002).

The nature of entrepreneurial competencies is indicated as an important concept for improving entrepreneurship. Ahmad, Halim and Zainal (2010), studies of business success in SMEs can generally be categorized into two groups, the first emphasizes on the internal aspects of SMEs (Small and medium enterprises), specifically, the organizational variables
and the characteristics of the entrepreneur while the second highlights the role of external factors in determining success.

Studies focusing on external factors examine the role of government in creating a conducive environment for business success, with the conclusion that the major impediment to success among SMEs' is the unavailability of various forms of support, such as financial and training (Ahmad et al, 2010). Tehseen and Ramayah (2015), resource based view (RBV), claims that entrepreneurial competencies are valuable and intangible resources that lead towards the success of business. Entrepreneurial competencies alone are not enough to ensure the survival and success of businesses. Since, SMEs have scarce resources of finance, skills, technology and knowledge; therefore SMEs sustainable business success highly depends on many other factors such as supplier’s capabilities as well as customer’s integration. Firm’s RBV suggests that a firm can distinguish itself from its competitors and can create sustainable competitive advantage only if it possesses valuable, rare, and inimitable resources (Barney, 1991).

Mitchelmore and Rowley (2010), human capital is an intangible asset that enables firms to be more successful. 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. External influences are undoubtedly relevant to SME development, this factor alone however does not explain why some SMEs succeed while others fail. It has been argued that government assistance, despite being important, should not be seen as the sole remedy for reducing the rate of business (Mitchelmore & Rowley, 2010). There are other important factors that an SME must attend to in order to ensure continued prosperity. Accordingly, scholars such as Stokes and Blackburn (2002), suggest on the focus of the business owner as the unit of analysis in the prediction of business success in SMEs. Ahmad et al (2010), argue that the availability of organizational resources and competencies such as “monetary resources, plant and equipment, personnel, functional-level capabilities (e.g. manufacturing flexibility), organizational-level capabilities (e.g. ability to get a new product to the market in a timely fashion), and organizational system (e.g. marketing research systems), can all enhance the likelihood of a firm succeeding. The relationships between these entrepreneurial competencies and other constructs of competitiveness, such as competitive scope, organizational capabilities and the performance of the firm, together address different dimensions of SME competitiveness.
The competencies of the entrepreneur influence the success of a business in today’s competitive environment. The study will aim at looking at the individual’s competencies that create entrepreneurial tendencies in an individual making their business a success. Man et al (2002), indicated ten areas of competencies of entrepreneurs which are innovative, learning, opportunity, analytical, human, relationship, strategic, operational, personal and commitment competencies. Such competencies show both direct and indirect influence on performance of SMEs. Entrepreneur’s skills keep on changing as the firm enters from one development stage to another (Lewis & Churchill, 1983). Thus, it is vital to understand the changes that result from venture’s growth because entrepreneur’s skills and capabilities for one stage will be not suitable for another (Mitchelmore, & Rowley, 2010).

Strategic Competency, involves strategic thinking which reflects the ability of the organisations leader to develop future vision and to take strategic action to deal with day to day operations (Stonehouse & Pemberton, 2002). Conceptual Competency which is the ability to think outside the box reflected in the ability to stimulate new thinking patterns and to develop ideas and concepts which may at times require deviation from the normal procedure of doing things (Michalko, 2000). Opportunity Competency, the ability to recognize and take advantage of opportunities. It's associated with the entrepreneur’s ability to seek, develop and assess high quality opportunities that are available in the market (Man, 2001). Learning Competency, the ability of the entrepreneurs to learn from various ways and means, keep themselves up to date in the relevant field, learn proactively, and then apply learned knowledge and skills into practical activities (Man, 2001).

Ethical Competency, according to Orme and Ashton (2003), ethics is an important part of a competency framework and is a backbone of corporate life as well. Ahmad (2007), this competency represents the ability of honesty and transparency in business dealings by admitting mistakes and telling the truth. Organizing and Leading competency, SME owners have to deal directly with the employees as there is a lack of unit to administer employee relations. As such the ability to organize and lead would enable entrepreneurs to minimize the staggering rate of failures among SME’s (Ahmad, Halim & Zainal, 2010). Relationship Competency, thus entails being in contact with a diverse set of individuals is important for entrepreneurs because it gives them access to information and other resources (Jenssen & Greve, 2002). Technical Competency, which involves the ability to use and to adopt new skills including techniques and tools handling, which are relevant to the business. It involves
possessing knowledge of instruments (Ahmad et al, 2010). Personal Competency which refers to important personal qualities and abilities that help in building up personal strength and enhance an individual's effectiveness in performing certain challenging tasks such as managing one's own business (Man & Lau, 2000).

With regards to this, the World real Gross Domestic Product (GDP) was projected to grow by 3.6 per cent in 2016, mainly supported by predicted continuous growth in major high-income countries and stabilization of commodity prices. Global trade was also projected to grow by 3.6 per cent in 2016, rising broadly in line with global output growth (Kenya Economic Survey, 2016). These are only made possible due to the growth of entrepreneurship. Entrepreneurship is at the center of high and stable economic growth that constitutes and sustains prosperity globally.

Kenya’s ‘Vision 2030’ economic pillar intends to provide an environment that stimulates prosperity for its citizens. For instance, the Gross Domestic Product (GDP) is estimated to have expanded by 5.6 per cent in 2015 which was a slight improvement compared to a 5.3 per cent growth in 2014. (Njeru, 2012), the performance was mainly supported by a stable macroeconomic environment and improvement in outputs of agriculture; construction; finance and insurance; and real estate. It is expected that the economy shall commensurately grow and that individuals will take advantage of this and initiate ventures to their benefit and to the benefit of the country as a whole. This has placed a lot of pressure on the country’s enterprise industry to achieve the said economic growth goal. Generally, majority of Kenyan investors initiate small and medium enterprises (Kenya Economic Survey, 2016).

Kenya is mainly dependent on public transportation for the movement of people and goods which has made it the mainstay of its economy. The main reason behind its pre-eminence is the generally high poverty levels and the inability of most of the population to afford ownership of private vehicles. The public transport system in Kenya started in the early 1900s and was dominated by multinational bus companies such as the Overseas Trading Company (OTC) and the Kenya Bus Services (KBS) Company up to 1973 (Gicheru, Migwi & M’Imanyara, 2011).

1.2 Statement of the Problem

Business performance is seen as the long term well being and strength of the enterprise relative to its’ competitors. Business performance is defined along two dimensions of growth
and profitability relative to the competition (Bergeron, Raymond & Rivard, 2004). Performance can also be defined as the degree of fulfillment of managerial goals in business practices and realized outputs of these goals by the end of a specified period (Mitchelmore & Rowley, 2010). Performance is mostly determined by the type of strategies a firm implements and it is therefore a concept of business strategy. Strategy is the totality of all the decision making processes in the form of selection, implementation and assessment of alternative means to achieve the competitive advantage in the business environment (Porter, 1991). Performance measures can be subjective composed of ten different dimensions such as; sales growth, revenue growth, growth in the number of employees, net profit margin, product/service innovativeness, process innovativeness, adoption of new technology, product/service quality, product/service variety, and customer satisfaction (Wiklund & Shepherd, 2003).

Kinuthia (2013), the Kenyan public transport industry is a competitive one with business performance being the key measure of success and continued survival. The key to business success in the industry is the ability of the entrepreneurs to become customer oriented by addressing customers’ needs for convenience and appeal. Being competitive is no longer based on pricing, but the need to understand customers’ needs and responding to those needs in a pro-active and innovative manner, which requires the entrepreneur to take risks. A 2016 study commissioned by Strathmore Business School revealed that over 2.2 million businesses have closed down in the last 5 years with over 73% hailing from motor vehicle and motorcycle businesses. Irrespective of this high entry into the business industry, the success rate of these businesses in the public transport industry is not reciprocal which is a major problem in the economy is.

Few studies on entrepreneurial competencies’ and their effect on business performance have been done in Kenya, giving rise to a local knowledge gap. As a consequence, there are challenges that occur in gathering data on existing literature. Njeru (2012), examined the effect of entrepreneurial mindset on the performance of manufacturing business in Nairobi’s Industrial area. The findings showed that there is a positive relationship between the competencies of innovativeness, risk taking and business alertness on firm performance.

This study investigated the effect of entrepreneurial competencies on the performance of businesses in Kenya's public transport industry. The entrepreneurial variables tested in the
study were innovativeness, creativity and risk taking. Business performance was measured through the variables: number of vehicle, employees, customers and branches.

1.3 General Objective

The general objective of the study was to find out the effect of entrepreneurial competencies on the performance of businesses in Kenya's public transport industry.

1.4 Specific Objectives

1.4.1 To find out the effect of innovativeness on business performance.

1.4.2 To examine the effect of Creativity on business performance.

1.4.3 To investigate the effect of risk taking on business performance.

1.5 Significance of the Study

This study sought to provide significant insights that suggest that the existence of entrepreneurial competencies, influence favorable performance of business in the public transport industry in Kenya. The insight from the study will create an understanding to the various beneficiaries in the transport industry.

1.5.1 Small and Medium Enterprises in the transport industry - The owners of these businesses will know which competencies to harness and groom and the effect of possessing the skills with regards to their businesses prosperity in an emergent economy.

1.5.2 Policy makers who will put policies in place to promote entrepreneurial mindset and competencies and create the infrastructures necessary to support SME's in the public transport industry. This may include enforcing laws that promote a curriculum in schools that will foster entrepreneurial education so as to promote an entrepreneurial mindset. This in turn fosters intentions of self employment as opposed to looking for employment.

1.5.3 Academicians and Researchers - This is in line with a study by Inger (2006), who showed that, entrepreneurship education could be used as a proactive strategy to build entrepreneurial personalities, organizations and societies. Entrepreneurial education is vital as entrepreneurs who undergo an entrepreneurial education show a high propensity to take risk, creativity, motivation, growth mindset and awareness of SME support services. Researchers - who will conduct on further research on the need to harness entrepreneurial
competencies and their benefits to the economy. This research will be used to expound on the birth and growth of the entrepreneurial mindset and the effect of such a mindset in an emerging economy such as Kenya.

1.6 Scope of the Study

The research study was limited to examining conceptual entrepreneurial competencies of innovativeness, creativity and risk taking in Kenya's public transport industry. The population for the study was drawn from 99 various entrepreneurs from across Nairobi county. The study was carried out between March and May 2017. The research objectives for this study are, to find out the effect of innovativeness on business performance, to examine the effect of Creativity on business performance and to investigate the effect of risk taking on business performance.

1.7 Definition of Terms

1.7.1 Creativity

Hunter (2013), creativity is the capability or act of conceiving something original or unusual and it is typically examined at the stage of idea generation.

1.7.2 Entrepreneurship

The ability to recognize or create an opportunity and take action aimed at realizing the innovative knowledge practice or product. It does not aim at the realization of monetary profit, but focuses on opportunities with the goal to improve the production (Nicholls, 2012).

1.7.3 Entrepreneurial competencies

Underlying characteristics such as generic and specific knowledge, motives, traits, self-images, social roles, and skills which result in venture birth, survival, and/or growth (Mitchelmore & Rowley, 2010).

1.7.4 Entrepreneurial mindset

A fixed mental attitude or disposition that predetermines a person's responses to and interpretations of the business environment. It can be described as a group of personal dispositions that leads to the innovative and creative practice (Dhliwayo & Vuuren, 2007).
1.7.5 Gross Domestic Product

The value of goods and services produced within an economy over a period of one year. (Yamarone, 2012).

1.7.6 Innovativeness

This is the willingness to adopt novelty and uniqueness through experimentation and creative processes that aim at developing new processes, products and services (Capra, 2002).

1.7.7 Performance

The degree to which a feat is being or has been accomplished this shall be measured through the business market share and growth, sales volumes, the increase in number of employees, offices, branches among others (Man et al, 2008).

1.7.8 Risk

Risk according to Forlani and Mullin (2000), reflects the degree of uncertainty and prospective losses associated with the outcomes, which may be gotten from a given behaviour or a set of behaviours.

1.7.9 Small and Medium firm

Individuals who are actively participating in the management of the business, with the business having less than 150 employees for manufacturing sector and less than 50 employees for service sector and the business must be a stand-alone firm, not a franchise or part of a larger organisation (Man et al 2008).

1.8 Chapter Summary

Business performance in Kenya's public transport industry is an area of interest as most entrepreneurs in the industry, contribute immensely to Kenya's GDP. Business performance is measured by positive or negative variations in number of vehicles, employees, branches and customers. This study will help provide insight on the extent to which business performance has been affected by entrepreneurial competencies. The study will show how entrepreneurs in this industry use innovativeness, creativity and risk in improving business performance. The purpose of this study is therefore to show the effect of conceptual competencies of innovativeness, creativity and risk taking on business performance.
CHAPTER TWO

2.0 LITERATURE REVIEW

2.1 Introduction

The literature review on the effect of entrepreneurial competencies on business performance in the transport industry centers mainly around published journals on the specific objectives. The review will look at the effect of innovativeness, creativity and risk taking on business performance with a view to identifying any gaps from previous studies which this study intends to fill. The review will review the theoretical framework and development of these concepts over time.

2.2 Effect of Innovativeness on Business Performance

Schumpeter (1939), defined innovativeness as doing things differently in the realm of economic life. Lumpkin and Dess (1996), innovativeness reflects a firm's tendency to engage in and support new ideas, novelty, experimentation and creative processes that may result in new products, services and technological processes. It can also be termed as applying new knowledge to change organizational processes while generating commercially viable services and products (Lumpkin & Dess, 2008). Innovativeness can also be described as the willingness to adopt novelty and uniqueness in the products or services, through creative processes and experimentation. This aims at the development new processes, products and services (Capra, 2002). Hunter (2013), innovativeness is the implementation or creation of something new that has realized value to others. Innovativeness studies have commonly also included the latter phase of idea implementation (Chen, Tzeng & Ou, 2007). The skills for carrying out entrepreneurial or innovativeness endeavours proficiently are framed socially, economically and politically and as such they are valued.

The degree of innovativeness exhibits itself can either be incremental or radical. Incremental innovativeness involves small Improvements or changes in existing processes, products and processes whereas radical innovativeness will involve fundamental changes to the existing processes (Tunzelmann & Acha, 2005). Innovativeness is therefore a key to competitive advantage of a firm, and it seems to attract a degree of risk.

Business performance can be defined as the degree of fulfillment of managerial goals in business practices and realized outputs of these goals by the end of a specified period.
Business performance is mostly determined by the type of strategies a firm implements and it is therefore a concept of business strategy. Strategy is the totality of all the decision making processes in the form of selection, implementation and assessment of alternative means to achieve the competitive advantage in the business environment (Porter, 1991). Performance measure can be subjective measure composed of ten different dimensions such as; sales growth, revenue growth, growth in the number of employees, net profit margin, product/service innovativeness, process innovativeness, adoption of new technology, product/service quality, product/service variety, and customer satisfaction (Wiklund & Shepherd, 2003).

Tomas, Hult, Hurley and Knight (2009), in their study “innovativeness, its antecedents and impact on business performance”, found that market orientation, EO and learning orientation are key antecedents to innovativeness and that there is a direct relationship between innovativeness and business performance. EO generally refers to a firm’s propensity to be innovative, to be proactive and to take risks (Andersén, 2010). The model they used examined the relationship and confirmed the role of market competitiveness and the relationship between market orientation, EO and learning orientation. Implications are offered on the antecedents and consequences of organizational innovativeness, which can be defined as the overall innovative competence of an organization in introduction of new products to the market, or creation of new markets by utilizing innovative behavior and processes.

SME performance in emerging economies can be enhanced to enable the SMEs to face challenges posed by competitor influx in the context of an open market economy. (Le Roux & Bengesi, 2014). The findings were from a study they conducted on “Dimensions of entrepreneurial orientation and small and medium enterprise performance in emerging economies’ in Tanzania, and they showed a strong relationship between EO dimensions and performance, with risk taking and competitive aggressiveness moderating the effect of pro-activeness and the proposed model could predict up to 72% of the variance explained in SME performance. These findings can also be supported by a study done by Keh, Nguyen and Ng (2007), in the telecommunication industry in PRC, where the results showed firms with high EO perform better than firms with lower levels of EO. The results pointed out that EO has a crucial role in improving firm’s perceived performance measured by benchmarking the respondent’s own business performance against those of competitors based on profitability, sales growth, market share, and overall performance.
Tomas, et al (2004), also studied correlations for each of the three sub factors of market orientation (MO), - competitor orientation, customer orientation, and inter-functional coordination- and innovativeness. The findings support previous studies that investigated customer orientation, competitor orientation and inter functional coordination with both innovativeness and business performance. The findings showed a paradigm shift towards relationship marketing. Woodside (2009), conducted a study applying the quick clustering method to inform relationships among variables that are statistically significant. He found that innovativeness was statistically significant in affecting performance in Industrial marketing management.

Managers with Entrepreneurial Orientation (EO) and Market Orientation (MO) should place much emphasis on Learning Orientation (LO) in order to boost innovativeness and ultimately achieve performance (Rhee, Park and Lee, 2012). These findings were from a study that aimed to investigate the relationship between drivers of innovativeness and the mediation effects of LO, in technology-innovative small firms in South Korea. The findings showed that both MO and EO significantly influences LO; and LO significantly affect innovativeness which sequentially has a significant effect on performance. LO can therefore be seen to perform a mediating role in the relationships between MO, EO and Innovativeness (Rhee et al, 2012).

Ferraresi, Quandt, Dos Santos and Frega (2012), purposed to investigate whether Knowledge Management (KM) contributes to the development of strategic orientation to enhance innovativeness and whether these factors contribute to improve business performance. A sample of 241 Brazilian companies was surveyed, employing exploratory and confirmatory factor analysis, and path analysis on the data. The findings indicated that effective Knowledge management has no direct effect on business performance but the relationship is statistically significant when mediated by strategic orientation and innovativeness.

Subramanian (2007), in his study “organizational innovativeness: Exploring the relationship between organizational determinants of innovation, types of innovations, and measures of organizational performance”, studied the relationship between innovativeness of the firm, their organizational characteristics and organizational performance. The researcher employed multidimensional measure of innovativeness and the findings showed that substantive relationships exist organizational factors, organizational innovativeness and organizational performance.
performance. He found out that the relationships are complex and can be detected if innovativeness is measured as a multidimensional construct. Innovativeness was found to improve organizational performance.

A firms’ strategic innovation orientation, which is aimed at discovering and satisfying emerging customer needs with novel technological solutions, has repeatedly shown to be crucial for firm innovativeness and performance (Talke, Salomo & Kock, 2011). The influence of top management teams are critical as innovation strategies are shaped at the top management level. The study investigated how top management teams traits affect a firm’s strategic innovation orientation and how this relates to innovation outcomes and firm performance. The finding indicated the team’s diversity measured in the form of heterogeneity in educational, functional, industry and organizational background has a strong positive effect on a firm’s innovation orientation. A strong proactive focus on the emerging customer needs and novel technologies then lead to a portfolio of new products and services which both increase firm performance (Talke et al, 2011). The study findings are supported by Gonzalo, Torres and Castro (2016), whose study in Mexican SME’s revealed that managers should incorporate all activities that have a high level of risk, for example innovativeness activities, but having the necessary information about the market, clients and consumers in order to reduce risks and improve decision-making. Moreover, managers of SMEs have to incorporate innovativeness initiatives in the everyday activities, in such a manner that they carry out adaptations or changes to products and services that their organization provides; in order to adapt and personalize them with the objectives of fulfilling their consumers’ preferences and needs.

Kraus, Rigttering, Hughes and Hosman, (2012), innovativeness during times of market turbulence is positively related to business performance whereas relationship between the interaction term of risk-taking during market turbulence and business performance was negative. These are the study findings from “Entrepreneurial orientation and the business performance of SMEs: a quantitative study from the Netherlands. The findings led to the conclusion that under conditions of high uncertainty or market turbulence, investments in innovativeness and careful management of the firm’s risk-taking activities would appear wise.
Salavou, and Avlonitis (2008), in their study of product innovativeness and performance: a focus on SMEs”, they aimed to classify firms according to dimensions of product innovativeness (PI) and identify differences in performance. The study revealed different levels of PI in the straight imitators (low PI), product innovators (high PI) and concept innovators (medium PI). These groups demonstrated differences in performance potential at the product level and not at the firm level.

Salge, and Antonio (2009) in their study “Hospital innovativeness and organizational performance: Evidence from English public acute care”, intended to introduce hospitals as vital generators of innovation and to unpack the concept of innovativeness-performance relationship. A large scale empirical study was conducted among the entire population of public hospitals that were part of the English National Service, analyzing data using exploratory factor and regression analysis. The study indicated a significant positive relationship between science- and practice-based innovativeness and clinical performance. In particular, we find that higher levels of innovativeness are rather associated with superior quality of care than with measurable bottom-line financial benefits.

Crespell, and Hansen (2008), their study attempted to integrate work climate, innovativeness, and firm performance in the US forest sector. The findings showed a positive and significant relationship among the three factors. The findings also showed that having innovation as the core part of a company’s strategy and fostering a climate for innovation positively affects the degree of innovativeness and performance of a company. This was true for secondary or value added wood product manufacturers. This is seen true because innovativeness can help companies to differentiate themselves with an ultimate goal of securing survival and improving performance. Modern theories in organizational behaviour look at innovativeness as something that starts with individual creativity but it is also affected by the work environment. An innovation climate is generally characterized by high levels of autonomy and encouragement, openness to change, team cohesion and taking risks.

Selvarajan, Ramamoorthy, Flood, MacCurtain and Liu (2007), in their study of “The role of human capital philosophy in promoting firm innovativeness and performance”, tested a causal model of the relationships between firm strategy, industry environment, human capital philosophy, innovativeness and firm performance. The findings indicated that a firms’ human capital philosophies moderated the relationship between strategy and firm innovativeness.
They also found support for the proposition that innovativeness mediates the relationship between human capital philosophy and firm performance. In addition, their results also indicated that industry dynamism directly influences new product sales while industry survival difficulty moderates the relationship between firm strategy and new product sales. Survival difficulty was found to have a negative effect on firm profits. Supporting evidence was found on the mediating roles of human capital philosophy and innovativeness in the relationships between a firms’ strategy, the industry environment and a firms’ performance.

Entrepreneurial attitude instilled in active entrepreneurs as compared with passive entrepreneurs is primarily mirrored in new products, which possess traits of uniqueness, a factor that greatly contributes to product performance (Avlonitisa & Salavou, 2010). These findings were from a study carried out in Greek manufacturing companies in trying to identify EO profiles of SMEs to suggest variations in product innovativeness dimensions of different performance potential. The results verify the viewpoints stated by the industry experts and also facilitated further understanding of firms that followed a similar duality that has been observed in other studies. Both active and passive entrepreneurs possess product innovativeness in reducing customers’ burdens when it comes to time, effort and the risk associated with the purchase and adoption of a new product.

Chen, Tzeng and Ou, (2007) in their study of “The Relationship among Social Capital, Entrepreneurial Orientation, Organizational Resources and Entrepreneurial Performance for New Ventures”, carried out in SMEs in PRC, provided significant insights in the concepts of proactiveness, innovativeness and risk taking. Proactive personality refers to the tendency to initiate and maintain actions that directly alter the surrounding context. Proactiveness therefore closely allied to competitive aggressiveness which in turn is responsible for creative behaviour among most successful entrepreneurs. Similarly, innovativeness and pro-activity have positive impact on new ventures profit. It implies that entrepreneurs at new ventures should call more attention to innovativeness and pro-activity since these entrepreneurial-orientated activities boost growth and profit.

2.3 Effect of Creativity on Business Performance

Hunter (2013), creativity is the capability or act of conceiving something original or unusual. Creativity is typically examined the stage of idea generation. Creativity is a means to unlock the entrepreneurial potential of individuals, entrepreneurs and organisations, since new ideas
and approaches are key ways on promoting an entrepreneurial culture (Neneh, 2012). Creativity in an entrepreneur is critical. It results in major exhibits such as; Knowledge - having relevant understanding that an individual brings to bear on a creative effort; Creative thinking - which shows how people approach problems and depends on personality and thinking style and Motivation - acting on an intrinsic passion that drives one to perform better (Chell, 2013). The extent to which an entrepreneur exhibits these three attributes determines whether an individual has a creative entrepreneurial mindset or not, and that is what makes a difference in business performance. Performance being measured by the increased market share, sales and profitability as well as increased employment levels (Neneh, 2012).

According to Dhliwayo and Vuuren (2007), entrepreneurial mindset is about creativity, innovativeness and taking opportunities that lead to organizational wealth creation and success. This type of mindset enables entrepreneurs to make realistic decisions when faced with uncertainties. Trevisan, Grundling and De Jager (2002), in trying to examine the importance of entrepreneurial qualities amongst small business owners and non-business owners also found creativity to be one of the strongest distinguishing characteristics. Encouraging creativity is therefore a strategic choice that firms should consider, since it creates a significant contribution to organizational innovativeness.

Shane, Locke and Collins (2003), motivation on the other hand reflects a complete psychological force that directs a person's behaviour in an organization, a person's level of effort, and a person's extent of persistence in the face of setbacks. Motivation helps entrepreneurs to acquire knowledge, skills and abilities (KSAs) and thus provide the impetus and energy needed to implement the actions. Motivation also separates individuals who positively evaluate opportunities from those who do not; those who practice rapid growth from slow growth; those who receive outside funding from those who do not and those who continue to chase opportunities as oppose to those who abandon all their efforts.

Over the past decade, a number of different theoretical perspectives have emerged to describe the logic and behavior underlying the entrepreneurial process of creativity, e.g., effectuation (Sarasvathy, 2001), entrepreneurial bricolage (Baker & Nelson, 2005), the creation perspective (Alvarez & Barney, 2007), and user entrepreneurship (Shah & Tripsas, 2007). These new theoretical perspectives have largely sought to describe the differences between
the traditional approach to entrepreneurship (called the “causal approach” by Sarasvathy (2001), the “discovery approach” by Alvarez and Barney, and the “classic approach” by Shah and Tripsas) and an alternative approach.

Barrett, Balloun and Weinstein (2005), studied the impact of creativity in non-profits and how the creative climate affects LO and its relationship to organizational performance. The study examined creativity’s link with EO, MO and Organizational flexibility with the focus of the study assessing creativity’s role in managerial decision making in the non-profit sector. Previous research only examined creativity in the arts, high-tech, information technology, media and the sciences. The results of the study indicated that sound use of creativity can improve on planning, implementation and control by the nonprofit organization executives which improve on performance as a consequence.

Webster (2012), examined the relationship between the interactive use of performance measurement systems, creativity and performance and the intervening role of psychological empowerment. The study examined the effect of the interactive use of performance measurement systems (PMS) on creativity and performance. Mid level managers of large Australian manufacturing companies were surveyed and the results of the study identified a key intervening variable, psychological empowerment as being instrumental in the interactive use of PMS leading to the enhancement of creativity and performance in individuals and the firm as a result. Psychological empowerment was also found to mediate the associations between the interactive use of PMS, creativity and performance.

Gong, Huang and Farh (2009), also examined the relationship between employee creativity and job performance. They identified two learning related personal and situational variables – employee learning orientation and transformational leadership – and examined their effects on employee creativity through employee creative self efficacy. The findings showed that employee creativity was positively related to employee sale and to supervisor related employee job performance. Employee learning orientation and transformational leadership were positively related to employee creativity and the relationship were mediated by employee creative self – efficacy.

Sweetman, Luthans, Avey and Luthans (2011), conducted a study on the relationship between positive psychological capital and creative performance. The study investigated a heterogeneous sample of working adults on the construct of psychological capital
components as predictors of creative performance. The findings revealed that psychological capital predicted creative performance over and above each of the four components of efficacy, hope, optimism and resilience.

Gilson, Mathieu, Shalley and Ruddy (2005), examined the relationships between creativity, the use of standardized work practices and effectiveness (measured as both customer satisfaction and performance), among 90 empowered teams of service technicians. The results indicated that creativity and standardized procedures are complementary despite their contradictory nature. Standardization was found to moderate the relationship between creativity and both team performance and customer satisfaction although the result patterns differed for the two measures of effectiveness.

Suh and shin (2005), explored a research model concerning creativity, job performance, and firm performance and their correlation in the nonprofit and for profit organization setting. The results suggested a set of differences in the areas examined and their correlations with the marketers in the tow organizational setting. The study revealed a need for contingency theories in the area of creativity for non-profits with the emphasis on environmental differences so as to boost performance.

Similarly, Sawyer (2006), focused on three defining traits of group creativity; Improvisation, collaboration and emergence in both music and theatre. He noted that improvisations contained elements of structure while structured performances continued improvisation elements. He concluded that high improvisations levels in a group led to more creative performances that appeared to give rise to structure and better performance, as opposed to low levels of improvisations that were less creative with lowered and as consequence lowered performance.

Michinov Jamet, Métayer and Hénaff (2008), examined how social comparison and individual differences in creativity influenced creative performance and attention paid to ideas generated by a partner during an electronic brainstorming session. Their target population was forty one psychology under graduates who generated ideas using a computer with a remote partner presented as a student in either Arts (upward comparison) or sciences (downward comparison), who were instructed to give a list of pre-tested ideas. The findings showed that the quality (not quantity) of ideas was greater in upward than downward comparison, but only for highly creative participants.
Eisenberger (2009), conducted two filed studies and a laboratory test in examining the influence for reward for high performance on experienced performance pressure, intrinsic interest and creativity. The first study findings concluded that employees expected reward for high performance was positively related to performance pressure, which in turn was positively associated with the employees interest in their jobs. The second study findings replicated study 1’s findings and showed that intrinsic interest produced by performance pressure was positively related to supervisors’ ratings of creative performance. The third study revealed that college students’ receipt of reward for high performance increased their experience performance pressure which in turn was positively related to intrinsic interest and creativity.

Entrialgo et al (2001), examine the flexibility and market orientation of SMEs. These aspects encourage them to learn from the environmental context and to demonstrate a more entrepreneurial behaviour. When firms compete in hostile or turbulent environments, they tend to adopt entrepreneurial postures (Bouchard & Basso, 2011). The explanation is to be found in the fact that businesses are flexible and market oriented and this encourages them to have a more entrepreneurial behaviour. Large organizations, however, probably because of their size, take a more pioneering, innovating and risk assuming approach, as they are more formal and standardized. These are characteristics that are inversely related to innovativeness and creativity (Bahadir, Bharadwaj & Parzen, 2009).

2.4 Effect of Risk Taking on Business Performance

Risk according to Forlani and Mullin (2000), reflects the degree of uncertainty and prospective losses associated with the outcomes, which may be gotten from a given behaviour or a set of behaviours. Dhliwayo and Vuuren (2007), in the same light define risk taking is an important element of the strategic entrepreneurial mindset. This is because risk-taking is essential for the success and growth of a business, which is based on how entrepreneurs perceive and manage the risks in their environment. Dunlap (2008), highlights that business ventures should adopt an entrepreneurial mindset wherein at the heart, lays the ability of the entrepreneur to accept and manage risk.

Entrepreneurial risk taking involves making decisions to undertake uncertainty of outcomes when new products, services or processes are introduced. This translates to risk taking necessitating an appreciation that misfortune and uncertainty can be overcome in the pursuit
of better outcomes (Kim, 2010). Other researchers have discussed the affordable loss as an alternative to risk-return calculations (Dew, Read, Sarasvathy & Wiltbank, 2009). Affordable loss suggests an upper bound on how much firms can afford to lose (Lechner & Gudmundsson, 2014).

Le Roux and Bengesi (2014), there is a difference between risk and uncertainty. Entrepreneurs are more likely to operate in a risky environment than in an uncertain environment. Operating in the risk protected economies made it easier to predict the outcome of the decisions made (Wickham, 2006). Within this context, entrepreneurs are reported to take calculated risks when they decide to venture into new investments or markets. When entrepreneurs take calculated risks, they collect relevant information which enables them to make informed decisions. Keh et al (2007) argue that the process of information acquisition and utilization involves risk due to the commitment of substantial effort plus costs and outcome may not necessarily ensure the realization of the expected outcome.

When an entrepreneur invests resources in the dynamic and competitive environment where factors are continuously changing involves risks. Risks can be associated with factors, such as political instability, unsupportive policy and regulatory environment and information asymmetry, which may impede the achievement of a firm’s objectives (Le Roux & Bengesi, 2014). Tang and Murphy (2012), supporting this argument, point out that firms operating in less developed business support services and weak regulatory environments, experience less protection and are often compelled to unethical behaviour, such as corrupt transactions, to legitimatize their business. The literature has long associated risk-taking with firm performance. They continue to argue that in a perceived high-risk business environment, few people are willing to attempt new initiatives. Those who are willing to do so are likely to generate more profit, enhancing the firm’s growth, if their businesses succeed. One would thus expect a positive relationship between risk-taking and a firm’s performance as reported in the developed economies (Keh et al, 2007).

Boyd and De Nicolo (2005), conducted a study on the theory of bank risk taking and competition that concluded that when faced with increased competition, banks rationally choose more risky portfolios, a tendency that has had significant influence on central banks and regulators. Existing theoretical analyses appeared fragile as there exists fundamental risk incentive mechanisms that operate in the opposite direction causing the banks to become
more concentrated. These mechanisms therefore provide essential ingredients of models of banks competition. Subsequent studies by Boyd and De Nicolo (2014), measuring financial expertise of the board, risk taking and performance form Bank holding companies in the U.S showed that it is positively related to balance sheet and market based measures of risk especially in the run-up to the 2007/2008 financial crisis. While the financial expertise is weakly associated with better performance before the crisis, it is strongly related to lower performance during the crisis. The results were therefore consistent with independent directors possessing financial expertise supporting increased risk taking prior to the crisis. Despite the goal being to maximise the shareholders wealth ex ante, these actions proved detrimental during the crisis.

Overall positive influence in customer orientation on performance indicates that the influence is stronger as risk taking, innovativeness and opportunity focus increases. However customer orientation does not positively influence small firm performance under low levels of risk taking, innovativeness and opportunity focus (Brockman, Jones & Becherer, 2012). The results were as a result of a study performed on 180 small firms to determine customer orientation-performance relationship and the moderating influence of risk taking, innovativeness and opportunity focus on that relationship.

Wiklund and Shepherd (2005), in a study they conducted on SME’s found that EO improves small business performance. Access to capital and the dynamism in the business environment are vital to the small businesses and when combined with EO, the configurational (three-way interaction) approach explained the variance in performance over and above a contingency model (two-way interaction). Naldi, Nordqvist, Sjöberg, and Wiklund (2007), focused on the importance of risk taking as a dimension of EO and its impact on family firms. Drawing on a sample of Swedish SME’s risk taking was found to be a distinct dimension of EO and that it is positively associated with proactiveness and innovation. Family firms were however seen to take risks at a lesser extent than non family firms. However in this case, risk taking was found to be negatively related to performance. In EO, risk taking is generally referred to as engaging in risky ventures that require high resource commitments, as well as, borrowing heavily (Vora & Polley, 2012).

Llewellyn, Sanchez and Jones (2008), engaged in a study to identify self efficacy, risk taking and performance in rock climbing. Two hundred and one active rock climbers were recruited
to be participants of the study. The relationship of self efficacy to the frequency and the difficulty of high and medium risk rock climbing behaviours was modeled using linear regression. The findings showed that climbers high in self efficacy engaged in both high and medium risk forms of rock climbing more frequently and at a higher level of difficulty, participated more frequently, took more calculated risks improving their performance. It has likewise been found that risk propensity is positively associated with intentions of self-employment through its influence on certain predictors such as self efficacy (Zhao, Seibert & Hills, 2005) and a positive attitude toward entrepreneurial behavior (Lüthje & Franke, 2003).

A study was also carried out by Sanders and Hambrick (2007), to find out the effects of CEO stock options on company risk taking and performance. Managerial risk was measured against three major elements of: the size of the outlay, the variance of potential outcomes, and the likelihood of extreme loss. The findings indicated that CEO stock options engender high levels if investment outlays and bring about extreme corporate performance, suggesting that stock options prompt CEOs to make high variance bets, not simply larger bets, Option loaded CEOs were also found to deliver more big losses than big gains.

A study of the petroleum industry conducted by Walls (2005), on the effect of financial risk tolerance of the 50 largest U.S based firms during the period 1981-2002, found that firms in the high risk tolerance category performed significantly better than the firms less willing to take financial risk. A decision analysis model was utilized to measure the financial risk tolerance of each firm for each year during the study period. Parameters used were the relationships between the firm size, risk tolerance and foreign versus domestic risk propensity.

Zahra (2005), Family firms are largely recognized as a major source of technological innovation in the economic progress. Overtime some of these forms become conservative and are unwilling to take risks associated with entrepreneurial activities. A study of 209 manufacturing family firms in the U.S showed that family ownership and involvement promotes risk taking in entrepreneurial activities, whereas the long tenures of CEO founders have the opposite effect. The findings encourage managers to engage in capitalize on the skills and the talents of their family members in the promotion of entrepreneurship and selective venturing into new markets.
A study by Nieuwenhuizen and Kroon (2002), revealed a strong relationship between the willingness to take risks (risk tolerance) and entrepreneurial business success, which further stresses the need for including risk in entrepreneurship education and training programmes. Looking at the argument put forth by Janney & Dess (2006), risk-taking decisions are more apparent in the new venture-creation process. Based on this argument, they make a conclusion with regards to three dimensions of the risk construct, which are: risk as a variance; risk as a downside loss and bankruptcy; and risk as an opportunity. Other studies show that risk perceptions differ due to cognitive biases that drive entrepreneurs to perceive less risk.

2.5 Chapter Summary

In today’s competitive business environment, entrepreneurs gain competitive and advantageous business positioning through innovativeness, creativity and risk taking. Entrepreneurs can properly plan and work towards a business’ long term performance by adjusting entrepreneurial competencies which foster innovativeness, to new market offerings, by becoming more proactive than rival firms for new market opportunities and take risks to test uncertain products and markets. Adopting a creative mindset for an entrepreneur also proves important as it is a prelude to performance and engaging in business risk when it comes to the firms’ strategy incorporated.

In the next chapter, we will delve into the research methods of this research. It will provide guidance on the research design methodology that will be employed, explain the target population and sampling design, elucidate on data collection methods and procedures and data analysis techniques to be used to provide insight on the relationship between entrepreneurial orientation and performance of banks.
CHAPTER THREE

3.0 RESEARCH METHODOLOGY

3.1 Introduction

The chapter illustrates the research approaches, design and methodology methods that were selected for the study. It discusses the population of the study; sample and sampling procedures used including the methods used for data collection, research instruments as well as data analysis and data presentation methods used in the study. Furthermore, procedures used for testing the research instrument reliability and validity are discussed.

3.2 Research Design

A research design is a presentation of the plan, the structure and the strategy of the investigation that is used to gather, analyze and answer the research questions (Coopers & Schindler, 2000). The researcher used descriptive research to understand the effect of interactive relationship between entrepreneurial competencies exhibited through innovativeness, creativity and risk taking and the business performance in its success or failure. This design allowed the researcher to deepen the understanding of the relationship between the variables. A survey design was used to explore this aspect.

3.3 Population and Sampling Design

3.3.1 Target Population

The population consists of all the elements from which the sample is drawn and which bear similar characteristics (Mugenda & Mugenda, 1999). The target population is entrepreneurs distributed across Nairobi County. From General Motors records, there are a total of 811 entrepreneurs countrywide and over 190 in Nairobi County.

3.3.2 Sampling Design

According to Field (2005), a sample is a smaller collection of units from a population used to determine truths about that population. The sample size should be representative of the population. Sampling is the process of selecting a representative number of items out of the target population. The sample selected should have the attributes of the population from which it was obtained. The researcher used a two stage probability sampling approach. The first is stratified sampling method which enabled the researcher to divide the entrepreneurs according to sub-industry and in the second stage, a simple random sampling.
3.3.2.1 Sampling Frame

A sampling frame is a list of all your items in the population. It's a complete list of everyone or everything you want to study (Mugenda & Mugenda, 2003). The degree of generalization of the study depends on the accuracy of the sampling frame from which the sample is selected. The sample for this study was drawn from General Motors’ entrepreneurs in the transport industry who operate within Nairobi County, who are a total of 190 respondents.

3.3.2.2 Sampling Technique

Stratified sampling is the process of selecting a sample that allows identified subgroups in the defined population to be represented in the same proportion that they exist in the population (Coopers & Schindler, 2000). Simple random sampling is the process of selecting a sample that allows individual in the defined population to have an equal chance of being selected for the sample. One of the characteristics of small and medium enterprise in Kenya is that they employ between 10 and 100 employees. These firms are either autonomous or running branch entities in other towns and must be registered by the registrar of companies as a private Limited Company.

The researcher developed a questionnaire that enabled the capturing of the various variables. Use of questionnaires is appropriate since the sample is large and will also assist in translating the research objectives into specific questions. The instrument assisted the researcher to maintain confidentiality and save time of collecting the large amount of data. Holding the respondent in anonymity made the entrepreneurs willing to provide confidential information.

3.3.2.3 Sample Size

According to Collin and Hussey (2009), sample size is the number of observations that constitute the statistical sample. The population was large and stratified and therefore to get the sample size for the proportions, the researcher considered the nature of the studies homogeneity and experiences from other researchers and used the non probability sampling technique doe to convenience. The study used a sample of 150 respondents which is approximately 79% of the target population.
Table 3.1 Sample size distribution

<table>
<thead>
<tr>
<th>Region</th>
<th>Sampling Frame (Number of owners)</th>
<th>Sample Size</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nairobi south</td>
<td>58</td>
<td>46</td>
</tr>
<tr>
<td>Nairobi East</td>
<td>40</td>
<td>31</td>
</tr>
<tr>
<td>Nairobi West</td>
<td>45</td>
<td>36</td>
</tr>
<tr>
<td>Nairobi North</td>
<td>47</td>
<td>37</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>190</strong></td>
<td><strong>150</strong></td>
</tr>
</tbody>
</table>

### 3.4 Data Collection Methods

The researcher developed a questionnaire that was centered on the conceptual competency of the entrepreneur. These competency constructs and their components were used in selecting and developing suitable measures. Based on these criteria, the measures used were from Quinn, Faerman, Thompson and McGrath (1990), for conceptual and personal strength competencies. This competency measured the variables of innovativeness creativity and risk taking. The questionnaire was structured in to two sections. Section "A" sought the general profile of the respondents. Section "B" was divided into 4 subsections. Subsection 1, 2 and 3, were 7 point Likert scale measuring the level of innovativeness, creativity and Risk. Required responses ranged from Strongly Disagree (1 point), Disagree (2 points), Disagree Somewhat (3 points), Undecided (4 points) Agree Somewhat (5 points), Agree (6 Points), and Strongly Agree (7 Points). Sub section 4 contained items measuring the level of business performance.

To measure business performance, the use of scales is a better alternative than using actual figures due to the unwillingness of the entrepreneurs to disclose these sensitive figures. Under the framework of SME competitiveness, measurements for performance were considered from two perspectives, including business growth, and relative performance. This was extracted from Grupta and Govindarajan’s (1984) instrument, which was frequently cited, adopted and modified by others in measuring SME performance (for example, Covin & Slevin, 1989; Naman & Slevin, 1993). These three variables represent performance at present, in the future and in comparison with its competitors.
3.5 Research Procedures

A total of 99 questionnaires were developed and administered to the owners or top management of the enterprises. The researcher had an introductory letter from the university that explained the main purpose of the study, this gave the respondents the assurance that the information provided shall be used for academic purposes and that it shall be confidentially treated. The researcher delivered the questionnaires with the help of research assistants to the 99 entrepreneurs. The questionnaires were then to be retrieved at an agreed time. The items were structured to capture information on the dependent variable (business performance) and the independent variables (innovativeness, creativity and risk taking).

3.5.1 Pilot Study

The resulting preliminary version of the survey questionnaire was applied in a pilot test on a sample of 20 entrepreneurs and senior business executives in enterprises in order to evaluate the performance of the items in the instrument.

3.5.2 Reliability of the Instrument

From data collected from the pilot test, items were rephrased if their wording was not sufficiently strong to differentiate between good and poor ratings (DeVellis, 1991). Some were removed if they had serious mis-loading or cross-loading into other variables, or low loading to the original variable.

3.5.3 Validity of the Instrument

The questionnaires competency constructs and its components were used in selecting and developing suitable measures. The measures were adopted from Quinn et al (1990), for conceptual competencies. The measures were adopted for the competencies of risk taking, creativity and innovativeness.

3.5.4 Administration of the Instruments

The researcher had an introductory letter from the university that explained the main purpose of the study, this gave the respondents the assurance that the information provided shall be used for academic purposes and that it shall be confidentially treated. The researcher will deliver the questionnaires with the help of research assistants to the 99 entrepreneurs and the questionnaires were to be retrieved at an agreed time.
3.5.5 Ethical Considerations

In the introductory letter, there were clear stipulations specifically seeking clearance to collect data strictly for the intended study. There was also a clause to protect the rights of respondents’ privacy, right of respondents to withdraw from responding to the questionnaire if they find it offensive.

3.6 Data Analysis Methods

Descriptive statistics were included and the use of SPSS software was incorporated to analyze the data and extract the relevant frequencies, charts and graphs. The researcher used various data analysis techniques such as the discriminant and convergent validity and structural model estimation to measure the effect represented by the interaction between the variables and the business performance. The approach enabled the researcher to examine whether or not the expected relationships exist or not, and to what extent.

3.7 Chapter Summary

This chapter centered on the methodology of collecting data and analyzing the data into information through various techniques. Key concepts such as the population, sample size, sampling frame, sampling design and technique were critically investigated. The information from this chapter will lead to chapter four which analyzes the data and discusses the findings. Descriptive and inferential analyses were applied to the data.
CHAPTER FOUR

4.0 RESULTS AND FINDINGS

4.1 Introduction

The purpose of this study was to find out the effect of entrepreneurial competencies on the performance of businesses in Kenya's public transport industry, General Motors entrepreneurs, while exposed to similar external environmental factors. This chapter represents the data analysis results, presentation and interpretation.

4.2 Response Rate

Table 4.1 indicates the response rate. Out of 150 questionnaires hand delivered to the respective respondents, 95 were returned bringing the response rate to 63%. This rate was above the expected response rate of 50-75% and thus was sufficient to perform data analysis.

Table 4.1 Response Rate

<table>
<thead>
<tr>
<th>Category</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Responses</td>
<td>95</td>
<td>63</td>
</tr>
<tr>
<td>Non Responses</td>
<td>55</td>
<td>37</td>
</tr>
<tr>
<td>Total</td>
<td>150</td>
<td>100</td>
</tr>
</tbody>
</table>

4.3 Demographic Characteristics

4.3.1 Gender

Respondents were asked to indicate their gender and the response was represented in Figure 4.1 below.

Figure 4.1 Gender Distribution of Respondents
Majority of the respondents were male with 68% and female respondents at 32%. This indicated that more than half of the respondents were men.

4.3.2 Age

The study sought to find out the age of the respondents and the findings are represented in the pie chart below.

![Age Distribution of Respondents](image)

**Figure 4.2 Age Distribution of Respondents**

Fifty three percent of the respondents are in the age group 25-34 years, 29% between 35-44 years, 11% between 18-24 years and 7% between 45-54 Years.

4.3.3 Level of Education

The study sought to find out the level of education of the respondents. The findings are shown in figure 4.3

![Level of Education](image)

**Figure 4.3 Level of education of respondents**

The findings indicate that a majority of the respondents had college/diploma education with 61%. Those with an Undergraduate degree were 33%, graduate degree with 3%, and those with other academic qualifications (form four and below) were 3%.
4.3.4 Duration in the Industry.

The study asked the respondents to indicate the length of their service in the transport industry and the findings are indicated below.

The duration of the respondents’ length of service in the industry was somewhat evenly distributed with 32% having been in the industry for less than 3 years, 31% having operated in the industry for 4-5 years, those who have 6-7 years experience being 21% and with those with over 7 years being 17%.

4.3.5 Nature of Ownership

The study asked the respondents to indicate the nature of ownership of the vehicles they owned and the findings are indicated below.

The findings indicate that the nature of ownership was 52% individual, 32% joint/group and 17% company owned. The findings indicate that majority of the respondents in this industry are sole proprietors.
4.4 Descriptive Analysis of Study Variables

4.4.1 Innovativeness

The study sought to find out the extent to which the entrepreneurial competency of innovativeness affects performance in the transport industry. From the findings in table 4.2 below, 87% of the respondents agreed that they do manage ambiguity in new idea implementation. Additionally, 94% agreed to expand to new areas of the transport industry so as to stay competitive. 58% allocate some funds for research and development and 92% of the respondents embrace technology so as to be competitive. 78% of the respondents also agreed in the search of new markets while 68% of them agreed in conducting market surveys so as to find out customers’ requirements. Furthermore, 80% of the respondents have the ability to recognize success and failure through analysis of financial statements. 83% of respondents encourage their employees to table ideas that can improve business performance. 95% of the respondents plan in advance so as to foresee challenges and opportunities and 95% marshal resources so as to exploit an opportunity.
Table 4.2 INNOVATIVENESS

<table>
<thead>
<tr>
<th></th>
<th>SD (%)</th>
<th>D (%)</th>
<th>DS (%)</th>
<th>U (%)</th>
<th>AS (%)</th>
<th>A (%)</th>
<th>SA (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>I manage ambiguity of uncertainty in the implementation of a new idea</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>13</td>
<td>30</td>
<td>38</td>
<td>19</td>
</tr>
<tr>
<td>Expanding to new areas of the transport industry ensures I stay competitive</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>6</td>
<td>35</td>
<td>48</td>
<td>11</td>
</tr>
<tr>
<td>I allocate some funds yearly for research and development</td>
<td>2</td>
<td>3</td>
<td>8</td>
<td>27</td>
<td>25</td>
<td>25</td>
<td>8</td>
</tr>
<tr>
<td>I continually embrace and modify available technology to remain on top of competition such as tracking devices</td>
<td>1</td>
<td>0</td>
<td>0</td>
<td>7</td>
<td>43</td>
<td>34</td>
<td>15</td>
</tr>
<tr>
<td>I continually seek new markets since the markets I serve are satisfied</td>
<td>0</td>
<td>0</td>
<td>1</td>
<td>20</td>
<td>45</td>
<td>27</td>
<td>6</td>
</tr>
<tr>
<td>I conduct a market survey to capture Customer requirements before providing them with my services</td>
<td>1</td>
<td>3</td>
<td>5</td>
<td>23</td>
<td>31</td>
<td>26</td>
<td>11</td>
</tr>
<tr>
<td>I am financially literate and can analyze important statements so as to recognize successes and failures</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>20</td>
<td>35</td>
<td>32</td>
<td>13</td>
</tr>
<tr>
<td>All employees are encouraged to table their ideas and thoughts that will improve firm's performance</td>
<td>0</td>
<td>1</td>
<td>1</td>
<td>15</td>
<td>28</td>
<td>40</td>
<td>15</td>
</tr>
<tr>
<td>I always plan my year in advance so as to foresee challenges and opportunities</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>5</td>
<td>40</td>
<td>33</td>
<td>22</td>
</tr>
<tr>
<td>I marshal resources through assembling and organizing so as to exploit an opportunity</td>
<td>0</td>
<td>0</td>
<td>1</td>
<td>4</td>
<td>36</td>
<td>37</td>
<td>22</td>
</tr>
</tbody>
</table>

KEY: Strongly disagree (SD), Disagree (D), Disagree somewhat (DS), Undecided (U), Agree somewhat (AS), Agree (A), strongly agree (SA)

4.4.3 Creativity

The study sought to find out the extent to which the entrepreneurial competency of creativity affects performance in the transport industry. From the findings in table 4.3 below 88% of the respondents agreed that they continuously think of new ideas to discover business opportunities. Additionally, 86% confirmed that they do think outside the box in finding
solutions, when faced with new challenges, and 84% agreed on coming up with new and different solutions to already existing problems in the industry. 93% of the respondents confirmed to have formed unlikely partnerships so as to achieve their targets, and 75% agreed to continuous rebranding so as to retain and acquire new clients. 86% of the respondents charge affordable prices for quality services to ensure customer loyalty and 66% agreed that they do a feasibility study to enable them to choose their current market. Additionally 98% agreed that the business environment is very competitive and despite this competitive nature, 89% confirmed that their businesses have expanded with little setbacks and 51% confirmed that they introduced new technology and prices simultaneously.

Table 4.3 CREATIVITY

<table>
<thead>
<tr>
<th></th>
<th>SD (%)</th>
<th>D (%)</th>
<th>DS (%)</th>
<th>U (%)</th>
<th>AS (%)</th>
<th>A (%)</th>
<th>SA (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>I continuously think of new ideas to discover business opportunities</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>12</td>
<td>40</td>
<td>31</td>
<td>17</td>
</tr>
<tr>
<td>I am able to think outside the box when faced with challenging situations</td>
<td>0</td>
<td>0</td>
<td>2</td>
<td>12</td>
<td>40</td>
<td>33</td>
<td>13</td>
</tr>
<tr>
<td>I come up with new and different solutions to existing problems in the transport industry</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>16</td>
<td>46</td>
<td>25</td>
<td>13</td>
</tr>
<tr>
<td>I have formed unlikely partnerships so as to achieve targets</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>7</td>
<td>47</td>
<td>33</td>
<td>12</td>
</tr>
<tr>
<td>I ensure that I retain and acquire new clients through continuous rebranding</td>
<td>0</td>
<td>1</td>
<td>1</td>
<td>23</td>
<td>42</td>
<td>21</td>
<td>12</td>
</tr>
<tr>
<td>I ensure customer loyalty through provision quality services at affordable prices</td>
<td>0</td>
<td>0</td>
<td>3</td>
<td>11</td>
<td>41</td>
<td>34</td>
<td>11</td>
</tr>
<tr>
<td>I chose my current market through a feasibility study and observing the market</td>
<td>0</td>
<td>3</td>
<td>5</td>
<td>26</td>
<td>43</td>
<td>22</td>
<td>1</td>
</tr>
<tr>
<td>The business environment is very competitive</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>2</td>
<td>21</td>
<td>44</td>
<td>33</td>
</tr>
<tr>
<td>I introduce new technology and adjust prices at the same time</td>
<td>0</td>
<td>3</td>
<td>19</td>
<td>27</td>
<td>18</td>
<td>26</td>
<td>7</td>
</tr>
<tr>
<td>My business has expanded greatly since I began with little setbacks</td>
<td>0</td>
<td>0</td>
<td>1</td>
<td>10</td>
<td>40</td>
<td>35</td>
<td>14</td>
</tr>
</tbody>
</table>
4.4.4 Risk Taking

The study sought to find out the extent to which the entrepreneurial competency of risk taking affects performance in the transport industry. From the findings in table 4.4 below 94% of the respondents agreed that they are able to distinguish between profitable and non-profitable opportunities and 87% concurred that taking un-calculated risk is part of their daily routine. 78% of the respondents also agree that they are usually the first to undertake new profitable ventures. 85% of the respondents also agree that the ventures they engaged in are usually carefully thought of, 63%, usually invest in high-risk, high-reward investments, 16% agreed that they only invest in short term ventures, 39% of the respondents diversify into different sectors of the transport industry, 79% have special alertness to profitable ventures, 59% undertake these investment decisions without consulting anyone for advice whereas 87% believe distinguishing high value from low value opportunities is important.
### Table 4.4: RISK TAKING

<table>
<thead>
<tr>
<th>RISK TAKING</th>
<th>SD (%)</th>
<th>D (%)</th>
<th>DS (%)</th>
<th>U (%)</th>
<th>AS (%)</th>
<th>A (%)</th>
<th>SA (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>I can distinguish between profitable and non-profitable opportunities</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>6</td>
<td>28</td>
<td>52</td>
<td>14</td>
</tr>
<tr>
<td>Taking un-calculated risk is part of my daily routine</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>13</td>
<td>36</td>
<td>34</td>
<td>17</td>
</tr>
<tr>
<td>Am always the first one among my competitors to take on new profitable ventures</td>
<td>0</td>
<td>0</td>
<td>3</td>
<td>19</td>
<td>38</td>
<td>33</td>
<td>7</td>
</tr>
<tr>
<td>All the ventures I undertake are carefully thought out and first tried and tested</td>
<td>0</td>
<td>0</td>
<td>1</td>
<td>14</td>
<td>44</td>
<td>31</td>
<td>10</td>
</tr>
<tr>
<td>I apportion a large portion of the profits in investing in high risk-high reward investments</td>
<td>5</td>
<td>3</td>
<td>6</td>
<td>22</td>
<td>38</td>
<td>21</td>
<td>4</td>
</tr>
<tr>
<td>Most ventures I invest in are short term</td>
<td>27</td>
<td>33</td>
<td>14</td>
<td>10</td>
<td>10</td>
<td>5</td>
<td>1</td>
</tr>
<tr>
<td>I tend to diversify most of my investments in different sectors of the transport industry</td>
<td>0</td>
<td>11</td>
<td>26</td>
<td>24</td>
<td>21</td>
<td>12</td>
<td>6</td>
</tr>
<tr>
<td>I have a special alertness or sensitivity toward profitable opportunities</td>
<td>0</td>
<td>0</td>
<td>1</td>
<td>20</td>
<td>38</td>
<td>29</td>
<td>12</td>
</tr>
<tr>
<td>I undertake most of the investments without consulting anyone for advice</td>
<td>3</td>
<td>12</td>
<td>12</td>
<td>14</td>
<td>28</td>
<td>23</td>
<td>8</td>
</tr>
<tr>
<td>I believe distinguishing high-value opportunities from low-value ones is important</td>
<td>0</td>
<td>0</td>
<td>1</td>
<td>12</td>
<td>30</td>
<td>38</td>
<td>19</td>
</tr>
</tbody>
</table>

**KEY:** Strongly disagree (SD), Disagree (D), Disagree somewhat (DS), Undecided (U), Agree somewhat (AS), Agree (A), strongly agree (SA)

#### 4.4.5 Performance

The study sought to find out the extent to which the entrepreneurial competency affects performance in the transport industry. From the findings in table 4.5 below, the average percentage increase in number of vehicles for all the respondents was 10.5%, for the number of employees was 18.9%, for the number of customers was 6.2% and for the number of branches was 1.4% for the last 5 years.
### Table 4.5 Business Performance

<table>
<thead>
<tr>
<th>Year</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>Average Increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>Annual increase</td>
<td>%</td>
<td>%</td>
<td>%</td>
<td>%</td>
<td>%</td>
<td>%</td>
</tr>
<tr>
<td>Number of Vehicles</td>
<td>7.9</td>
<td>8.6</td>
<td>12.6</td>
<td>12.9</td>
<td>10.5</td>
<td></td>
</tr>
<tr>
<td>Number of Employees</td>
<td>17.4</td>
<td>18.9</td>
<td>19.4</td>
<td>20</td>
<td>18.9</td>
<td></td>
</tr>
<tr>
<td>Number of Customers</td>
<td>4.1</td>
<td>5.6</td>
<td>7.2</td>
<td>7.9</td>
<td>6.2</td>
<td></td>
</tr>
<tr>
<td>Number of branches</td>
<td>1.4</td>
<td>1.7</td>
<td>1.7</td>
<td>1.9</td>
<td>1.4</td>
<td></td>
</tr>
<tr>
<td>Nation-Wide</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### 4.5 Modeling

The data analysis followed a two-step approach. First the measurement model was assessed and analyzed to confirm construct validity. The second step involved establishing the relationships between all latent variables using structural equation modeling (SEM). PLS algorithm and Bootstrapping algorithm was run in Smart PLS 2.0.

#### 4.5.1 Measurement model

The confirmatory factor analysis was conducted in order to assess the extent to which the observed data fits the pre-specified theoretically driven model. The model fits for the measurement model in partial least squares (PLS) were validated using four criteria. These were construct uni-dimensionality, construct reliability, convergent validity and discriminant validity (Hair et al, 2011).

#### 4.5.2 Construct Uni-dimensionality

Construct uni-dimensionality was initially assessed by verifying that the measurement items measured the specific construct. Further construct uni-dimensionality was performed through the verification of the cross loadings of scales and constructs to ensure that the scales loaded heavily on the relevant constructs. All the loadings and cross loadings were adequate and demonstrated construct uni-dimensionality as indicated in table 4.6.
Table 4.6 Cross loading

<table>
<thead>
<tr>
<th>Items</th>
<th>Creativity</th>
<th>Innovativeness</th>
<th>Performance</th>
<th>Risk taking</th>
<th>T value</th>
<th>P value</th>
</tr>
</thead>
<tbody>
<tr>
<td>BP1</td>
<td>0.9694</td>
<td>0.9665</td>
<td>0.9219</td>
<td>0.6827</td>
<td>225.848</td>
<td>0.000</td>
</tr>
<tr>
<td>BP2</td>
<td>0.9645</td>
<td>0.9695</td>
<td>0.9286</td>
<td>0.6586</td>
<td>188.527</td>
<td>0.000</td>
</tr>
<tr>
<td>BP3</td>
<td>0.9219</td>
<td>0.9695</td>
<td>0.7453</td>
<td>0.2168</td>
<td>74.538</td>
<td>0.000</td>
</tr>
<tr>
<td>BP4</td>
<td>0.6827</td>
<td>0.7453</td>
<td>0.2168</td>
<td>0.000</td>
<td>21.688</td>
<td>0.000</td>
</tr>
<tr>
<td>CR1</td>
<td>0.8022</td>
<td>0.7168</td>
<td>0.9295</td>
<td>0.7959</td>
<td>27.146</td>
<td>0.000</td>
</tr>
<tr>
<td>CR2</td>
<td>0.7168</td>
<td>0.7168</td>
<td>0.7453</td>
<td>0.2168</td>
<td>11.108</td>
<td>0.000</td>
</tr>
<tr>
<td>CR3</td>
<td>0.7783</td>
<td>0.7783</td>
<td>0.7453</td>
<td>0.2168</td>
<td>22.590</td>
<td>0.000</td>
</tr>
<tr>
<td>CR4</td>
<td>0.8409</td>
<td>0.8409</td>
<td>0.7453</td>
<td>0.2168</td>
<td>35.097</td>
<td>0.000</td>
</tr>
<tr>
<td>CR5</td>
<td>0.7959</td>
<td>0.7959</td>
<td>0.7453</td>
<td>0.2168</td>
<td>31.981</td>
<td>0.000</td>
</tr>
<tr>
<td>IN10</td>
<td>0.6399</td>
<td></td>
<td></td>
<td>0.5413</td>
<td>3.228</td>
<td>0.002</td>
</tr>
<tr>
<td>IN5</td>
<td>0.5321</td>
<td></td>
<td></td>
<td>0.9103</td>
<td>3.975</td>
<td>0.000</td>
</tr>
<tr>
<td>IN6</td>
<td>0.8585</td>
<td></td>
<td></td>
<td>0.6584</td>
<td>7.303</td>
<td>0.000</td>
</tr>
<tr>
<td>IN7</td>
<td>0.6584</td>
<td></td>
<td></td>
<td>0.8609</td>
<td>3.247</td>
<td>0.002</td>
</tr>
<tr>
<td>IN8</td>
<td>0.8609</td>
<td></td>
<td></td>
<td>0.8391</td>
<td>7.491</td>
<td>0.000</td>
</tr>
<tr>
<td>IN9</td>
<td>0.8391</td>
<td></td>
<td></td>
<td></td>
<td>5.324</td>
<td>0.000</td>
</tr>
<tr>
<td>RT1</td>
<td></td>
<td></td>
<td></td>
<td>0.5413</td>
<td>2.187</td>
<td>0.031</td>
</tr>
<tr>
<td>RT3</td>
<td></td>
<td></td>
<td></td>
<td>0.9103</td>
<td>2.287</td>
<td>0.024</td>
</tr>
<tr>
<td>RT4</td>
<td></td>
<td></td>
<td></td>
<td>0.6586</td>
<td>2.327</td>
<td>0.022</td>
</tr>
<tr>
<td>RT5</td>
<td></td>
<td></td>
<td></td>
<td>0.9353</td>
<td>2.149</td>
<td>0.034</td>
</tr>
</tbody>
</table>

4.5.2 Construct Reliability

Construct reliability was assessed by computing the composite reliability and the Cronbach’s alpha of the constructs. Composite reliability measures were evaluated by using Smart PLS. The Cronbach alphas were all above the 0.6 threshold as specified for PLS analysis (Hair et al., 2010) indicating good reliability and composite reliability of reflective items were all above the acceptable 0.7 threshold which means all the variables in the study exhibited construct reliability. All constructs were viewed to have acceptable reliability levels because the composite reliability scores for all constructs were above the 0.7 threshold. Details of construct reliability are presented in Table 4.7.
### Table 4.7 Reliability of Constructs

<table>
<thead>
<tr>
<th>Construct</th>
<th>Number of items</th>
<th>Composite Reliability &gt;0.7</th>
<th>Cronbach’s Alpha &gt;0.6</th>
<th>Items removed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Creativity</td>
<td>5</td>
<td>0.891</td>
<td>0.855</td>
<td>CR6,CR7,CR8,CR9,CR10</td>
</tr>
<tr>
<td>Innovativeness</td>
<td>6</td>
<td>0.869</td>
<td>0.848</td>
<td>IN1,IN2,IN3,IN4</td>
</tr>
<tr>
<td>Performance</td>
<td>4</td>
<td>0.939</td>
<td>0.914</td>
<td>None</td>
</tr>
<tr>
<td>Risk taking</td>
<td>4</td>
<td>0.855</td>
<td>0.887</td>
<td>RT2,RT6,RT7,RT8,RT9,RT10</td>
</tr>
</tbody>
</table>

#### 4.5.3 Convergent Validity.

Convergent validity refers to the degree to which two or more items that measure a construct in theory converge or share high proportion of variance in reality. It is measured by three measures; factor loadings, composite reliability (CR) and average variance extracted (AVE). Convergent validity is achieved if composite reliability values for the construct are least 0.7 and the average variance extracted (AVE) are at least 0.5 (Hair et al., 2010). Also all factor loadings should be statistically significant and should be above 0.5, as indicated in table 4.6, 4.7 and 4.8.

### Table 4.8 Convergent Validity

<table>
<thead>
<tr>
<th>Construct</th>
<th>Number of items</th>
<th>Average Variance Extracted (AVE)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Creativity</td>
<td>5</td>
<td>0.621</td>
</tr>
<tr>
<td>Innovativeness</td>
<td>6</td>
<td>0.599</td>
</tr>
<tr>
<td>Performance</td>
<td>4</td>
<td>0.796</td>
</tr>
<tr>
<td>Risk taking</td>
<td>4</td>
<td>0.607</td>
</tr>
</tbody>
</table>

#### 4.5.4 Discriminant Validity.

Discriminant Validity is the extent to which items measuring one construct differentiate from items measuring other constructs. There are two criteria to assess the discriminant Validity. The first criterion is that the inter-construct correlation should not be higher than 0.9. The second criterion is the square root of the Average Variance Extracted (AVE) of the construct should be larger than its correlation with the other constructs. As in correlation matrix
illustrated in Table 4.9 the diagonal elements are the square root of the average variance extracted of all the latent constructs. The discriminant validity is assumed if the diagonal elements are higher than other off-diagonal elements in their rows and columns. This situation is apparently the case in the correlation matrix and thus the discriminant validity is confirmed.

**Table 4.9 Discriminant Validity**

<table>
<thead>
<tr>
<th></th>
<th>Creativity</th>
<th>Innovativeness</th>
<th>Performance</th>
<th>Risk taking</th>
</tr>
</thead>
<tbody>
<tr>
<td>Creativity</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Innovativeness</td>
<td>0.1079</td>
<td>0.774</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Performance</td>
<td>0.2931</td>
<td>0.1774</td>
<td>0.892</td>
<td></td>
</tr>
<tr>
<td>Risk taking</td>
<td>0.498</td>
<td>0.2018</td>
<td>0.1359</td>
<td>0.779</td>
</tr>
</tbody>
</table>

### 4.6 Structural Model Estimation

Having established the validity and the reliability of the measurement model, the next step was to test the hypothesized relationship by running PLS algorithm and Bootstrapping algorithm in Smart PLS 2.0.
Figure 4.6: Items loadings and path coefficient
Creativity and Business performance

Creativity was found to have a positive and statistically significant relationship with business performance. The path coefficient was positive and significant at the 0.05 level (β=0.481, T-value =5.478 p<0.05) as indicated in table 4.10 and figure 4.6 and 4.7. The positive
relationship means if, creativity increases by 1, business performance in will increase by 0.481.

**Innovativeness and Business performance**

Innovativeness was found to have a positive and statistically significant relationship with business performance. The path coefficient was positive and significant at the 0.05 level ($\beta=0.160$, T-value =3.255 $p<0.05$) as indicated in table 4.10 and figure 4.6 and 4.7. The positive relationship means if, innovativeness increases by 1, business performance in will increase by 0.160.

**Risk Taking and Business performance**

Risk Taking was found to have a positive and statistically significant relationship with business performance. The path coefficient was positive and significant at the 0.05 level ($\beta=0.343$, T-value =3.691 $p<0.05$) as indicated in table 4.10 and figure 4.6 and 4.7. The positive relationship means if, risk taking measures increases by 1, business performance in will increase by 0.343.

**4.6 Predictive Relevance of the Model**

The quality of the structural model can be assessed by $R^2$ which shows the variance in the endogenous variable that is explained by the exogenous variables. Based on the results reported in figure 4.6, the $R^2$ was found to be 0.316 indicating that creativity, innovativeness and risk taking can account for 31.6% of the variance in the business performance.

**4.7 Chapter Summary**

The research results and findings indicated that all the entrepreneurial competencies were statistically significant indicators and have a positive influence on performance. This means that increase in the extent of innovativeness, creativity and risk taking, will lead to increased performance in the public transport industry. The combined effect of the competencies to performance of the industry is also positive and is a statistically significant indicator of performance with a coefficient estimate of 0.316 and significance of 5% level which means if innovativeness, creativity and risk taking increase by 1, industry performance will increase by 0.316. The next chapter will provide discussions of the findings, conclusions drawn from the findings and suggest recommendations for application by the public industry and opportunities for further studies by scholars.
CHAPTER FIVE

5.0 DISCUSSION, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

The purpose of this chapter is to discuss on the findings of the main objective of the study which is to examine the effect of entrepreneurial competencies on business performance of Kenya's public transport industry, a survey study of General Motors' entrepreneurs. The chapter will also draw conclusions from the findings and make appropriate recommendations.

5.2 Summary of Findings

The purpose of this study is to examine the effect of entrepreneurial competencies on the performance of businesses in Kenya's public transport industry a survey study of General Motors' entrepreneurs. The relationship was examined by seeking to answer the following research objectives; (1) To find out the effect of innovativeness on business performance, (2) To examine the effect of Creativity on business performance, (3) To investigate the effect of risk taking on business performance.

The study adopted a descriptive design where a survey technique was carried out to collect data from various entrepreneurs in the public transport industry with an estimated population of 190 and a sample population of 99 respondents. The response rate was 95% with 95 of the respondents giving feedback. The tool used to collect data was a structured questionnaire comprising of 40 questions developed by the researcher. Data gathered from the questionnaires was quantitatively analyzed through the use of SPSS (Statistical Package for Social Sciences). The analysis tool (SPSS) generated descriptive statistics and inferential statistics for easy interpretation of data and the results were then presented using tables, charts and graphs.

The study found that there was a strong linear correlation between all the variables and the level of business performance. Innovativeness was found to have a positive and statistically significant relationship with business performance. The path coefficient was positive and significant at the 0.05 level (β=0.160, T-value =3.255 p<0.05) as indicated in table 4.10 and figure 4.6 and 4.7. The positive relationship means if, innovativeness increases by 1, business performance in will increase by 0.160. Creativity was found to have a positive and
statistically significant relationship with business performance. The path coefficient was positive and significant at the 0.05 level (β=0.481, T-value =5.478 p<0.05) as indicated in table 4.10 and figure 4.6 and 4.7. The positive relationship means if, creativity increases by 1, business performance in will increase by 0.481. Risk Taking was found to have a positive and statistically significant relationship with business performance. The path coefficient was positive and significant at the 0.05 level (β=0.343, T-value =3.691 p<0.05) as indicated in table 4.10 and figure 4.6 and 4.7. The positive relationship means if, risk taking measures increases by 1, business performance in will increase by 0.343.

The quality of the structural model can be assessed by R² which shows the variance in the endogenous variable that is explained by the exogenous variables. Based on the results reported in figure 4.6, the R² was found to be 0.316 indicating that creativity, innovativeness and risk taking can account for 31.6% of the variance in the business performance.

5.3 Discussion

5.3.1 Innovativeness on Business Performance
The first objective of the study was to determine the impact of innovativeness as an entrepreneurial competency on the performance in the public transport industry. According to the results from the findings, the findings showed innovativeness to have a positive and statistically significant relationship with business performance. The path coefficient was positive and significant at the 0.05 level (β=0.160, T-value =3.255 p<0.05). The study findings therefore reveal that innovativeness in the public transport industry influences industry performance. With innovativeness being considered a construct of EO, the findings were in line with the study findings of Tomas, Hult, Hurley and Knight (2009), in their study “innovativeness, its antecedents and impact on business performance”, found that market orientation, EO and learning orientation are key antecedents to innovativeness and that there is a direct relationship between innovativeness and business performance. Capra (2002), defined innovativeness as the willingness to adopt novelty and uniqueness through experimentation and creative processes that aim at developing new processes, products and services. With the above definition in mind, the study confirmed the findings of Woodside (2009), who concluded that innovativeness was statistically significant in affecting performance in Industrial marketing management.
When compared with previous studies on the relationship between entrepreneurial characteristics and business performance, Man et al (2008), provided an alternative means of approaching this issue by making use of a theoretical framework that links other constructs (organizational capabilities and competitive scope) with firm performance. When evaluating the contributions of entrepreneurial competencies in firm performance, it is also important to pay attention to other factors such as firm size and stages of industry development (Chell, 2013). The significant effect of innovativeness in the public transport industry can therefore be attributed to the stage of industry development which is a mature industry.

The findings support several empirical studies have found that firms with high EO perform better than firms with lower levels of EO, for instance Keh, Nguyen and Ng (2007), pointed out that EO has a crucial role in improving firm’s perceived performance measured by benchmarking the respondent’s own business performance against those of competitors based on profitability, sales growth, market share, and overall performance. Colombo and Grilli, (2005), view that in the context of entrepreneurship, competencies are particularly related to the birth, survival and/or growth of a venture. Research shows that an entrepreneur’s skills contribute to venture performance and growth (Lerner & Almor, 2002). In entrepreneurship and SME research the entrepreneur’s demographic, psychological and behavioural characteristics as well as their skills and technical know-how are often cited as the most influential factors to performance.

From the findings, 87% of the respondents agreed that they do manage ambiguity in new idea implementation, a psychological characteristic that is an influential factor to business performance. Literature highlights two different mechanisms through which competencies can affect performance. First, the more competent entrepreneurs choose to exploit better venture opportunities, the quality of opportunity and the fit matter equally. Second, management competencies are related to venture strategy, the more competent entrepreneurs can formulate superior strategies that fit their business. This literature can be supported with the findings that 94% of the respondents plan in advance so as to foresee challenges and opportunities and 94% marshal resources so as to exploit an opportunity in business.

5.3.2 Creativity on Business Performance

The second objective of the study was to determine the impact of creativity as an entrepreneurial competency on the performance in the public transport industry. According to
the results from the findings, the path coefficient was positive and significant at the 0.05 level ($\beta=0.481$, T-value =5.478 $p<0.05$). The positive relationship means if, creativity increases by 1, business performance in will increase by 0.481. The findings therefore reveal that creativity in the public transport industry influences performance and are in line with the findings of Gong, Huang and Farh (2009), who examined the relationship between employee creativity and job performance. The study revealed employee creativity was positively related to employee sale and to supervisor related employee job performance.

From the findings, 88% of the respondents agreed that they continuously think of new ideas to discover business opportunities. The findings correspond to Sarasvathy (2008), whose effectuation theory suggests that under conditions of uncertainty, entrepreneurs adopt a decision logic that is different to that explicated by a traditional, more rational model of entrepreneurship (called “causation” in Sarasvathy’s writings). Additionally, 86% confirmed that they do think outside the box in finding solutions, when faced with new challenges, and 84% agreed on coming up with new and different solutions to already existing problems in the industry. These findings are supported by Barrett, Balloun and Weinstein (2005), studied the impact of creativity in non-profits and how the creative climate affects LO and its relationship to organizational performance. The results of the study indicated that sound use of creativity can improve on planning, implementation and control by the nonprofit organization executives which improve on performance as a consequence. To further support their views, 93% of the respondents confirmed to have formed unlikely partnerships so as to achieve their targets. This can be termed as a process of exploiting unlikely opportunities so as to achieve a common goal between parties.

Chell (2013), Creativity in an entrepreneur is critical. It results in major exhibits such as; Knowledge - having relevant understanding an individual brings to bear on a creative effort; Creative thinking - which shows how people approach problems and depends on personality and thinking style and Motivation - acting on an intrinsic passion that drives one to perform better. 75% agreed to continuous rebranding so as to retain and acquire new clients. 86% of the respondents charge affordable prices for quality services to ensure customer loyalty and 66% agreed that they do a feasibility study to enable them to choose their current market. Additionally 98% agreed that the business environment is very competitive and despite this competitive nature, 88% confirmed that their businesses have expanded with little setbacks and 51% confirmed that they introduced new technology and prices simultaneously. The
study findings support those by Sawyer (2006), who focused on three defining traits of group creativity; Improvisation, collaboration and emergence in both music and theatre. He concluded that high improvisations levels in a group led to more creative performances that appeared to give rise to structure and better performance, as opposed to low levels of improvisations that were less creative with lowered and as consequence lowered performance.

5.3.3 Risk Taking on Business Performance

The final objective of the study was to determine the extent of risk on business performance. Dhliwayo and Vuuren (2007), in the same light define risk taking as an important element of the strategic entrepreneurial mindset. This is because risk-taking is essential for the success and growth of a business, which is based on how entrepreneurs perceive and manage the risks in their environment. Risk Taking was found to have a positive and statistically significant relationship with business performance. The path coefficient was positive and significant at the 0.05 level ($\beta=0.343$, $T$-value $=3.691$ $p<0.05$). The positive relationship means if, risk taking measures increases by 1, business performance in will increase by 0.343. The study findings are in line with those of Boyd and De Nicolo (2014). While measuring financial expertise of the board, risk taking and performance from Bank holding companies in the U.S showed that it is positively related to balance sheet and market based measures of risk especially in the run-up to the 2007/2008 financial crisis.

Baird and Thomas (1985), noted three different types of risk, undertaking into the unknown, committing a relatively large portion of assets and borrowing heavily. The findings confirm the study findings by Nieuwenhuizen and Kroon (2002), which revealed a strong relationship between the willingness to take risks (risk tolerance) and entrepreneurial business success. Janney and Dess (2006), risk-taking decisions are more apparent in the new venture-creation process. Based on this argument, they make a conclusion with regards to three dimensions of the risk construct, which are: risk as a variance; risk as a downside loss and bankruptcy; and risk as an opportunity. Morris et al (2013), Entrepreneurs perform activities such as developing challenging but achievable vision, formulating strategies, perceiving unmet customer needs, scanning the environment, spotting high quality opportunities and producing superior products or services. This is in line from the study findings that 87% of the respondents agreed that taking un calculated risk is part of their daily routine and 78% of the
respondents also agree that they are usually the first to undertake new profitable ventures part of their daily routine.

Brockman, Jones and Becherer, (2012), overall positive influence in customer orientation on performance indicates that the influence is stronger as risk taking, innovativeness and opportunity focus increases. This is in line with the study findings that 79% of the respondents concurred to having special alertness to profitable ventures. 63% of the respondents have been in the transport business for less than 5 years with 87% of the respondents agreeing to undertaking uncalculated risks. These findings are supported by Walls (2005), who found that firms in the high risk tolerance category performed significantly better than the firms less willing to take financial risk especially in U.S petroleum industry.

This view takes a resource based view of the firm. The study findings confirm Naldi, Nordqvist, Sjöberg, and Wiklund (2007), study focused on the importance of risk taking as a dimension of EO and its impact on family firms where the results indicated risk taking to be negatively related to performance. The industry has a steady growth of 10.5% in number of vehicles, 18.9% in the number of employees, 6.2% in the number of customers, and 1.4% in the number of branches, in the last 5 years. This is generally an increase in performance despite respondents agreeing that the industry is very competitive in nature.

5.4 Conclusion

5.4.1 Introduction

As this study showed the definition of entrepreneurship is not an easy task given the sheer breadth of the subject. This study investigated the effect of entrepreneurial competencies on the performance of businesses in Kenya's public transport industry, a survey study of General Motors entrepreneurs. The literature review demonstrates that the entrepreneurial competencies can be classified into ten areas of competencies which are strategic, conceptual, learning, opportunity, ethical, organizing and leading, relationship, technical, operational and personal competencies. Such competencies show both direct and indirect influence on performance of enterprises. All of these factors have varying strengths in their linkages to business performance in Kenya’s public transport industry.
5.4.2 Effect of Innovativeness on Business Performance

There is a strong positive correlation between innovativeness and business performance. This supports literature that backs up the use of innovativeness to increase business performance. There shows a clear indication that in order for entrepreneurs to succeed in the transport industry, they must be actively engaged in some form of innovativeness at the start of their businesses. The study findings therefore indicate that if innovativeness is incorporated in the public transport industry, it will lead to improved performance. Innovativeness in this industry is manifested specifically in the matatu industry in a number of ways including the shapes of the vehicles, the audio and visual systems used, additional comforts such as wifi, power sockets, and some vehicles also have water dispensers for their customers. All these features are used as a way to facilitate the attainment of competitive advantages for the entrepreneurs, as they are more appealing to clients.

5.4.3 Effect of Creativity on Business Performance

There is a strong positive correlation between creativity and business performance. This translates to as creativity increases and has a significant positive effect on the business performance. This also can indicate that if the transport industry puts more effort in creativity, the resulting consequence will be an increase in industry performance. Entrepreneurs who possess the creativity competence will have an added competitive advantage as the industry itself is a very competitive one. However, this creativity competency can only be viewed to have a significant impact on performance in the matatu industry. This industry tends to place more efforts on creativity on the aesthetics of the vehicle and as a consequence, there is a pull with regards to customers. This eventually has a positive impact on cash flows.

5.4.3 Effect of Risk Taking on Business Performance

Risk taking has a strong positive correlation between risk taking and business Performance. As risk taking increases, performance also increases. The positive correlation can be attributed to the fact that the industry is a very competitive one and the individual entrepreneurs therefore have to take on risks to ensure their survival and their competitiveness is maintained. It is also notable from the study findings that most
entrepreneurs possess risk propensity as a personality trait during the early stage of entrepreneurship as they are the first to introduce new features.

5.5 Recommendations

The study has covered the findings, analysis and conclusions. It will now focus on how the study can actualize the significance which was introduced in chapter 1. This will be done by linking the results from chapter 4 with the conclusions in 5.4 above. It will be organised in terms of the recommendations for improvement and the recommendations for further studies.

5.5.1 Recommendations for Improvements

5.5.1.1 Innovativeness

Innovativeness is an important competency in ensuring improved business performance. In the public transport industry being innovative has a significant impact on performance. The industry stakeholders need to research in areas in which it can incorporate innovativeness so that entrepreneurs can incorporate it so as to gain a competitive advantage and hence improve performance. Entrepreneurial education on the incorporation of innovativeness in the industry will be an important step towards growing the industry. This will expose players and stakeholders to efficient and effective ways to handle industry parameters which in turn will make the industry more competitive, and improve performance as a consequence.

5.5.1.2 Creativity

Most successful entrepreneurs incorporate creativity in their businesses during uncertain times to gain a competitive advantage which as a result improves business performance. This is due to the fact that the industry is a highly competitive one with a lot of disruptions in the economy, political scene and environment. Key stakeholders in the industry should strategize on how to encourage more use creativity through EE. Each industry of the industry should come up with unique creative ways in which they can gain competitive advantages and increase on performance as a consequence.

5.5.1.3 Risk Taking

With the findings that risk taking is positively correlated to business performance in the public transport industry, entrepreneurs should adopt a culture of engaging in risky investments only when the market is not turbulent but has some level of certainty. The
pursuit of high risk, high reward investments should be pursued with caution and care. Risk diversification in different parts of the industry could be pursued instead by the entrepreneurs, to cushion against unexpected and un-mitigated slumps in the industry against. Entrepreneurs should also plan on potential risk implications on every venture they invest in by under taking surveys, conducting due diligence on these ventures and taking out insurance policies to act as buffers in times of depression and decreased business performance.

5.5.2. Recommendations for further research

A key element of the study was that it was based on business performance and not on the individual entrepreneurs' competency set. This is logical as the impact of entrepreneurial competencies concept is a business performance phenomena rather than an individual focused one. The study has covered a lot of work done by foreign authors on the subject of entrepreneurship and very limited work done by local authors. A number of gaps therefore have materialised in the research after the completion of the findings. Firstly, more work needs to be done on the concept of viable entrepreneurial competencies that are essential in the Kenyan public transport industry, that have a positive impact on business performance. Secondly, it is not clear from literature whether the appropriate competency set necessary for positive performance in this industry, can be acquired or is inherent in entrepreneurs. This is a literature gap that needs to be addressed. Lastly, the study used subjective data in measuring business performance as all the respondents are one region - Nairobi County. It is therefore not clear, if objective data used from entrepreneurs from other areas of the country, would give similar findings.
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positive psychological capital and creative performance”, *Canadian Journal of Administrative Sciences*, Volume 28, Issue 1, 4–13


APPENDICES

Letter of Introduction

RE: Request To Collect Research Data

Dear Respondent,

I am a graduate student at United States International University pursuing Masters in Business Administration (MBA). I am carrying out research on “The effect of entrepreneurial competencies on the performance of Kenya’s transport Industry: A Survey Study of General Motors Entrepreneurs” which is in partial fulfillment of the requirement of the Degree of Masters in Business Administration (MBA) at United States International University-Africa.

This study will benefit investors/entrepreneurs (such as yourself) by providing information regarding the competencies which they need to harness to have successful businesses; as well as identifying the risks they are likely to encounter; and finally, the results of the study will provide a basis for them to create opportunities for greater business success.

This is an academic research and confidentiality is strictly emphasized, your name will not appear anywhere in the report and the research will only be used for academic purposes. Kindly spare some time to complete the questionnaire attached.

Yours sincerely,

Debrah Ndiwa Kimeu

(Researcher) USIU-Africa
**Questionnaire**

Please read carefully and answer the questions to the best of your ability and as honestly as you can. Kindly note that there is no correct or wrong answer, however, your answers will be invaluable to the accomplishment of the objectives of the study. The researcher reiterates that your participation will be completely anonymous and the confidentiality of any information that you provide will be respected.

**SECTION A: BACKGROUND**

1. Gender
   - Male [ ]
   - Female [ ]

2. What is your age group?
   - [ ] 18 to 24
   - [ ] 25 to 34
   - [ ] 35 to 44
   - [ ] 45 to 54
   - [ ] above 55

3. Education level
   - [ ] College/University Diploma
   - [ ] Bachelor’s Degree
   - [ ] Master’s Degree
   - [ ] PhD
   - [ ] Other (Specify) ………………………………………………………………….

4. How long have you been conducting transport business?
   (Kindly tick one below):
   - [ ] Less than 3 years
   - [ ] 4-5 years
   - [ ] 6-7 years
   - [ ] Over 7 years

5. Nature of Vehicle ownership (kindly tick one below):
   - [ ] Individual
   - [ ] Joint/Group
   - [ ] Company
   - [ ] Other (Please specify) ………………………………………………………

6. What is the type of transport vehicle, and how many do you own? ……………………………
PART B: INNOVATIVENESS AFFECTING THE PERFORMANCE OF BUSINESSES

Kindly indicate with a tick (✓), the extent to which you agree with the following factors affecting the level of innovativeness in the transport industry.

On a scale from 1 to 7: 1 - Strongly disagree (SD), 2 – Disagree (D), 3 - Disagree somewhat (DS), 4 – Undecided (U), 5 - Agree somewhat (AS), 6 - Agree (A), 7 - Strongly agree (SA)

<table>
<thead>
<tr>
<th>S/No</th>
<th>Statement</th>
<th>SD</th>
<th>D</th>
<th>DS</th>
<th>U</th>
<th>AS</th>
<th>A</th>
<th>SA</th>
</tr>
</thead>
<tbody>
<tr>
<td>IN1</td>
<td>I manage ambiguity of uncertainty in the implementation of a new idea</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>IN2</td>
<td>Expanding to new areas of the transport sector ensures I stay competitive</td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>IN3</td>
<td>I allocate some funds yearly for research and development</td>
<td></td>
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<td></td>
</tr>
<tr>
<td>IN4</td>
<td>I continually embrace and modify available technology to remain on top of competition such as tracking devices</td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>IN5</td>
<td>I continually seek new markets since the market I serve are satisfied</td>
<td></td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>IN6</td>
<td>I conduct a market survey to capture customer requirements before providing them with my services</td>
<td></td>
<td></td>
<td></td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>IN7</td>
<td>I am financially literate and can analyze important statements so as to recognize successes and failures</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>IN8</td>
<td>All employees are encouraged to table their ideas and thoughts that will improve firm's performance</td>
<td></td>
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<tr>
<td>IN9</td>
<td>I always plan my year in advance so as to foresee challenges and opportunities</td>
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<tr>
<td>IN10</td>
<td>I marshal resources through assembling and organizing so as to exploit an opportunity</td>
<td></td>
<td></td>
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<td></td>
<td></td>
</tr>
</tbody>
</table>
## PART B: CREATIVITY AFFECTING THE PERFORMANCE OF BUSINESSES

Kindly indicate with a tick (✓), the extent to which you agree with the following factors affecting the level of creativity in the transport industry.

On a scale from 1 to 7: 1 - Strongly disagree (SD), 2 – Disagree (D), 3 - Disagree somewhat (DS), 4 – Undecided (U), 5 - Agree somewhat (AS), 6 - Agree (A), 7 - Strongly agree (SA)

<table>
<thead>
<tr>
<th>S/No</th>
<th>Statement</th>
<th>SD</th>
<th>D</th>
<th>DS</th>
<th>U</th>
<th>AS</th>
<th>A</th>
<th>SA</th>
</tr>
</thead>
<tbody>
<tr>
<td>CR1</td>
<td>I continuously think of new ideas to discover business opportunities</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CR2</td>
<td>I am able to think outside the box when faced with challenging situations</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CR3</td>
<td>I come up with new and different solutions to existing problems in the transport industry</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CR4</td>
<td>I have formed unlikely partnerships so as to achieve targets</td>
<td></td>
<td></td>
<td></td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CR5</td>
<td>I ensure that I retain and acquire new clients through continuous rebranding</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CR6</td>
<td>I ensure customer loyalty through provision quality services at affordable prices</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CR7</td>
<td>I chose my current market through a feasibility study and observing the market</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CR8</td>
<td>The business environment is very competitive</td>
<td></td>
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<tr>
<td>CR9</td>
<td>I introduce new technology and adjust prices at the same time</td>
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<tr>
<td>CR10</td>
<td>My business has expanded greatly since I begun with little setbacks</td>
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</tbody>
</table>
**PART C: RISK TAKING AFFECTING THE PERFORMANCE OF BUSINESSES**

Kindly indicate with a tick (✓), the extent to which you agree with the following factors affecting the level of risk in the transport industry.

On a scale from 1 to 7: 1 - Strongly disagree (SD), 2 – Disagree (D), 3 - Disagree somewhat (DS), 4 – Undecided (U), 5 - Agree somewhat (AS), 6 - Agree (A), 7 - Strongly agree (SA)

<table>
<thead>
<tr>
<th>S/No</th>
<th>STATEMENT</th>
<th>SD</th>
<th>D</th>
<th>DS</th>
<th>U</th>
<th>AS</th>
<th>A</th>
<th>SA</th>
</tr>
</thead>
<tbody>
<tr>
<td>RT1</td>
<td>I can distinguish between profitable and non-profitable opportunities</td>
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<td>RT2</td>
<td>Taking un-calculated risk is part of my daily routine</td>
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<td>RT3</td>
<td>Am always the first one among my competitors to take on new profitable ventures</td>
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<tr>
<td>RT4</td>
<td>All the ventures I undertake are carefully thought out and first tried and tested</td>
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<tr>
<td>RT5</td>
<td>I apportion a large portion of the profits in investing in high risk-high reward investments</td>
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<td>RT6</td>
<td>Most ventures I invest in are short term</td>
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<td>RT7</td>
<td>I tend to diversify most of my investments in different sectors of the transport industry</td>
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<tr>
<td>RT8</td>
<td>I have a special alertness or sensitivity toward profitable opportunities</td>
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<tr>
<td>RT9</td>
<td>I undertake most of the investments without consulting anyone for advice</td>
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<tr>
<td>RT10</td>
<td>I believe distinguishing high-value opportunities from low-value ones is important</td>
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</table>
PART D: BUSINESS PERFORMANCE

19. Please indicate the following numbers relating to your business in the last five years

<table>
<thead>
<tr>
<th>Year / Item</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of Vehicles</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number of Employees</td>
<td></td>
<td></td>
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<tr>
<td>Number of Customers</td>
<td></td>
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<tr>
<td>Number of branches Nation-Wide</td>
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</tbody>
</table>

THANK YOU FOR YOUR PARTICIPATION