



**EFFECT OF ENTREPRENEURIAL ORIENTATION ON THE PERFORMANCE OF
SMALL AND MEDIUM SIZE ORGANIZATIONS IN NAIROBI CITY COUNTY,
KENYA**

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ABSTRACT

In Kenya, small and medium-sized enterprises (SMEs) generate 80% of new jobs, form a new middle class, and stimulate the demand for new goods and services. However, the performance of these firms has deteriorated over decades and recently during the COVID-19 pandemic, they were the most affected. Kenya National Bureau of Statistics (2016) reported the closure of 2.2 million SMEs in the five years ending in 2016 leading to increased focus on the reasons SMEs are not able to adapt to market conditions. The general objective of the study is to assess the effect of entrepreneurial orientation on the performance of small and medium size organizations in Nairobi city county, Kenya. Specifically, the study sought to find out the effect of Risk-taking ability on the Performance of Small and Medium Size Organizations in Nairobi city county, Kenya and to explore the influence of competitive aggressiveness on the Performance of Small and Medium Size Organizations in Nairobi city county, Kenya. This study adopted a descriptive research design. In this study the unit of analysis was Small and Medium Size Organizations in Nairobi City County while the unit of observation was 100 SME owners/managers. Since the population is infinite, purposive sampling of 100 SMEs were used. This research used a questionnaire to collect primary data. Ten questionnaires were piloted that represented 10% of the target population. The pilot group was selected from Kiambu County because they share similar characteristics with its neighbor, Nairobi County. The study collected quantitative data which was analysed using descriptive and inferential statistics using the Statistical Package for Social Sciences (SPSS) version 24. Multivariate linear regression was used to determine the relationship between the dependent and independent variables. The study results were presented through use of tables and figures. The study concludes that risk taking ability has a significant effect on performance of small and medium size organizations in Nairobi city county, Kenya. The study also concludes that competitive aggressiveness has a significant effect on performance of small and medium size organizations in Nairobi city county, Kenya. From the findings, this study recommends that SME managers should give priority to risk taking ability and competitive aggressiveness.

Key words: risk taking ability, competitive aggressiveness, Performance

Background of the Study

In almost all economies, small businesses are vital for sustained growth. Evidence available indicates that Small and Micro enterprises played a major role in the growth and development of all leading economies in Asia (OECD, 2017a). In United States of America (US), small businesses provide approximately 75 percent of the net jobs added to the economy and represent 99.7 percent of all employers. There were approximately 22.9 million small businesses in 2002 in US. According to Uganda Bureau of Statistics (2014), the value of goods and services created or generated by small and medium enterprises was USD 1,363,733 million of the total USD 2,360,157 million; thus a contribution of 58%. They employed 2,704,127 people, representing 56% of employment size.

In addition, they are responsible for human resource and entrepreneurial development, poverty alleviation and improved quality of life, resource mobilization, business adaptability and sustainability. The small and micro enterprises (SMEs) play an important role in the Kenyan Economy. According to the Economic Survey (2016), the sector contributed over 50 percent of new jobs created in the year 2015. Despite their significance, past statistics indicate that three out of five businesses fail within the first few months of operation (Kenya National Bureau of Statistics, 2017).

Chang and Li (2016) argue that entrepreneurship continues to gain an importance with the increased spread of capitalization and globalization. To provide abroad basis for rapid economic growth, statistics indicate that there is no better way to than to dramatically increase in the number of entrepreneurs in the society. SME sector is highly linked to entrepreneurship (Pretorius, Van Vuuren, 2015). Henning (2018) widely acknowledges the importance of a dynamic SME sector to economic growth. As a result, most bilateral and multi-bilateral agencies, governments and nongovernmental organizations have entrepreneurial training policies in place in order to assist entrepreneurship development

In Malaysia, SMEs accounted for 97.3 per cent of the total number of establishments. More importantly, the contribution of SMEs to Gross Domestic Product (GDP) increased from 29.4 per cent in 2005 to 32.5 per cent in 2011. It provides a significant contribution to the local people by offering employment opportunities, especially to the poor group and the underprivileged. In the recent period, the share of SMEs in employment increased further to 60 per cent (SME Annual Report, 2018). Tehseen and Hassan (2018) researched on impact of network attributes on firm's performances among Chinese and Indian entrepreneurs: a multi-group analysis. A total of 200 retailers and wholesale owners in Klang Valley, Malaysia participated in a face-to-face survey. The collected data were analyzed using Partial Least Squares Structural Equation Modelling (PLS-SEM) and multigroup analysis was performed to test the hypotheses developed. Findings revealed network attributes to have a positive impact on all four types of firms' performances among Chinese entrepreneurs. However, for Indian entrepreneurs, network attributes were found to have a positive impact only on perceived financial performance and perceived performance relative to competitors. A significant difference was also found between Chinese and Indian entrepreneurs regarding the impact of network attributes on perceived business performance.

In Israel, Farja, Gimmon, and Greenberg (2016) focused on effects of entrepreneurial orientation on SMEs growth and export and found that entrepreneurial proactiveness strongly affect SME growth as well as firm expansion to international markets, signifying that lower level of proactiveness translated into low firm growth. In England, Simon, Stachel, and Covin (2011) found that EO and commitment to organizational objectives enhanced sales growth and determined that commitment to objectives was associated with greater increased sales growth of companies high in EO, as compared to those low in EO. In Norway, Grande, Madsen, and Borch (2019) found that firms get better performance in the long run as a result of engaging in entrepreneurial efforts and activities enabling firms to create, reconsider, and apply their resources in more efficient ways.

In East Africa region, Eijdenberg, Paas, and Masurel (2015) investigated the effects of Enterprise Orientation on firm performance in Rwanda and stated that entrepreneurial orientation/motivation is positively correlated with positive firm performance. In Tanzania, Okangi (2019) focused on how critical Enterprise Orientation is to firm profitability and stated that there is a positive relationship when innovativeness is related to firm growth of firms in Tanzania's construction firms. In Uganda, Lawgiving, Namatovu, and Dawa (2018) found that Enterprise Orientation is positively correlated with firm performance.

Small and Medium Sized Enterprises (SMEs) plays a critical role in development of any economies and particularly in developing countries. In Kenya, SMEs create 80 percent of employment, establish a new middle class and stimulate the demand for new goods and services. Most SMEs fall under the informal sector. The informal sector is estimated to constitute 98 percent of business in Kenya, contributing 30 percent of jobs and 3 percent of Kenya's GDP (Kaberia & Muathe, 2021). This therefore explains the increased interest in the performance of these firms. However, the performance of these firms have deteriorated over decades and recently during the COVID-19 pandemic, they were the most affected. Kenya National Bureau of Statistics (2016) reported the closure of 2.2 million SMEs in the five years ending in 2016 leading to increased focus on the reasons SMEs are not able to adapt to market conditions. Some scholars have argued that the death of SMEs is because of the perceived mindset of its owners identified as one of the major causes of SMEs failure rates. Others have said entrepreneurial mindset is an important success factor for SMEs without which a business will fail (Alasadi & Sabbagh, 2015; Tyoapine et al., 2016). However, the results obtained in previous research on entrepreneurial mindset are far from conclusive and there is need to progress research to add knowledge in this area.

Entrepreneurial orientation refers to the mindset and actions of an individual or organization that is focused on creating and pursuing new business opportunities. This can include identifying and developing new products or services, entering new markets, or finding new ways to create value for customers (Wales et al., 2020). Entrepreneurial orientation is often associated with small businesses and start-ups, but can also be present in larger organizations. It is considered a key driver of innovation and economic growth. Entrepreneurial orientation (EO) has been extensively studied in the literature as a potential driver of firm performance. According to the Entrepreneurial Orientation (EO) theory, EO is a set of behaviors and attitudes that encourage the pursuit of new opportunities and innovation. EO can be characterized by three dimensions: innovativeness, proactiveness, and risk-taking. Innovativeness refers to the firm's ability to introduce new products, services, or processes (Wales et al., 2020). Proactiveness refers to the firm's ability to take the initiative in identifying and seizing new opportunities. Risk-taking refers to the firm's willingness to engage in activities with uncertain outcomes.

Statement of the Problem

Small and Medium-Sized Enterprises (SMEs) play a crucial role in economic development, especially in developing nations. In Kenya, small and medium-sized enterprises (SMEs) generate 80% of new jobs, form a new middle class, and stimulate the demand for new goods and services. The majority of SME operations fall under the informal sector. It is estimated that the informal sector accounts for 98 percent of businesses in Kenya, 30 percent of jobs, and 3 percent of GDP. However, the performance of SMEs have come under sharp focus in the last decades. Kenya National Bureau of Statistics (2016) reported the closure of 2.2 million SMEs in the five years ending in 2016 leading to increased focus on the reasons SMEs are not able to adapt to market conditions. One Key concept that has been proposed to solve some of the challenges and foster performance of SMEs is the adoption of Entrepreneurial orientation. The phenomenon of entrepreneurial orientation (EO), as the driving force behind an organization's pursuit of entrepreneurial activity, has been the topic of more than three decades of research (Covin & Wales, 2012).

From both a theoretical and an empirical standpoint (Peris-Ortiz & Navarro-Garc'a, 2015). Moreover, has recently been identified as one of the most crucial aspects for the growth and profitability of a business (Rahim, Ahmed, & Faeq, 2018; Thottoli, Thomas, & Ahmed, 2019; Rahim, Ahmed, Sarkawi, Jaaffar, & Shamsuddin, 2019). Thus, growth can be related with the firm's innovativeness, proactiveness, and risk-taking behaviour, which constitutes dimension of entrepreneurial orientation.

Despite the importance of Entrepreneurial Orientation on firm performance, there have been limited literature specification focusing on its key aspects and role in the performance of SMEs in Kenya. Kosa et al., (2018), studied entrepreneurial orientation and venture performance. The finding of the study indicated that entrepreneurial orientation positively influences ventures performance. However, the study was conducted in Ethiopia and did not have specific focus on SMEs. Zina et al., study on entrepreneurial orientation also focused and general organizational performance and was conducted in Algeria. The study found that entrepreneurial orientation is positively related to firm performance. In Kenya, Macharia (2016) studied Entrepreneurial Orientation And Performance Of Pharmaceutical Firms In Nairobi City County. The findings revealed that innovativeness and risk taking were satisfactory variables in explaining performance of pharmaceutical firms. Abuya (2016) on the other hand researched entrepreneurial orientation and performance of Commercial Banks in Kenya and found a positive association. It is evident the existing studies have majorly ignored the association of entrepreneurial orientation and SMEs and instead focused on other sectors in general. Additionally, all the entrepreneurial orientation dimensions including innovativeness, proactiveness, risk taking and competitive aggressiveness have not been focused on exhaustively. This study therefore sought to fill these gaps by exploring the Effect of Entrepreneurial Orientation on the Performance of Small and Medium Size Organizations in Kenya.

General Objective

The general objective of the study was to assess the effect of entrepreneurial orientation on the performance of small and medium size organizations in Nairobi city county, Kenya

Research Objectives

- i. To find out the effect of Risk-taking ability on the Performance of Small and Medium Size Organizations in Nairobi city county, Kenya.
- ii. To explore the influence of competitive aggressiveness on the Performance of Small and Medium Size Organizations in Nairobi city county, Kenya.

Theoretical Review

This study was guided by Diffusion of Modern Portfolio Theory (MPT) and Game Theory

Modern Portfolio Theory (MPT)

Modern Portfolio Theory (MPT), also known as portfolio theory or portfolio management theory, was developed by economist Harry Markowitz in 1952. MPT is a quantitative framework that aims to maximize the expected return of a portfolio for a given level of risk or, alternatively, minimize the risk for a targeted level of return. The theory revolutionized investment management by introducing the concept of diversification and efficient portfolios (Adefulu, *et al*, 2018).

MPT emphasizes the importance of diversification in a portfolio. By investing in a variety of assets that are not perfectly correlated, the overall risk of the portfolio can be reduced. Diversification allows for the potential of higher returns without a proportionate increase in risk. MPT assumes that investors are risk-averse and seek to maximize their expected return for a given level of risk.

The expected return of a portfolio is the weighted average of the expected returns of its individual assets. Risk, in MPT, is measured by the standard deviation of returns (Bature, *et al*, 2018).

MPT distinguishes between systematic risk, which is the risk inherent to the entire market or an entire asset class, and unsystematic risk, which is specific to an individual security or a small group of securities. Diversification can eliminate unsystematic risk, leaving only systematic risk, which cannot be diversified away. However, MPT assumes that investors are rational and make decisions based on expected returns and risk. In reality, investor behavior is influenced by psychological factors and emotions (Pertheban, *et al*, 2023). This study will use modern portfolio theory (MPT) to assess the effect of Risk taking ability on the Performance of Small and Medium Size Organizations in Nairobi city county, Kenya.

Game Theory

Game theory was developed by John von Neumann (1928). The theory argues that in the context of business, players are the firms or entities involved in a competitive game. Strategies represent the choices or actions available to each player to achieve their objectives. Game Theory considers payoffs, which represent the benefits or losses associated with different outcomes. The outcomes are the results of the interactions among players based on their chosen strategies.

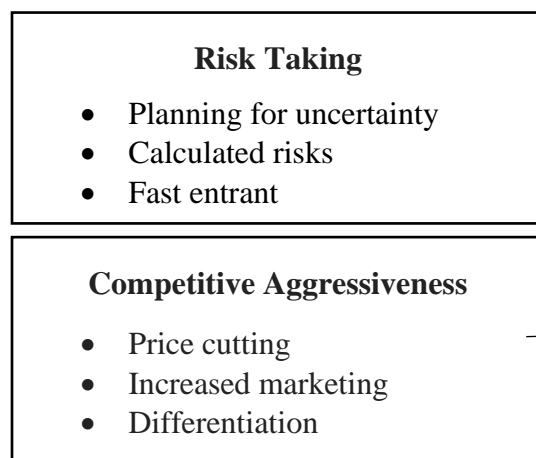
Nash Equilibrium is a key concept in Game Theory where no player has an incentive to unilaterally change their strategy given the choices of others. It represents a stable state in which the players' strategies are optimal responses to each other. Game Theory distinguishes between cooperative and non-cooperative games. In competitive aggressiveness, firms often engage in non-cooperative games where they act independently to maximize their individual payoffs (Stambaugh, *et al*, 2020).

Game Theory can model the strategic interactions among firms in competitive markets. Understanding how each firm's actions affect others and vice versa helps in predicting competitive outcomes. The Prisoner's Dilemma, a classic concept in Game Theory, illustrates situations where individual rational choices may lead to suboptimal outcomes for all players (Aigboje, 2018). Firms need to navigate such dilemmas to balance short-term gains with long-term strategic interests. Competitive aggressiveness often involves repeated interactions between firms. Game Theory can model these repeated games, where the strategies chosen in one period may impact future interactions. Building a reputation for aggressive or cooperative behavior becomes crucial (Bii, *et al*, 2023). This study will use game theory to explore the influence of competitive aggressiveness on the Performance of Small and Medium Size Organizations in Nairobi city county, Kenya.

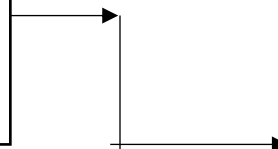
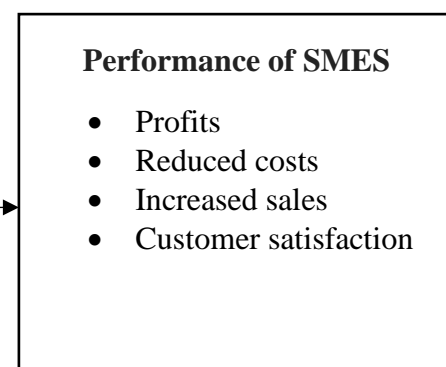
Conceptual Framework

The conceptual framework shows the interrelationships among the independent variables and dependent variable. Figure 1 presents the conceptual framework for this study.

Independent Variables



Dependent Variable



Risk taking involves a proactive approach to planning for uncertainty. Rather than avoiding or fearing the unknown, organizations embracing risk actively prepare for various scenarios. This includes scenario planning, sensitivity analysis, and developing contingency plans to mitigate the impact of unforeseen events. Planning for uncertainty is not about eliminating risks entirely but about building resilience and adaptability into the organizational fabric. While risk taking involves a willingness to venture into uncertain terrain, it is fundamentally about taking calculated risks. This strategic approach requires a thorough assessment of potential risks and rewards. Organizations weigh the potential downsides against the anticipated benefits, utilizing data, market insights, and strategic analysis to inform decision-making. The emphasis is on informed risk-taking rather than impulsive or arbitrary actions.

In the dynamic landscape of business, competitive aggressiveness emerges as a strategic imperative, encompassing key tactics such as price cutting, increased marketing efforts, and differentiation strategies. This approach reflects a proactive stance aimed at gaining a competitive edge and influencing market dynamics. One facet of competitive aggressiveness involves the strategic use of price cutting. Organizations deploy this tactic to directly impact the competitive landscape by offering products or services at lower prices than their rivals. This approach seeks to capture market share, attract price-sensitive consumers, and potentially create barriers for competitors. Price cutting is not merely a reactive response but a calculated move to position the organization as a cost leader and gain a competitive advantage.

RESEARCH METHODOLOGY

This study adopted a descriptive research design. This is a scientific method of investigation in which data is collected, processed, analyzed and presented in order to describe the current conditions, terms or relationships concerning a certain field (Mugenda, 2018).

The population of this study include all SMEs located in Nairobi City country. This number is large and hence can be considered infinite population. Since the population is infinite, purposive sampling of 100 SMEs were used. In this study the unit of analysis was Small and Medium Size Organizations in Nairobi City County while the unit of observation was 100 SME owners/managers.

Since the population is infinite, purposive sampling of 100 SMEs were used. Purposive sampling refers to a group of non-probability sampling techniques in which units are selected because they have characteristics that the researcher needs in your sample. In other words, units are selected “on purpose” in purposive sampling.

This research used a questionnaire to collect primary data. Structured questions were used to collect primary data from the field. Questionnaires were preferred because they are effective data collection instruments that allow respondents to give much of their opinions pertaining to the research problem (Dempsey, 2017). The study used the drop and pick later technique where respondents were allowed two weeks to fill in the questionnaires.

A pilot test was conducted to assess the questionnaire’s validity and reliability of the data that was collected. The subjects participating in the pilot study were not included in the final study to avoid survey fatigue. Ten questionnaires were piloted that represented 10% of the target population. The pilot group was selected from Kiambu County because they share similar characteristics with its neighbor, Nairobi County. Validity refers to the accuracy and meaningfulness of inferences, which are based on the research results. For the purpose of this study the researcher sought opinions of experts in the field of study especially the supervisors and project management lecturers to establish the validity of the research instrument. This facilitated necessary revision and modification of the research instrument thereby enhancing validity. The study applied the reliability analysis to assess internal consistency of the study variables. Cronbach’s Alpha coefficient was computed on all components of questionnaire and their assessment given

(Malhotra, 2017). Alpha of 0.7 and above was used as a threshold in this study (Cooper & Schindler, 2006; Hair *et al.*, 2010).

The study collected quantitative data from closed- ended questions. The analysis involved both the descriptive and inferential statistics using the Statistical Package for Social Sciences (SPSS) version 24. The collected data was further analyzed using multi linear regression to determine the relationship between the dependent and independent variables. The data presentation was done by use of tables and figures.

DATA ANALYSIS AND PRESENTATION

The sample size of the study was 100 respondents. The questionnaires were dropped off and picked up later after they were filled by the respondents. Out of 100 questionnaires which were distributed, 87 were duly filled and returned. The drop-off and pick-up-later method yielded the high response rate of 87%. According to Babbie (2017), a response rate of 75 per cent is adequate for analysis as well as making conclusions and inferences about a population. This implies that the response rate of 87% was adequate for analysis, drawing conclusions and reporting.

Pilot Study Results

A pilot test was conducted to assess the questionnaire's validity and reliability of the data that was collected. Ten questionnaires were piloted that represented 10% of the target population. The pilot group was selected from Kiambu County because they share similar characteristics with its neighbour, Nairobi County.

The study applied the reliability analysis to assess internal consistency of the study variables. Cronbach's Alpha coefficient was computed on all components of questionnaire and their assessment given (Malhotra, 2017). Alpha of 0.7 and above was used as a threshold in this study (Cooper & Schindler, 2006; Hair *et al.*, 2010).

As shown in Table 1, Innovativeness had an average Cronbach's reliability alpha of 0.819, Pro-activeness had a Cronbach's reliability alpha of 0.848, Risk taking ability had an average Cronbach's reliability alpha of 0.786, competitive aggressiveness had a Cronbach's reliability alpha of 0.848 and Organization performance had an average Cronbach's reliability alpha of 0.880. This shows that the study questionnaire met the reliability criteria ($\alpha > 0.7$).

Table 1: Reliability Test Results

Variable	Cronbach's Alpha	Interpretation
Risk taking ability	0.786	Reliable
competitive aggressiveness	0.848	Reliable
Organization performance	0.880	Reliable

Factor analysis was adopted to ascertain validity of the collection instruments. Tabachnick and Fidell (2017) validates the statement by arguing that EFA is used when a researcher wants to discover the number of factors influencing variables and to analyze which variables go together. This study considered loadings of 0.50 and above as the threshold for interpretations. A low value for communality less than 0.50 indicated that the variable does not fit well with the other variables in its component, and is undesirable according to Khoi (2017). The results were as shown in Table 2. The results show that Risk taking ability had an AVE of 0.512, competitive aggressiveness had an AVE of 0.521 and performance of small and medium size organizations in Nairobi city county had an AVE of 0.565. These finding showed that factor loadings were above the threshold of 0.50 adopted by the study that therefore implied that all the constructs were suitable for further analysis.

Table 2: Factor Analysis for all Variables

Variables	Average Factor Loading	Comment
Risk taking ability	.512	All items were accepted
competitive aggressiveness	.521	All items were accepted
Organization performance	.565	All items were accepted

Descriptive statistics

Risk taking ability and Organization Performance

The first specific objective of the study was to find out the effect of risk-taking ability on the performance of small and medium size organizations in Nairobi city county, Kenya. The respondents were requested to indicate their level of agreement on various statements relating to risk taking ability and performance of Small and Medium Size Organizations in Nairobi city county, Kenya. The results were as shown in Table 3.

From the results the respondents agreed that they encourage innovation and entrepreneurship by fostering a culture that embraces risk-taking (M=3.887, SD= 0.890). In addition, the respondents agreed that they actively seek out opportunities that involve some degree of uncertainty or risk (M= 3.870, SD= 0.695). Further, the respondents agreed that their company has a track record of successfully navigating and managing risks in the past (M=3.788, SD= 0.589). The respondents also agreed that employees are empowered to make decisions and take risks in pursuit of business objectives (M= 3.775, SD= 0.751). From the results, the respondents agreed that they recognize the importance of balancing risk-taking with prudent management practices (M= 3.767, SD= 0.943). In addition the respondents agreed that their company is willing to take calculated risks to pursue growth opportunities (M= 3.678, SD= 0.864). From the results, the respondents agreed that risk assessment and mitigation strategies are integrated into their decision-making processes (SD=3.599, SD=0.776).

Table 3: Risk taking ability and Organization Performance

	Mean	Std. Deviation
Our company is willing to take calculated risks to pursue growth opportunities.	3.678	0.864
We encourage innovation and entrepreneurship by fostering a culture that embraces risk-taking.	3.887	0.890
Employees are empowered to make decisions and take risks in pursuit of business objectives.	3.775	0.751
We actively seek out opportunities that involve some degree of uncertainty or risk.	3.870	0.695
Risk assessment and mitigation strategies are integrated into our decision-making processes.	3.599	0.776
Our company has a track record of successfully navigating and managing risks in the past.	3.788	0.589
We recognize the importance of balancing risk-taking with prudent management practices.	3.767	0.943
Aggregate	3.766	0.787

Competitive Aggressiveness and Organization Performance

The second specific objective of the study was exploring the influence of competitive aggressiveness on the performance of small and medium size organizations in Nairobi city county,

Kenya. The respondents were requested to indicate their level of agreement on various statements relating to competitive aggressiveness and performance of Small and Medium Size Organizations in Nairobi city county, Kenya. The results were as shown in Table 4.

From the results the respondents agreed that they are willing to challenge competitors and disrupt the market with bold strategies (M=3.877, SD= 0.895). In addition, the respondents agreed that their organization constantly monitors competitor actions and responds swiftly to maintain our competitive edge (M= 3.875, SD= 0.781). Further, the respondents agreed that they actively invest in marketing and promotional activities to increase market share (M=3.873, SD= 0.795). The respondents also agreed that their company is known for its assertive approach to market positioning and customer acquisition (M= 3.797, SD= 0.973). From the results, the respondents agreed that they continuously innovate and improve their products/services to stay ahead of competitors (M= 3.789, SD= 0.689). In addition the respondents agreed that their company is proactive in seeking out and capitalizing on competitive opportunities (M= 3.778, SD= 0.867). From the results, the respondents agreed that employees are encouraged to adopt a competitive mind set and strive for excellence in their roles (SD=3.699, SD=0.779).

Table 4: Competitive Aggressiveness and Organization Performance

	Mean	Std. Deviation
Our company is proactive in seeking out and capitalizing on competitive opportunities.	3.778	0.867
We are willing to challenge competitors and disrupt the market with bold strategies.	3.877	0.895
Our organization constantly monitors competitor actions and responds swiftly to maintain our competitive edge.	3.875	0.781
We actively invest in marketing and promotional activities to increase market share.	3.873	0.795
Employees are encouraged to adopt a competitive mindset and strive for excellence in their roles.	3.699	0.779
We continuously innovate and improve our products/services to stay ahead of competitors.	3.789	0.689
Our company is known for its assertive approach to market positioning and customer acquisition.	3.797	0.973
Aggregate	3.813	0.826

Organization Performance

The respondents were requested to indicate their level of agreement on various statements relating to performance of Small and Medium Size Organizations in Nairobi city county, Kenya. The results were as shown in Table 5.

From the results the respondents agreed that their company has recorded an increase in company's market share (M=3.875, SD= 0.715). In addition, the respondents agreed that there has been an increased customer satisfaction in their company (M= 3.867, SD= 0.894). Further, the respondents agreed that efficiency and effectiveness in operations has improved (M=3.799, SD= 0.889). The respondents agreed that their organization has recorded a reduction in costs of operations (M= 3.748, SD= 0.868). In addition, the respondents agreed that the company has improved quality of products and services (M=3.675, SD=0.731). Further, the respondents agreed that there has been a significant reduction in customer complaints (M=3.579, SD=0.709).

Table 5: Organization Performance

	Mean	Std. Deviation
Our organization has recorded a reduction in costs of operations	3.748	0.868
There has been an increased customer satisfaction in our company	3.867	0.894
The company has improved quality of products and services	3.675	0.731
Our company has recorded an increase in company's market share	3.875	0.715
There has been a significant reduction in customer complaints	3.579	0.709
Efficiency and effectiveness in operations has improved	3.799	0.889
Aggregate	3.757	0.801

Correlation Analysis

The present study used Pearson correlation analysis to determine the strength of association between independent variables (risk taking ability and competitive aggressiveness) and the dependent variable (performance of Small and Medium Size Organizations in Nairobi city county, Kenya). Pearson correlation coefficient range between zero and one, where by the strength of association increase with increase in the value of the correlation coefficients.

Table 6: Correlation Coefficients

		Organization Performance	Risk Taking Ability	Competitive Aggressiveness
Organization Performance	Pearson Correlation	1		
	Sig. (2-tailed)			
	N	87		
Risk Taking Ability	Pearson Correlation	.866**	1	
	Sig. (2-tailed)	.002		
	N	87	87	
Competitive Aggressiveness	Pearson Correlation	.871**	.258	1
	Sig. (2-tailed)	.001	.276	
	N	87	87	87

Further, the results revealed that there is a very strong relationship between risk taking ability and performance of Small and Medium Size Organizations in Nairobi city county, Kenya ($r = 0.866$, p value = 0.002). The relationship was significant since the p value 0.002 was less than 0.05 (significant level). The findings are in line with the findings of Kitigin, (2018) that there is a very strong relationship between risk taking ability and organization performance.

The results also revealed that there was a very strong relationship between competitive aggressiveness and performance of Small and Medium Size Organizations in Nairobi city county, Kenya ($r = 0.871$, p value = 0.001). The relationship was significant since the p value 0.001 was less than 0.05 (significant level). The findings are in line with the results of Aigboje (2018) who revealed that there is a very strong relationship between competitive aggressiveness and organization performance.

Regression Analysis

Multivariate regression analysis was used to assess the relationship between independent variables (risk taking ability and competitive aggressiveness) and the dependent variable (performance of Small and Medium Size Organizations in Nairobi city county, Kenya)

Table 7: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.850	.723	.724	.10428

The model summary was used to explain the variation in the dependent variable that could be explained by the independent variables. The r-squared for the relationship between the independent variables and the dependent variable was 0.723. This implied that 72.3% of the variation in the dependent variable (performance of Small and Medium Size Organizations in Nairobi city county, Kenya) could be explained by independent variables (risk taking ability and competitive aggressiveness).

Table 8: Analysis of Variance

Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	121.081	2	30.270	342.034	.000 ^b
Residual	7.254	84	.0885		
Total	128.335	86			

The ANOVA was used to determine whether the model was a good fit for the data. F calculated was 342.034 while the F critical was 2.483. The p value was 0.000. Since the F-calculated was greater than the F-critical and the p value 0.000 was less than 0.05, the model was considered as a good fit for the data. Therefore, the model can be used to predict the influence of risk taking ability and competitive aggressiveness on performance of Small and Medium Size Organizations in Nairobi city county, Kenya.

Table 9: Regression Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error			
1	(Constant)	0.254	0.066		3.848	0.000
	risk taking ability	0.357	0.098	0.356	3.643	0.002
	competitive aggressiveness	0.376	0.098	0.377	3.837	0.001

a Dependent Variable: performance of Small and Medium Size Organizations in Nairobi city county, Kenya

The regression model was as follows:

$$Y = 0.254 + 0.357X_1 + 0.376X_2 + \varepsilon$$

The results revealed that risk taking ability has significant effect on the performance of Small and Medium Size Organizations in Nairobi city county, Kenya, $\beta_1=0.357$, p value= 0.002). The relationship was considered significant since the p value 0.002 was less than the significant level of 0.05. The findings are in line with the findings of Kitigin, (2018) that there is a very strong relationship between risk taking ability and organization performance.

In addition, the results revealed that competitive aggressiveness has significant effect on the performance of Small and Medium Size Organizations in Nairobi city county, Kenya, $\beta_1=0.376$, p value= 0.001). The relationship was considered significant since the p value 0.001 was less than the significant level of 0.05. The findings are in line with the results of Aigboje (2018) who revealed that there is a very strong relationship between competitive aggressiveness and organization performance.

Conclusions

The study concludes that risk taking ability has a significant effect on performance of small and medium size organizations in Nairobi city county, Kenya. The study findings revealed that planning for uncertainty, calculated risks and fast entrant influences performance of small and medium size organizations in Nairobi city county, Kenya.

The study also concludes that competitive aggressiveness has a significant effect on performance of small and medium size organizations in Nairobi city county, Kenya. The study findings revealed that price cutting, increased marketing and differentiation influences performance of small and medium size organizations in Nairobi city county, Kenya.

Recommendations

The study found that risk taking ability has a significant effect on performance of small and medium size organizations in Nairobi city county, Kenya. This study therefore recommends that the organization should foster a culture of experimentation and learning within the organization.

The study also found that competitive aggressiveness has a significant effect on performance of small and medium size organizations in Nairobi city county, Kenya. This study therefore recommends that the organization should focus on differentiation through customer experience excellence.

This study was limited to the effect of entrepreneurial orientation on the performance of small and medium size organizations in Nairobi city county, Kenya hence the study findings cannot be generalized to organization performance in other organizations in Kenya. The study therefore suggests further studies on the effect of entrepreneurial orientation on the performance of other organizations in Kenya.

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