



ENTREPRENEURIAL ORIENTATION AND PERFORMANCE OF SMALL AND MEDIUM SIZE ENTREPRISES (SMEs) IN MACHAKOS COUNTY, KENYA

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ABSTRACT

Small and Medium-sized Enterprises (SMEs) play a pivotal role in the economic development of Kenya, serving as a major source of employment, innovation, and economic diversification. In Machakos County, however, SMEs face considerable challenges that impact their performance and sustainability. Despite their potential, many small businesses in the region struggle with issues such as inadequate access to finance, limited market access, and insufficient technical and managerial skills. This study sought to establish the influence of entrepreneurial orientation on performance of SMEs in Machakos County, Kenya. Specifically, the study sought to assess the influence of innovativeness on performance of SMEs in Machakos County, Kenya and to examine the effect of pro-activeness on performance of SMEs in Machakos County, Kenya. This study was guided by: Resource-Based View (RBV) Theory and Resource Dependence Theory (RDT). This study used a descriptive research design. The population of this study included all SMEs located in Machakos County. This number is large and hence can be considered infinite population). Since the population was infinite, purposive sampling of 100 SMEs was used. In this study the unit of analysis was Small and Medium Size Organizations in Machakos County while the unit of observation was 100 SME owners/managers. Since the population was infinite, purposive sampling of 100 SMEs was used. Primary data was collected through use of questionnaires. Statistical Packages for Social Sciences (SPSS) version 26.0 was used for analysis and presentation. The data was analyzed using descriptive and inferential statistics. Descriptive statistics included the mean, standard deviation, coefficient of variation and percentages. Pearson Correlation analysis was used to determine the relationship between individual variables in the objectives Multiple Regression analysis was used in testing the research questions by establishing the influence of each independent variable on the dependent variable. The significance of the model was interpreted using a significance level of 0.05. The results were presented on frequency tables, charts, and graphs. The study concludes that innovativeness has a significant effect on performance of SMEs in Machakos County, Kenya. The study also concludes that pro-activeness has a significant effect on performance of SMEs in Machakos County, Kenya. The study recommends that the management of SMEs should foster a culture of innovativeness through the establishment of innovation hubs and collaborative networks. These hubs can serve as platforms for entrepreneurs to share ideas, access resources, and collaborate on new products or services.

Key Words: Entrepreneurial Orientation, Innovativeness, Pro-Activeness, Performance of Small and Medium Size Enterprises (SMEs)

Background of the Study

The performance of Small and Medium-sized Enterprises (SMEs) has garnered increasing attention from researchers and policymakers alike due to its critical role in driving economic growth, innovation, and job creation. SMEs often serve as the backbone of many economies, contributing significantly to GDP and providing employment opportunities across various sectors (Salih, Alsalhi & Abou-Moghliya, 2024). However, despite their importance, these enterprises frequently face challenges that can hinder their performance and sustainability. Understanding the factors that influence SME performance is therefore crucial for developing effective support mechanisms and policies. Historically, SMEs have been characterized by their limited resources compared to larger corporations, which can impact their ability to compete in dynamic markets. These limitations can manifest in various ways, such as restricted access to finance, limited technological capabilities, and smaller scales of operation. Despite these challenges, many SMEs demonstrate remarkable resilience and adaptability. Research into SME performance often focuses on identifying the key drivers that contribute to their success, including management practices, innovation, market orientation, and the external business environment (Dewi, *et al*, 2023).

In recent years, the landscape for SMEs has evolved significantly due to globalization, technological advancements, and shifts in consumer behavior. These changes present both opportunities and threats for SMEs. For instance, digital technologies have enabled SMEs to reach new markets and streamline operations, but they also require significant investment and expertise (Mantok, *et al*, 2020). Additionally, the increasing complexity of global supply chains and market dynamics necessitates that SMEs remain agile and responsive to stay competitive. To better support SMEs, it is essential to explore and understand the various factors that impact their performance. This includes examining how internal factors, such as management practices and organizational culture, interact with external factors like market conditions, regulatory environments, and economic trends. By investigating these elements, researchers aim to provide actionable insights that can help SMEs overcome obstacles, leverage opportunities, and ultimately enhance their performance and contribution to the economy (Adam, *et al*, 2022).

Entrepreneurial Orientation (EO) refers to the strategic posture of a firm that reflects its overall approach to entrepreneurship. It captures the company's practices, processes, and decision-making activities that lead to new ventures, innovation, and risk-taking. Discuss entrepreneurial orientation entails; risk taking, autonomy, innovativeness and of pro-activeness. Risk-taking is a key dimension of entrepreneurial orientation that reflects a firm's willingness to engage in ventures with uncertain outcomes (Mworia, Wachira & Mwaura, 2021). This involves committing significant resources to opportunities that have a potential for high returns but also carry considerable risk, such as entering untested markets or launching innovative products. Risk-taking firms are more likely to embrace uncertainty in their decision-making processes, opting for bold strategies that could lead to major breakthroughs or failures (Ogamba & Nwuche, 2020). While risk-taking can enhance competitiveness and long-term growth, it also requires careful management of potential downsides to avoid financial instability. Autonomy refers to the level of independence granted to individuals or teams within an organization to pursue entrepreneurial activities (Naqvi, *et al*, 2023). In a business context, autonomy allows employees to make decisions and take actions that support innovation and problem-solving without excessive oversight or interference from upper management. This fosters a culture of creativity and responsibility, where employees are empowered to explore new ideas, develop solutions, and take initiatives that align with the organization's goals. Autonomy is crucial for fostering a dynamic and entrepreneurial environment, as it encourages flexibility and responsiveness to market changes (Kitigin, 2022).

Innovativeness, as a dimension of entrepreneurial orientation, relates to a firm's tendency to support creativity, experimentation, and the development of new products, services, or processes. Firms with a strong focus on innovativeness prioritize research and development (R&D) and actively seek novel solutions to market demands or challenges (Mburu, Gichira & Kyalo, 2021). Innovativeness is a driver of competitive advantage, as it allows businesses to differentiate themselves from competitors by offering unique value propositions. The commitment to innovation helps firms stay relevant and adaptable in rapidly changing industries, but it also requires substantial investment in talent, technology, and resources. Proactiveness involves anticipating future market trends and acting in advance of competitors (Wambugu, *et al*, 2020). Firms with a proactive stance are forward-looking, always seeking opportunities to capitalize on emerging trends, customer preferences, or technological advancements. Proactive companies are not content to react to changes; instead, they aim to shape the market by leading innovation and setting industry standards (Onyenma, Tamunomiebi & Mark, 2020). Proactiveness enables firms to seize first-mover advantages, capturing market share and establishing a strong brand presence before competitors can respond. This dimension of entrepreneurial orientation helps businesses maintain a competitive edge and adapt to evolving environments (Heena & Bedi, 2022).

In Iraq, Salih, Alsali and Abou-Moghli (2024) found that the different aspects of entrepreneurial orientation, such as being proactive, taking risks, and flexibility, had a significant and beneficial influence on the organization's overall performance and its ability to operate effectively and engage socially. Nonetheless, the innovation aspect did not have a notable impact on the performance of the organization and its related dimensions. In addition, the research indicated that digitalization has a beneficial impact on the relationship between entrepreneurial orientation and the performance of an organization, making it more powerful.

Kapaya, *et al* (2021) in Tanzania found that EO does play a crucial role in influencing profitability, particularly autonomy was negatively related to performance hence suggesting that personnel tend to underperform when given sufficient freedom to act. The relationship to performance for the other dimensions of EO was positive. Secondly, EO exhibits a possibility of multidimensionality based on a maximum of three dimensions, namely; aggressiveness, innovation, and pro-activeness, while risk-taking blended into these prior dimensions autonomy was embedded within aggressiveness.

Njiru and Kinyua (2022) found that entrepreneurial orientation activities have a significant effect on performance of reinsurance firms. The variables 'stakeholders are motivated by the proactiveness found in the reinsurance firm', 'stakeholders are inspired by the direction and purpose of the firm' and 'stakeholders identify freely with the objectives of the firm' were found to have significant effects on the performance of the firms.

Sigey, Omwenga and Sije (2023) found that business managers may organize periodical training sessions for the employees to enhance their level of EO so that they improve firm performance by tapping potential entrepreneurial opportunities. Throughout operational processes, SME firms encounter turbulent markets, a narrow scope for business opportunities, and fierce competition. Their limitations can be, to some extent, tackled by adopting EO as a means of a strategic approach; through which managers can act a proactive, creative, and risk-taker that would certainly differentiate them from their market rivals.

Cheruiyot and Mang'ana (2023) found that entrepreneurial approach has a considerable impact on organizational performance for MSEs. The study came to the additional conclusion that being proactive in business and taking calculated risks aid in profitability. Additionally, it was determined that exploitation of new chances with an aggressive and fearless attitude aids in increasing MSE performance.

Statement of the Problem

Small and Medium-sized Enterprises (SMEs) play a pivotal role in the economic development of Kenya, serving as a major source of employment, innovation, and economic diversification. They contribute significantly to the country's GDP and are crucial for promoting inclusive growth and reducing poverty. SMEs are particularly important in developing regions, where they often provide essential goods and services, stimulate local economies, and foster entrepreneurial spirit. Their ability to adapt and respond to market demands makes them integral to the overall economic resilience of Kenya (Nduati, 2020).

In Machakos County, however, SMEs face considerable challenges that impact their performance and sustainability. Despite their potential, many small businesses in the region struggle with issues such as inadequate access to finance, limited market access, and insufficient technical and managerial skills. Recent data indicates that approximately 60% of SMEs in Machakos County fail within the first three years of operation, a figure that highlights the difficulties faced by these enterprises (Kairuki & Mungai, 2024). Additionally, factors like inadequate infrastructure, high operational costs, and regulatory constraints further exacerbate these challenges, making it difficult for SMEs to thrive and contribute effectively to the local economy (Njiru & Kinyua, 2022).

Entrepreneurial orientation, characterized by proactive, innovative, and risk-taking behaviors, has been shown to significantly influence SME performance. Businesses with a strong entrepreneurial orientation are more likely to explore new market opportunities, adapt to changing environments, and implement innovative solutions that enhance their competitiveness (Sigey, Omwenga & Sije, 2023). By fostering an entrepreneurial mindset, SMEs can better navigate the complexities of the market, improve their operational efficiency, and achieve higher levels of growth and profitability. Thus, understanding how entrepreneurial orientation affects SME performance in Machakos County can provide valuable insights for developing strategies to support and enhance the effectiveness of these enterprises (Cheruiyot & Mang'ana, 2023).

Objectives of the Study

The study was guided by the general and specific objectives.

General Objective

The general objective of the study was to establish the influence of entrepreneurial orientation on performance of SMEs in Machakos County, Kenya

Specific Objectives

- i. To assess the influence of innovativeness on performance of SMEs in Machakos County, Kenya
- ii. To examine the effect of pro-activeness on performance of SMEs in Machakos County, Kenya

Theoretical Framework

Resource-Based View (RBV) Theory

The Resource-Based View (RBV) theory founded by Barney (1991) is a strategic management framework that focuses on the internal resources and capabilities of a firm as sources of competitive advantage. At its core, RBV posits that a firm's unique bundle of resources and capabilities can enable it to achieve sustainable competitive advantage and superior performance in the marketplace. Unlike traditional strategic management approaches that primarily focus on external factors such as market dynamics and industry structure, RBV emphasizes the importance of internal factors in determining a firm's success (Pratibha, Saxena & Arora, 2021). RBV theory

entails identifying and leveraging a firm's distinctive resources and capabilities to create value and achieve strategic objectives. Resources can include tangible assets such as physical infrastructure, financial capital, and technology, as well as intangible assets such as human capital, intellectual property, organizational culture, and reputation. These resources are considered valuable if they enable the firm to exploit opportunities or neutralize threats in the external environment. Capabilities, on the other hand, refer to the firm's ability to effectively deploy and utilize its resources to perform specific activities and achieve desired outcomes (Woko, 2022). This theory is relevant in assessing the influence of innovativeness on performance of SMEs in Machakos County, Kenya.

Resource Dependence Theory (RDT)

Resource Dependence Theory (RDT) founded by Pfeffer and Salancik (1978) is a theoretical framework in organizational studies that examines how organizations strategically manage and depend on external resources to achieve their goals and sustain their operations. RDT argues that organizations exist within an environment where they must interact with external entities such as suppliers, customers, competitors, government agencies, and other stakeholders. These external entities possess resources that are crucial for the organization's survival and success (Khalid, Pahi & Abdullah, 2020). Central to RDT is the concept of resource dependency, which suggests that organizations are dependent on external resources that they cannot fully control. These resources include financial capital, technology, information, expertise, raw materials, market access, and political support, among others. The theory posits that the ability of an organization to secure and manage these external resources effectively influences its organizational behavior, decision-making processes, and strategic actions (Muyahimana, Gwahula & Marcha, 2023).

Organizations employ various strategies to manage resource dependencies, including forming strategic alliances, diversifying suppliers, lobbying for favorable regulations, investing in technology, and engaging in networking activities. These strategies are aimed at reducing uncertainty, ensuring access to critical resources, and enhancing organizational resilience in a competitive environment. RDT also emphasizes power dynamics in resource exchanges between organizations and their external environment (Wambugu, *et al*, 2020). Organizations with greater resource dependencies may find themselves in vulnerable positions if they lack alternatives or substitutes for essential resources. Conversely, organizations that successfully manage and diversify their resource dependencies can strengthen their competitive position and influence within their industry or market. Moreover, RDT highlights the role of inter-organizational relationships and networks in resource acquisition and management. Organizations often engage in strategic interactions with external stakeholders to negotiate resource exchanges, build trust-based partnerships, and gain access to complementary resources that contribute to their strategic objectives (Bruno & Rutto, 2021). This theory is relevant in examining the effect of pro-activeness on performance of SMEs in Machakos County, Kenya.

Conceptual Framework

A conceptual framework is a logically developed, described and elaborated network of interrelationships among variables integral in the dynamics of a situation being investigated (Mugenda & Mugenda, 2019). It explains the theory underlying these relationships and describes the nature and direction of these relationships. A variable is a measurable characteristic that assumes different values among the subject.

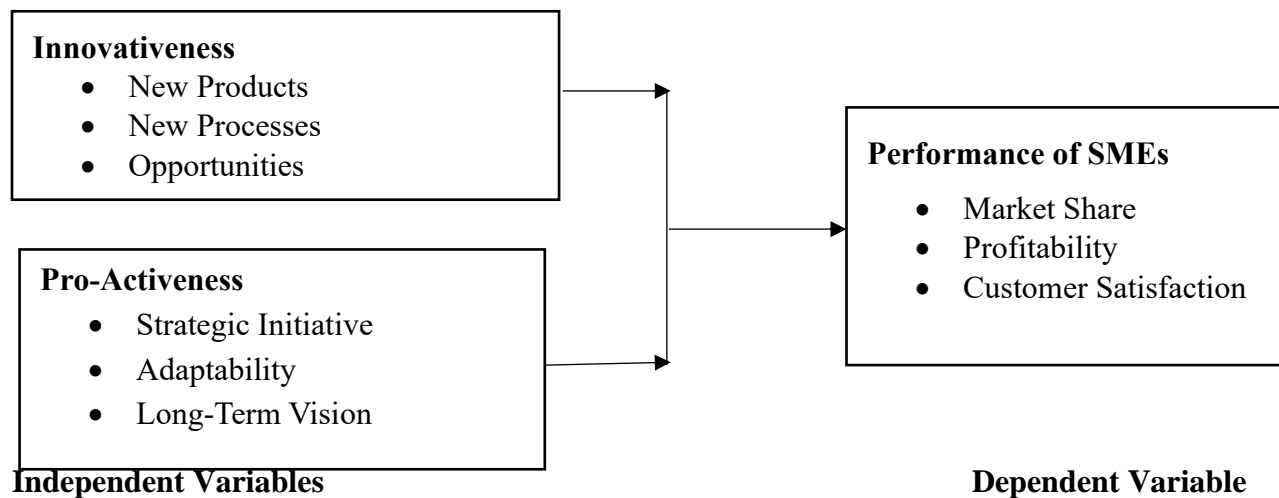


Figure 2. 1: Conceptual Framework

Innovativeness

Innovativeness refers to the capacity or tendency to generate new ideas, approaches, or solutions that are original and creative. It involves the ability to think outside conventional frameworks, explore novel possibilities, and implement unique concepts or technologies to solve problems or improve processes (Woko, 2022). Innovativeness entails; new products, new processes and opportunities.

The introduction of new products is one of the most visible forms of innovation. This involves developing unique offerings that meet emerging consumer needs or address gaps in the market. Firms that prioritize product innovation often engage in research and development (R&D) to explore cutting-edge technologies and design concepts (Pratibha, Saxena & Arora, 2021). Successful new products can enhance brand reputation, increase market share, and drive revenue growth. Companies that invest in continuous product innovation demonstrate their ability to adapt to changing consumer preferences and market trends, which is essential in today's fast-paced business environment (Woko, 2022).

Innovativeness is not limited to products; it also encompasses the development of new processes that improve operational efficiency and effectiveness. Process innovation may involve adopting new technologies, streamlining workflows, or implementing more effective management practices. For instance, a company might redesign its supply chain processes to reduce costs and enhance responsiveness. Such innovations can lead to significant improvements in productivity, quality, and customer satisfaction. By fostering a culture that encourages employees to seek out and implement process improvements, organizations can enhance their competitiveness and adapt to changing market demands (Kiiru, Mukulu & Ngatia, 2023).

Identifying and capitalizing on new opportunities is a crucial aspect of innovativeness. Firms that actively seek out emerging trends, shifts in consumer behavior, and technological advancements position themselves to take advantage of new market segments. This proactive approach involves conducting market research, engaging with customers, and staying informed about industry developments (Nduati, 2020). By maintaining a forward-thinking mindset, organizations can anticipate changes and respond effectively, allowing them to innovate in ways that align with market needs. Embracing a culture of opportunity-seeking fosters a dynamic environment where employees are encouraged to explore new ideas and solutions (Wangari, 2021).

Pro-Activeness

Pro-activeness refers to the tendency or ability to take initiative, anticipate future needs or challenges, and act in advance to address them rather than reacting to events as they occur. It involves being forward-thinking, taking responsibility, and initiating action to shape outcomes proactively (Mburu, Gichira & Kyalo, 2021). Pro-Activeness entails; strategic initiative, adaptability and long-term vision. Strategic initiative refers to a firm's proactive efforts to identify and exploit new business opportunities. This involves taking calculated risks and making decisions that position the organization favorably in the market. Companies that demonstrate strategic initiative are often the first to introduce new products, enter emerging markets, or adopt cutting-edge technologies. By actively seeking out these opportunities, firms can establish themselves as industry leaders and gain significant market share before competitors respond. Strategic initiative requires a keen understanding of market dynamics, customer needs, and emerging trends, enabling organizations to make informed decisions that drive growth (Khalid, Pahi & Abdullah, 2020).

Adaptability is the capacity to adjust strategies and operations in response to changing market conditions and consumer preferences. Proactive firms are not only focused on seizing current opportunities but are also flexible enough to pivot when necessary. This adaptability allows organizations to respond quickly to disruptions, such as economic shifts or technological advancements, ensuring they remain relevant and competitive. Firms that foster a culture of adaptability encourage employees to embrace change and develop innovative solutions, which can lead to more effective responses to challenges. This resilience is crucial in today's fast-paced business environment, where the ability to adapt can determine long-term success (Muyahimana, Gwahula & Marcha, 2023).

A long-term vision is essential for sustaining proactiveness within an organization. Firms that focus on long-term goals are better equipped to anticipate future challenges and opportunities. This forward-looking perspective enables them to invest in research and development, build strategic partnerships, and cultivate a culture of continuous improvement (Mburu, Gichira & Kyalo, 2021). A strong long-term vision helps guide decision-making and prioritization, ensuring that short-term actions align with overarching objectives. By maintaining a clear vision of the future, organizations can remain committed to innovation and growth, positioning themselves to navigate the complexities of the market effectively (Wambugu, *et al*, 2020).

Empirical Review

Innovativeness and SMEs Performance

Pratibha, Saxena and Arora (2021) examined on exploring the link between innovativeness and organizational performance. The study used descriptive research design and purposive sampling to gather information from the respondents. A sample of 420 employees working in the Northern region was analyzed. The study found that product, process and marketing innovativeness have a significant and positive impact on organizational performance, whereas, the impact of behavioral innovativeness on performance is not significant. The study concluded that innovative strategies enhance organization performance.

Woko (2022) investigated on innovativeness and organizational performance of manufacturing firms in Nigeria. The research adopted the descriptive/cross sectional research design. Three hundred and twenty-one employees comprising managers and supervisors in five identified manufacturing firms was the study population. One hundred and ninety-three employees were determined with Krejcie and Morgan sample size determination table as the sample size. The study found that the dimensions of innovativeness have significant relationship with the measures of organizational performance. The study concluded that innovativeness had a positive influence on organizational performance.

Wangari (2021) assessed on the influence of innovativeness on organizational performance among insurance companies in Kenya. The study adopted positivism research philosophy. Descriptive and explanatory research designs were used. The target population consisted of 453 management staff drawn from all the 55 registered insurance companies in Kenya. A sample size of 208 respondents drawn from lower, middle, and top level management was selected. The study found that there was a weak positive correlation between organization performance and innovativeness. The study concluded that innovativeness had a significant influence on performance of insurance companies in Kenya.

Nduati (2020) researched on the influence of innovativeness on performance of manufacturing firms in Kenya: a literature based review. The paper used a desk study review methodology where relevant empirical literature was reviewed to identify main themes. The study found that product innovation, process innovation, market innovation and technology innovation strategies had a positively and significantly impact performance among manufacturing firms. The study concluded that implementation of process, marketing and technological innovations results in an increase in firm performance.

Pro-Activeness and SMEs Performance

Khalid, Pahi and Abdullah (2020) conducted a study on the relationship between pro-activeness with Business Performance: A Case of Pakistan. The study used questionnaires and targeted 327 employees. The study found positive relationship between pro-activeness and business performance. The study concluded that pro-activeness significantly influences business performance.

Muyahimana, Gwahula and Marcha (2023) assessed on pro-activeness and its effect on the survival of family-owned manufacturing companies in Kigali City, Rwanda. The study used questionnaires and the population of the study was CEOs, directors, managers and family business owners, CEOs operation in Kigali city. The study found that pro-activeness has a positive effect on the survival of a family-owned manufacturing business in Kigali city. The study concluded that pro-activeness had a substantial influence on the survival of family-owned manufacturing companies.

Bruno and Rutto (2021) examined on the influence of pro activeness on performance of state corporations in Kenya. The study adopted an explanatory research design. The population of the research consists of the 187 state corporations in Kenya. The unit of analysis was the state corporation. A purposive sample of 55 commercial state corporations was included in the study. The study found that pro activeness was statistically associated with firm performance. The study concluded that pro activeness has an effect on firm performance.

Mburu, Gichira and Kyalo (2021) investigated on pro-activeness and performance of family-owned enterprises in Nairobi County. Descriptive research design was adopted. The total population was 410 enterprises. The study found positive and significant relationship between pro-activeness and performance of family-owned enterprises in Nairobi County. The study concluded that pro-activeness positively affects a firm's performance.

RESEARCH METHODOLOGY

Research Design

This study used 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). A scientific method involves observation and description of behavior of subject without influencing it in any way. The choice of this research design was influenced by the fact that it caters for qualitative and quantitative data (Cooper & Schindler, 2019).

Target Population

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

Sample Size and Sampling Techniques

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

Data Collection Instruments

This research used a questionnaire to collect primary data. According to Patton *et. al* (2019), a questionnaire is appropriate in gathering data and measuring it against a particular point of view. It provides a standardized tool for data collection. Structured questions will be 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, 2019). According to Kothari (2019), the information obtained from questionnaires is free from bias and researchers’ influence and thus accurate and valid data was gathered. The preference for the questionnaire is based on the premise that it gives respondents freedom to express their views or opinions more objectively.

Pilot Test Study

A pilot study, or pilot test or pre-test is defined as small-scale preliminary research that is conducted to evaluate time, cost, and feasibility to improve on the design of a particular study prior to conducting the actual one or full-scale research project (Kultar, 2019). The researcher carried out a pilot study to ensure the data collection tool is reliable and valid. The pilot test heled correct some of the challenges encountered before undertaking the final study. According to Lancaster, Dodd, and Williamson (2019), the sample size for high precision pilot studies should be between 1% and 10%. The pretesting sample was made of 10 respondents, representing 10% of the sample size. The results from the pilot test were not used in the main study. In addition, the respondents used in the pilot test were excluded from the final study.

Data Analysis and Presentation

Quantitative and qualitative data was generated from the closed-ended and open-ended questions, respectively. Qualitative data was analyzed on thematic basis and the findings provided in a narrative form. Before the data can be analyzed, the researcher ensured the data was checked for completeness, followed by data editing, data coding, data entry, and data cleaning. Inferential and descriptive statistics was employed for analysis of quantitative data with the assistance of Statistical Package for Social Sciences (SPSS version 25). To summarize the respondent’s responses in relation to their views on the various aspects of the variables, and the respondents’ demographic information analysis was undertaken using descriptive statistics (Bhattacharjee, 2019).

Descriptive statistics such as frequency distribution, mean (measure of dispersion), standard deviation, and percentages were used. Descriptive statistics therefore enable researchers to present the data in a more meaningful way, which allows simpler and easier interpretation (Singpurwalla, 2019). Inferential data analysis was conducted by use of Pearson correlation coefficient, and

multiple regression analysis. Inferential statistics are used to make judgments about the probability that an observation is dependable or one that happened by chance in the study.

DATA ANALYSIS AND FINDINGS

Descriptive statistics

Innovativeness and SMEs Performance

The first specific objective of the study was to assess the influence of innovativeness on performance of SMEs in Machakos County, Kenya. The respondents were requested to indicate their level of agreement on various statements relating to innovativeness and performance of SMEs in Machakos County, Kenya. The results were as shown in Table 4.1.

From the results, the respondents agreed that their company consistently invests in research and development to foster new product and service innovations (M=3.887, SD= 0.890). In addition, the respondents agreed that they actively encourage employees to propose and experiment with innovative ideas and solutions (M= 3.870, SD= 0.695). Further, the respondents agreed that innovation is a core component of their business strategy and is crucial to their competitive advantage (M=3.788, SD= 0.589). The respondents also agreed that they allocate resources specifically for the development and implementation of innovative technologies and processes (M= 3.775, SD= 0.751).

From the results, the respondents agreed that their company's ability to adapt and introduce new products or services has significantly contributed to their recent growth (M= 3.767, SD= 0.943). In addition the respondents agreed that they measure the impact of their innovative initiatives on overall business performance and adjust strategies accordingly (M= 3.678, SD= 0.864). Further, the respondents agreed that collaborations and partnerships with external entities are integral to their innovation efforts (SD=3.599, SD=0.776). The respondents also agreed that their leadership team actively supports and prioritizes innovation as a key driver of the company's success and market relevance (M=3.582, SD=0.765).

Table 4. 1: Innovativeness and SMEs Performance

	Mean	Std. Dev.
Our company consistently invests in research and development to foster new product and service innovations.	3.887	0.890
We actively encourage employees to propose and experiment with innovative ideas and solutions.	3.870	0.695
Innovation is a core component of our business strategy and is crucial to our competitive advantage.	3.788	0.589
We allocate resources specifically for the development and implementation of innovative technologies and processes.	3.775	0.751
Our company's ability to adapt and introduce new products or services has significantly contributed to our recent growth.	3.767	0.943
We measure the impact of our innovative initiatives on overall business performance and adjust strategies accordingly.	3.678	0.864
Collaborations and partnerships with external entities are integral to our innovation efforts.	3.599	0.776
Our leadership team actively supports and prioritizes innovation as a key driver of the company's success and market relevance.	3.582	0.765
Aggregate	3.743	0.784

Pro-activeness and SMEs Performance

The second specific objective of the study was to examine the effect of pro-activeness on performance of SMEs in Machakos County, Kenya. The respondents were requested to indicate their level of agreement on various statements relating to pro-activeness and performance of SMEs in Machakos County, Kenya. The results were as shown in Table 4.2.

From the results, the respondents agreed that their company actively seeks out new opportunities rather than waiting for them to arise ($M=3.877$, $SD=0.895$). In addition, the respondents agreed that they regularly anticipate market trends and make strategic adjustments before they become apparent to their competitors ($M=3.875$, $SD=0.781$). Further, the respondents agreed that proactive problem-solving is a key aspect of their approach to overcoming challenges and improving performance ($M=3.873$, $SD=0.795$). The respondents also agreed that their management team encourages and supports employees in taking initiative to address potential issues before they escalate ($M=3.797$, $SD=0.973$).

From the results, the respondents agreed that they have established processes for identifying and acting on emerging business opportunities early on ($M=3.789$, $SD=0.689$). In addition the respondents agreed that being proactive in customer engagement helps them tailor their offerings to meet changing needs and improve satisfaction ($M=3.778$, $SD=0.867$). Further, the respondents agreed that their company's proactive stance in market research and innovation significantly enhance their competitive edge ($M=3.699$, $SD=0.779$). The respondents also agreed that they regularly review and adjust their strategies to proactively manage risks and capitalize on new growth areas ($M=3.689$, $SD=0.822$).

Table 4. 2: Pro-activeness and SMEs Performance

	Mean	Std. Deviation
Our company actively seeks out new opportunities rather than waiting for them to arise.	3.877	0.895
We regularly anticipate market trends and make strategic adjustments before they become apparent to our competitors.	3.875	0.781
Proactive problem-solving is a key aspect of our approach to overcoming challenges and improving performance.	3.873	0.795
Our management team encourages and supports employees in taking initiative to address potential issues before they escalate.	3.797	0.973
We have established processes for identifying and acting on emerging business opportunities early on.	3.789	0.689
Being proactive in customer engagement helps us tailor our offerings to meet changing needs and improve satisfaction.	3.778	0.867
Our company's proactive stance in market research and innovation significantly enhance our competitive edge.	3.699	0.779
We regularly review and adjust our strategies to proactively manage risks and capitalize on new growth areas.	3.689	0.822
Aggregate	3.797	0.825

Correlation Analysis

The present study used Pearson correlation analysis to determine the strength of association between independent variables (innovativeness and pro-activeness) and the dependent variable (performance of SMEs in Machakos 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 4. 3: Correlation Coefficients

	SMEs Performance	Innovativeness	Pro-Activeness
SMEs Performance	Pearson Correlation		
	Sig. (2-tailed)		
	N		
Innovativeness	Pearson Correlation	.093	1
	Sig. (2-tailed)	.284	
	N	87	87
Pro-Activeness	Pearson Correlation	.479	.258
	Sig. (2-tailed)	.183	.276
	N	87	87

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

From the results, there was a very strong relationship between innovativeness and performance of SMEs in Machakos 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 Pratibha, Saxena and Arora (2021) that there is a very strong relationship between innovativeness and SMEs performance.

The results also revealed that there was a very strong relationship between pro-activeness and performance of SMEs in Machakos County, Kenya ($r = 0.874$, 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 Bruno and Rutto (2021) who revealed that there is a very strong relationship between pro-activeness and SMEs performance.

Regression Analysis

Multivariate regression analysis was used to assess the relationship between independent variables (innovativeness and pro-activeness) and the dependent variable (performance of SMEs in Machakos County, Kenya)

Table 4. 4: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.873	.762	.763	.10428

a. Predictors: (Constant), innovativeness and pro-activeness

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 0.762. This implied that 76.2% of the variation in the dependent variable (performance of SMEs in Machakos County, Kenya) could be explained by independent variables (innovativeness and pro-activeness).

Table 4. 5: Analysis of Variance

Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	139.064	2	69.53	398.53	.000 ^b
Residual	8.321	84	.0885		
Total	147.385	86			

a. Dependent Variable: performance of SMEs in Machakos County, Kenya

b. Predictors: (Constant), innovativeness and pro-activeness

The ANOVA was used to determine whether the model was a good fit for the data. F calculated was 398.53 while the F critical was 2.480. 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 innovativeness and pro-activeness on performance of SMEs in Machakos County, Kenya.

Table 4. 6: Regression Coefficients

Model		Unstandardized Coefficients		Standardize d Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	0.239	0.061		3.918	0.000
	innovativeness	0.357	0.098	0.356	3.643	0.003
	pro-activeness	0.375	0.099	0.376	3.788	0.001

a Dependent Variable: performance of SMEs in Machakos County, Kenya

The regression model was as follows:

$$Y = 0.239 + 0.357X_1 + 0.375X_2 + \varepsilon$$

According to the results, innovativeness has significant effect on performance of SMEs in Machakos County, Kenya, ($\beta_1=0.357$, p value= 0.003). The relationship was considered significant since the p value 0.003 was less than the significant level of 0.05. The findings are in line with the findings of Pratibha, Saxena and Arora (2021) that there is a very strong relationship between innovativeness and SMEs performance.

In addition, the results revealed that pro-activeness has significant effect on performance of SMEs in Machakos County, Kenya, ($\beta_1=0.375$, 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 Bruno and Rutto (2021) who revealed that there is a very strong relationship between pro-activeness and SMEs performance.

Conclusions

The study concludes that innovativeness has a significant effect on performance of SMEs in Machakos County, Kenya. The study findings revealed that new products, new processes and opportunities influence performance of SMEs in Machakos County, Kenya.

The study also concludes that pro-activeness has a significant effect on performance of SMEs in Machakos County, Kenya. The study findings revealed that strategic initiative, adaptability and long-term vision influences performance of SMEs in Machakos County, Kenya.

Recommendations

The study recommends that the management of SMEs should foster a culture of innovativeness through the establishment of innovation hubs and collaborative networks. These hubs can serve as platforms for entrepreneurs to share ideas, access resources, and collaborate on new products or services.

The study also recommends that the management of SMEs should cultivate a proactive mindset among entrepreneurs. This can be achieved by providing targeted training programs focused on market research, trend analysis, and strategic planning. By equipping business owners with the skills to anticipate market changes and consumer needs, they can make informed decisions that position their enterprises ahead of competitors.

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