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# **Influence of Strategic Entrepreneurial Orientation on the Growth of Small and Medium Manufacturing Firms in Kenya: A Literature Based Review**

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## **ABSTRACT**

Small and medium enterprises (SMES) forms the vanguard of the modern enterprises sector and present the propelling force of economic modernization and growth of a country. SME sector is the main driving force behind job creation, poverty reduction, wealth creation, income. Small and medium enterprises in manufacturing sector are key for economic development of Kenya. The study sought to establish the influence of strategic entrepreneurial orientation on the growth of small and medium manufacturing firms in Kenya. The study was anchored on Resource Based Theory and dynamic capabilities theory. The paper used a desk study review methodology where relevant empirical literature was reviewed to identify main themes. A critical review of empirical literature was conducted to establish the influence of strategic entrepreneurial orientation on the growth of small and medium manufacturing firms in Kenya. The study concluded that entrepreneurial orientation is a multi-dimensional construct operationalized in terms of several key dimensions such as proactiveness, innovativeness, risky ventures, competitive aggressiveness and market innovations. Entrepreneurial orientation as a firm's strategies orientation demonstrates specific entrepreneurial features of decision-making techniques and association. Therefore, the analysis points a positive relationship amongst entrepreneurial orientation and business strategy situations where dynamic environment is integrated. This eventually results in better knowledge of the environment, enhanced decision-making and positive implications on business performance. The study recommends that SME owner-managers should be proactive in seeking new product ideas and customer product information that will in turn enable them generate ideas on designing and manufacturing innovative products. The setting up of SMEs support policies that promote collaborations in research for purposes of sharing information/accessing the diverse knowledge base on new product design, development and production.

**Keywords:** *Strategic Entrepreneurial Orientation, Growth, Small and Medium Manufacturing Firms & Kenya.*

## 1.1 Introduction

The term entrepreneurial orientation (EO) has been used to refer to the strategy-making processes and styles of firms that engage in entrepreneurial activities. The literature provides equivocal results on the relationship between EO and SME performance. While some studies reported a positive relationship between EO and SME performance (Schindehutte *et al.*, 2008; Keh *et al.*, 2007), others have failed to establish this relationship or find only a weak relationship (Walter *et al.*, 2006; Lumpkin & Dess, 2016). The inconsistency of the results has been associated with the context and the type of industry in which the research is carried out (Lumpkin & Dess, 2016). Lumpkin and Dess (2016) observed that dimensions of EO such as competitive aggressiveness are more evident in mature markets as a strategic response to defend firm's competitive advantage over rivals. This study examined the influence of EO in SME performance in developing economies such as that of Kenya, characterized by the shift from protective policies to an open market economy where the private sector is encouraged to take the lead in the economic development. This environment is considered a growing market, where many emerging opportunities exist in which entrepreneurial oriented firms through proactive behavior can take the advantage to exploit and enhance the firm's performance.

The concept of an entrepreneurial orientation (EO) to explain the mindset of firms engaged in pursuing development of new products provides a useful framework for researching entrepreneurial activity (Avlonitis & Salavou, 2017; Lumpkin & Dess, 2016). Studies have indicated that EO of firms and product innovativeness dimensions could give pointers to differences in performance potential and hence competitiveness in the market. This is crucial to become subject of investigation, in order to provide additional explanations of how the firms adapt to a state of flux where the very basis of competition within the manufacturing small and medium-sized (SMEs) environment is constantly and globally redefined. Adaptation to shifting landscapes through aspects of entrepreneurship and successful product innovation is of major concern for all enterprises, especially for SMEs that are dominant in most developing economies such as Kenya.

Entrepreneurial orientation has become one of the most established and researched constructs in the entrepreneurship literature. A general commonality among past conceptualizations of EO is the inclusion of innovativeness, proactiveness, and risk-taking as core defining aspects or dimensions of the orientation (Okeyo, 2014). EO has been shown to be a strong predictor of firm performance with a meta-analysis of past research indicating a correlation in magnitude roughly equivalent to the prescription of taking sleeping pills and getting better sleep. Still, some research has argued that EO does not enhance the performance for all firms (Otieno, Bwisa, & Kihoro, 2012). Instead, EO can be argued not to be a simple performance enhancing attribute but rather enhancing if it is applied under the right circumstances of the firm. In some cases, EO can even be disadvantageous for firms, if the situation of the firm does not fit with applying EO. Different

situations can be the environment that the firm is situated within or internal situations such as structure and strategy

Entrepreneurial orientation is a firm-level strategic orientation which captures an organization's strategy-making practices, managerial philosophies, and firm behaviors that are entrepreneurial in nature. It entails the processes, practices, and decision-making styles of organizations that act entrepreneurially. Research on Strategic entrepreneurship research has sought to understand how firms' entrepreneurial behaviors and decision-making influence firm performance (Mwaura, Gathenya & Kihoro, 2015). This research generally has treated entrepreneurial orientation (EO) as consisting of dimensions that independently influence firm performance. A firm's entrepreneurial orientation consists of its relative emphasis on autonomy, competitive aggressiveness, innovativeness, proactiveness, and risk taking.

Small and medium enterprises in manufacturing sector are key for economic development of Kenya. In recognition of this role, the government enacted several bodies including micro and small Enterprises Authority, Kenya association of Manufacturers and Ministry of Industrialization and Enterprise Development (Mwangi, 2014). These bodies aimed at providing an enabling policy and legal environment for manufacturing enterprises and enables manufacturing enterprises in SMEs with great opportunities in form of access to finances, expertise, markets both local and international and even negotiate bilateral ties with other regions in the economic blocs. Despite vast potential of such enterprises, they are poorly organized with most of them remaining informal and uncompetitive.

Distinctly less focus has been placed by studies on SMEs in manufacturing enterprises resulting in most of them operating without the benefit of homegrown solutions for improved competitiveness and performance. Studies done have not clearly demonstrated how to intergrate factors including competitive strategies, entrepreneurial orientation and macro environment to their performance and the sector is still characterized by low graduation and high failure rates which impede their potential to contribute to economic development (Bowen, 2009). Weak competitive strategies have been identified as one of the determinants of the poor performance among small and medium enterprises in manufacturing sector (Ngugi, 2014).

## **1.2 Statement of the Problem**

Small and Medium Enterprises (SME's) are widely recognized as the key engine of economic development and play important economic roles in many developing countries all over the world. They have been the means through which accelerated economic growth and rapid industrialization can be achieved (Awino, 2013). Despite their contributions to income and employment creation, most SME's fail to survive and grow to larger corporate entities. In spite of the contribution of SME's to economic development, most of them still face many obstacles that limit their long-term survival and sustainability.

Kenya, industrial performance is not satisfactory since the last two decades. The performance of the Kenya's businesses is declining because of energy crisis and terrorism. Kenya industrialists

are compelled towards closure of their business operations in Kenya and shift their industries to other countries. The closure of operations of these large Kenya's businesses directly influences small and medium enterprises (SMEs) and economy of the country. The macroeconomic consequences of such business closure include poverty, unemployment, increase in inflation and other macroeconomic challenges (Kureshi, Mann, Khan, & Qureshi, 2009). SME sector of a country can help a nation in avoiding such undesired economic consequences. SMEs are engaged in the provision of both consumer and industrial products to various sectors of the economy. A flourishing SME sector can catalyze the economic development of a country. Hazelkorn (2009) suggested that SME sector is the backbone of emerging economies as it attracts investment and creates employment. Bouri *et al.* (2011) highlighted that on the global contribution of SMEs in World's GDP, and business development is more than other large level enterprises. Therefore, this study sought to investigate the influence of strategic entrepreneurial orientation on the growth of small and medium manufacturing firms in Kenya.

### 1.3 Objectives of the study

- i. To establish the influence of strategic entrepreneurial orientation on the growth of small and medium manufacturing firms in Kenya.
- ii. To give recommendations on entrepreneurial orientation and performance of small and medium manufacturing firms in Kenya.

### 1.4 Research Questions

- i. What is the influence of strategic entrepreneurial orientation on the growth of small and medium manufacturing firms in Kenya?
- ii. What are some of the recommendations on entrepreneurial orientation towards performance of medium manufacturing firms in Kenya?

## 2.1 Literature Review

### 2.2 Theoretical Framework

#### 2.2.1 Resource Based Theory

This study was anchored on resource-based theory, which is a general theory of strategic management and entrepreneurship. Entrepreneurs develop strategies based on the resources available in the firm and also based on the environmental conditions and also the proactiveness and innovative nature of the entrepreneurs (Alvarez and Barney, 2017). The resource based view (RBV) argues that distinct bundle of resources are fundamental as the firm generates sustained competitive advantage. The theory describes how entrepreneurs form businesses from available resources and capabilities. Enterprises resources such as strategic capabilities such as financial, physical, human, technological, reputational, processes, information and knowledge can attain sustainable competitive advantage.

The RBV holds that to harmonize human effort acquisition human effort acquisition ability, to effectively engage and to efficiently preserve intangible and tangible resources may serve as the

basis of the firm's policy and therefore, its foundation for realizing the performance. Its objective is identifying how to sustain a competitive advantage (Hitt, Xu & Carnes, 2016). The main assumptions of RBV states that any firm may secure sustainable advantage by devising strategic capabilities and pertinent resources which are precise, durable, intangible, valuable, rare and unable to be either substituted or imitated, and / or are untradeable and static. In the case of SMEs in manufacturing sector. RBV is critical since it addresses resources and capabilities of a firm as key to its performance, it was therefore found to be an appropriate theory to be used in this study.

### **2.2.2 Dynamic Capabilities Theory**

Dynamic capability theory explains how organizational responsiveness and innovativeness through entrepreneurial orientation become timely, rapid and flexible in dynamic markets. Based on a review and synthesis of the literature, dynamic capability is depicted as organization's capability to analytically solve issues created by its propensity to perceive opportunities and ultimatum, make appropriate policies that are market- oriented to modify its resource foundation (Di Stefano, Peteraf & Verona, 2010; Barreto, 2010).

Easterby, Lyles' and Peteraf (2009) contend that dynamic capabilities are higher-level capabilities that aid knowledge convention and sharing, constant modification of the operational procedures, interrelation with the environment and application of suitable entrepreneurial orientation practices. In the case of manufacturing SMEs the theoretical perspective according to the theory may be driven by management fads such as change of culture, engineering business process, empowerment, total quality, dramatic changes within the environment to boost the overall performance.

### **2.3 Empirical Review**

Innovativeness entails a firm's ability to generate new ideas and performing experiments leading to the creation of new processes, products, and services. To be innovative, newly established firms need more knowledge and intellect (Schoonhoven, Eisenhardt & Lyman, 2010). Moreover, for new firms, innovation may create ambiguity and uncertainty. Roberts and Hauptman (2017) suggested that if the new innovative product is technological, then more time may be required to market the product. Moreover, innovative products may be technologically sophisticated, and these products may have unique design and features. It would raise imitation barriers and may help firms in achieving competitive advantage (Harter, Krishnan & Slaughter, 2000). Innovation also helps organizations in fostering their market share not only in local markets but also assist them in entering international markets and sustain there. Over time, innovation capability may help businesses in earning a sustainable competitive advantage. Drucker (2017) suggested that industry should regard innovation as an essential capability and focus their energies to make it their core-competency. Innovation is a vital element for the firms to enter and stay in the markets. Kaufmann and Tödting (2012) suggested that businesses should continuously improve their innovation speed by investing on it and complete their product development process effectively and efficiently.

Proactivity is the tendency of a firm to introduce new products and services. It is an extent to which a firm and its management take the initiative and earn the first-mover advantage in a market (Covin, Green, & Slevin, 2016). In a competitive market, proactivity not only enables firm in capturing opportunities better than other businesses but also become the basis for developing and sustaining competitive advantage (Miles, Snow, Meyer & Coleman, 2017). Proactivity is as essential as innovation. The underlying reason is that over different stages of industry life cycles, firms need to innovate and launch new products and services that match to the requirements of the markets. Proactivity is the ability of an organization, and it's management in deciding whether to launch a new product or not. A contradictory evidence came from the work Bolino, Valcea, and Harvey (2010) who suggested that proactivity may lead to stress among employees. The underlying reason for this is that proactive firms become demanding and may ask employees to innovate. It may cause harmful stress among employees, and they may get demotivated. This demotivation may lead to lower level of productivity that may ultimately reduce the level of organizational performance. For this research, we still assert that proactivity has a positive influence on organizational performance.

Risk taking is the willingness of a person to invest in such projects which have uncertain outcomes (G Tom Lumpkin & Dess, 2013). A risk-taking manager is eager to spend money and allocation of other resources on such projects that have uncertain outcomes. (Miller & Friesen, 2012). Risk-taking is a dimension of EO and asserts that management may take a risk by making an investment in new projects, taking loans, expanding the scale of business, entering new markets, launching new products, reinventing existing processes, hiring new employees, etc. These things may bring a unique perspective in the organization (Swink, 2013). According to Suarez (2014), closure of an organization may also be regarded as risk-taking. The underlying reason is that closing operations of an organization contemplate that in the time to come, the organization may suffer losses and these losses can be avoided by closing operations immediately. Kreiser, Marino, and Weaver (2012) emphasized that SMEs should take-risk as by doing this, they may enter into a niche and over time may specialize in that. It will become the basis of competitive advantage for the SME and would have a positive impact on the performance of the firm

Competitive aggressiveness (CA) is a firm's strategic competitiveness through which it responds to its rivals' challenges and outperforms them by strategically thinking (Rauch et al., 2009). Competitive aggressiveness is associated with firm's ability to compete unconventionally with its competitors by identifying and targeting weaknesses of rivals. According to Boldrin, Allamand, Levine, and Ornaghi (2011), modern competitive business warfare has profound resource implications Businesses need considerable resources to wage war against their competitors. Moreover, sustaining such wars and succeeding those wars have their resource implications. One possible way to reduce such resource strain is to use a unique and innovative basis of competition. In this regard, senior management of businesses especially SMEs should strategically plan their competition strategy and enter into the market. Enterprises in which competitive aggressiveness exists tend to perform better than their counterparts do. This CA helps firms in tackling dynamic and hostile environment (Mirza, Bergland, & Khatoun, 2016).

Bengesi and Le Roux (2014) examined the influence of three dimensions of strategic entrepreneurial response, namely market orientation, entrepreneurial orientation and networking capability on SMEs performance necessary for firms to face challenges in competitive environments. The research confirmed positive influence of the three dimensions of strategic entrepreneurial response (SER), namely market orientation (MO), entrepreneurial orientation (EO) and network capabilities (NWC) on small and medium enterprise (SME) performance. The dimensions of SER explained a significant amount of variance (50.1%) in SME performance, with the largest amount (27.1%) of variance accounted for by MO. The findings suggest that emphasis on MO is a firm's strategic choice to generate strategic information, which forms a seedbed of opportunities from which entrepreneurial oriented firms identify and proactively seize to build competitive advantage. Contrary to previous studies, which emphasized that opportunity-seeking behavior is a domain of EO, this paper argues that MO is pivotal construct to the SER. The study viewed EO as more driven by an advantage seeking behavior rather than opportunity-seeking behavior as conceptualized before. The study suggested that sustained market orientation and entrepreneurial orientation cultures build opportunity seeking and advantage seeking behaviors, respectively crucial to create and sustain SME performance.

Ferreira Raposo and Fernandes (2014) conducted a study on strategic entrepreneurial orientation and small business growth. A sample made up of 211 small Portuguese firms from various different sectors of activity was surveyed by questionnaire. The results demonstrated how the life cycle of companies, their resources, capacities, motivations and surrounding environment all influence the SEO of small companies. The empirical evidence showed how SEO, and across four specific dimensions proactiveness, innovativeness, risk taking and competitive aggressiveness, clearly impacts on the growth of these small firms. The study contributes both theoretically (through advancing knowledge on the field of strategic factors for small business growth) and practically (when designing support policies strategically orientated towards small firms).

Patrick (2017) conducted a study on the effect of entrepreneurial orientation on SMES product innovativeness in manufacturing SMEs. Using a cross sectional survey design with a sample size of 196, a standard multiple linear regression (MLR) was performed between product innovativeness as the dependent variable and proactiveness and risk-taking dimensions of EO, as independent variables. The results indicate that the predictors explained 22.9% of the variance ( $R^2=0.241$ ,  $Adj R^2=0.229$ ),  $F(2,123) = 19.565$ ,  $t = p < 0.01$ . Proactiveness ( $B = 0.368$ ,  $t = 2.934$ ,  $p < .004$  and risk taking ( $B = 0.221$ ,  $t = 3.272$ ,  $p = .001$ ) positively and significantly contributed to predicting product innovativeness. It is concluded that proactiveness enhances SMEs' potential to introduce new products featuring more differentiated characteristics for the market. Similarly, risk-taking enables SMEs to deliver new products of higher uniqueness that enables them surmount fierce competition. The study recommended that SME owner-managers should be proactive in seeking new product ideas and customer product information that will in turn enable them generate ideas on designing and manufacturing innovative products.

Gathungu and Baariu (2018) analyzed the competitive strategies entrepreneurial orientation, external environment and performance of small and medium enterprises in the manufacturing sector in Nairobi County. The purpose of this paper was to establish the influence of entrepreneurial orientation and external environment on the relationship between competitive strategies and performance of small and medium enterprises in the manufacturing sector in Kenya. Small and medium enterprises (SMEs) play crucial roles in many economies all over the world. SMEs are critical for developing countries because of their intensity is much higher than that of the large enterprises. They also contribute to government revenue through payment of various taxes. The study was anchored on resource based theory and supported by game theory, open system theory and dynamic capabilities theory which provide a framework for examining the association between research variables. Resource based theory lays emphasis on the internal resources of a firm in developing its strategy to achieve a sustainable competitive advantage in its markets and industry. The study found that small and medium enterprises performance is affected by a variety of interrelated factors which should be taken into consideration in order to achieve success and to avoid business failure. This study concludes that entrepreneurial orientation and environment have impact on competitive strategies adopted to improve performance.

Etim, Adabu and Ogar (2017) studied the influence of entrepreneurial orientation as survival strategy for small and medium enterprises. A total of 150 SMEs were randomly selected from business industrial cluster in Lagos (South West) Nigeria and used for the study. Secondary and data were used for data collection. Analysis was conducted via descriptive statistics, frequency tables was used for summarizing the data. A multivariate regression model was used to measure the variables of entrepreneurial orientation and network models on SME's survival. The result reveals that the variables of entrepreneurial orientation (Innovation, risk taking and pro-activeness) and have significant positive influence on SME's survival. Both regression and correlation results indicated that entrepreneurial orientation variables had positive influence on SME's survival. Innovation was the most significant with correlation coefficient of 0.915 elements of entrepreneurial orientation influencing SME's survival in Nigeria; while proactiveness was the most significant with correlation relationship of 43.3% combined strategies to influence the survival, profitability, growth and sustainability of SME's. The study recommended that SMEs owners should explore the dynamic changes occasioned by entrepreneurial orientation in other to improve on entrepreneurial attitude and behavior, characterization that can improve SME's existence in the business ecosystem.

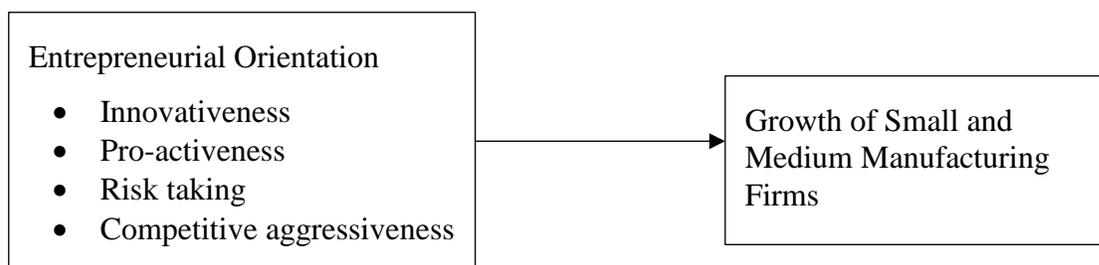
Authors such as (Naman & Slevin 1993; Wheeler and Jones 2006; Pett & Wolff, 2011) also acknowledged that a strong positive link between entrepreneurial orientation and SME's survival exists. They posit that SME's with high entrepreneurial orientation survive better than SME's with low entrepreneurial orientation. Maseko (2010) noted that entrepreneurial orientation has been regarded a prominent factor for SME's survival and sustainability, while Wikund & Sheperd (2005) and Covin & Slevin (2006) supported the previous position as they observed that the more SME's adopt entrepreneurial orientation the more they become profitable and survive. Lumpkin

and Dess (2001) consider entrepreneurial orientation as consisting of three core dimension of innovativeness, proactiveness and risk taking, a number of other scholars Miler (1983); Naman & Slevin (1993); Rauch, Wikund, Freese & Lumpkin (2004) investigated the influence of innovativeness, proactiveness and risk taking on the survival of SME"s in hostile business environment by studying 161 SME"s. in selected developing economies. The findings of the investigation revealed that the component of EO such as innovativeness, proactiveness.

Several studies (Oni 2012; Seyed 2011; Schillo 2011) noted that proactiveness is a key tool especially for SME"s to come up with strategic initiative that are essential for guaranteeing success and survival of SME"s. In a previous studies (Hung & Chang 2010; Faizul, Hirobumi & Tanaka (2010) had earlier submitted that proactive SME"s tend to survive because they largely pursue new opportunities ahead of competition, while Maseko (2012) on the other had earlier indicated that a lack of proactiveness reduced the chances of SME"s to survive and be successful. In fact, researchers such as Fatoki (2014) aligns with the submission of other authors and noted that the extent to which SME"s aggressively pursue opportunity and proactively repositioned its niche, have been linked to SME success, survival and growth.

## 2.4 Conceptual Framework

The conceptual framework provides a diagrammatical illustration that shows the connection between the independent and dependent variables (Kothari, 2006). The figure below depicts the relationship between entrepreneurial orientation and growth of small and medium manufacturing firms as shown ion Figure 1.



**Figure 1: Conceptual Framework**

## 3.0 Research Methodology

The study sough to established the influence of strategic entrepreneurial orientation on the growth of small and medium manufacturing firms in Kenya. The paper used a desk study review methodology where relevant empirical literature was reviewed to identify main themes. A critical review of empirical literature was conducted to establish the influence of strategic entrepreneurial orientation on the growth of small and medium manufacturing firms in Kenya.

## 4.0 Results and Discussion

From the empirical review, the study found a significant effect of proactiveness on product innovativeness. This finding is in line with existing evidence that lower product innovativeness comes from weaker proactiveness, whereas higher product innovativeness comes from stronger

proactiveness (Avlonitis & Salavou 2007; Knoblen, *et al.*, 2011). Stronger proactiveness reflects a willingness to foster new ideas and to adopt change which is critical to product innovation (Tang & Murphy, 2012). Indeed, firm-level innovativeness demands proactiveness in exploring new and creative methods of doing business (Menguc & Auh, 2016). Such creativity reflects a firm's thinking capability to produce ideas that are new and distinctive (Salavou, 2014), which can lead to new and applicable insights that in turn, translate to development of novel and unique products

Undoubtedly, SMEs are a driving force in the economic development of developed and developing countries. SMEs in Africa and Kenya in particular are often constrained by so many factors to survive and remain sustainable. Survival strategies have been developed, which this research has synchronized with entrepreneurial orientation and network model. These survival strategies have immensely contributed to the growth and sustainability of the studied SMEs. They serve as the running engine through which the economy survives. By building on previous research, this study examined the relationship between strategies for SME survival and offers a number of propositions for testing regarding this relationship. The result indicates a positive relationship between EO and SME's survival. This is consistent with the theory that SME's with high EO out perform and have high chances of survival than SME's with low EO (Kroop, 2006).

This study finds that that innovativeness, risk taking and competitive aggressiveness positively influence firm performance to a great extent, pro-activeness positively influence firm performance to a very great extent while autonomy of the management negatively influence firm performance to a great extent. Introducing new products and technologies influence firm performance to a very great extent while new strategies influence firm performance to a moderate extent. Stimulating new demand and entering new ventures influence firm performance to a very great extent but borrowing heavily influenced firm performance only to a low extent. In addition, Introducing new products before competitors influenced firm performance to a very great extent, Anticipation of future demand influenced firm performance to a great extent while influencing market environment influence firm performance to a low extent.

The study further finds that, having the freedom of bringing in new ideas influence firm performance to a great extent, bringing in new products influence firm performance to a moderate extent while Introducing new methods influence firm performance to a low extent. Capability influence firm performance to a great extent while motivation and awareness influenced firm performance to a moderate extent. The study also concludes that there is a positive correlation between innovativeness, risk-taking pro-activeness positively, competitive aggressiveness and performance.

## 5.0 Conclusions

The objective of the study was to examine the influence of entrepreneurial orientation on the growth of small and medium enterprises in the manufacturing sector in Kenya. Based on the objective, exhaustive reviews of literature was carried out to provide more insight into areas and variables being investigated. Kenya's private sector consists of mostly informal SMEs operating alongside large firms. Innovative SMEs with high growth potential many of them in high

technology sectors have played a pivotal role in raising productivity and maintaining competitiveness in recent years (Carrier, 2010). Previous researchers have not captured the variables in this study in regards to performance of SMEs. Competitive advantage involves every aspect of the way the organization competes in the market place. While there is no single type of strategy, which was associated with growth, the most successful SME are those that combine a number of strategies (Gomez- Mejia, 2010).

Further, it is argued that entrepreneurial orientation is a multi-dimensional construct operationalized in terms of several key dimensions such as proactiveness, innovativeness, risky ventures, competitive aggressiveness and market innovations. Entrepreneurial orientation as a firm's strategies orientation demonstrates specific entrepreneurial features of decision-making techniques and association. Therefore, the analysis points a positive relationship amongst entrepreneurial orientation and business strategy situations where dynamic environment is integrated. This eventually results in better knowledge of the environment, enhanced decision-making and positive implications on business growth.

The study will make significant contribution to policies and entrepreneurial management practices. At policy level, the Government recognizes that SMEs in manufacturing are key drivers of economic growth and therefore develop policies and create awareness among policy makers as well as assisting them to use integrated models in the formulation of policies. Specifically policy makers will combine policies on promoting competitive strategies and the operating environment. This will increase the ability of SMEs to scale up their operations to fill the missing middle gap that is prevalent in the economy. This study will also benefit owner managers of SMES by contributing to the competitive strategies in small and medium enterprises in manufacturing sector. These enterprises generally lack best competitive strategies as well as good responses to the turbulent macro environment.

## 6.0 Recommendations

These results present important grounds for SME owner-managers in formulating and implementing strategies to improve their growth. The study recommends that SME owner-managers should be proactive in seeking new product ideas and customer product information that will in turn enable them generate ideas on designing and manufacturing innovative products. The setting up of SMEs support policies that promote collaborations in research for purposes of sharing information/accessing the diverse knowledge base on new product design, development and production. Such collaborations and the direct contact with customers will reduce risks and durations of the innovation process because of direct or informal information transfer between partner firms and research institutions, hence enhanced.

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