Journal of Entrepreneurship & Project Management


# Organisational Factors and Uptake of Venture Capital by Small and Medium Enterprises: A Case of Selected Venture Capital Beneficiaries of Kenya Commercial Bank

**Maduru Musa, Dr. Kithae P. Peter, PhD & Dr. James Mwikya Reuben**

**ISSN: 2616-8464**

Stratford Peer Reviewed Journals and Book Publishing
Journal of Entrepreneurship & Project Management
Volume 3||Issue 7||Page 1- 31||December||2019|
Email: info@stratfordjournals.org ISSN: 2616-8464

# Organisational Factors and Uptake of Venture Capital by Small and Medium Enterprises: A Case of Selected Venture Capital Beneficiaries of Kenya Commercial Bank

**[*1]Maduru Musa, [2]Dr. Kithae P. Peter, PhD & [3]Dr. James Mwikya Reuben**

**[1]Graduate Candidate, the Management University of Africa**

**[2]Lecturer, the Management University of Africa**

**[3]Lecturer, the Management University of Africa**

***E-Mail of the Corresponding Author:** mmaduru@gmail.com

***How to cite this article*: Musa, M., Kithae, P. P. & Reuben, J. M. (2019). Organisational Factors and Uptake of Venture Capital by Small and Medium Enterprises: A Case of Selected Venture Capital Beneficiaries of Kenya Commercial Bank, *Journal of Entrepreneurship & Project Management*, 3(7), 1-31.**

# Abstract

Capital venture is a means through which corporations contribute in the success of external innovations to help them gain insight into non-core markets and access to capabilities. Most businesses tend to look internally for primary funding before considering finances from banks and cooperative societies. Venture capitalists are important source of fund that can invest in any form of business, regardless of size, depending on their assessment and postulation of the success of the business. The main objective of this research study was to establish the influence of organisational factors and uptake of venture capital by small and medium enterprises: a case of selected venture capital beneficiaries of Kenya Commercial Bank. In particular this study sought to find out the role of organisational innovativeness, ownership structure, capital gearing and entrepreneurial competencies of owner/manager on uptake of venture capital by SMEs in Kenya. The researcher aimed to identify significant facts around SME organisational factors that entrepreneurs can rely upon to enhance their lucrativeness for uptake of venture capital, that can support policy makers in reviewing effectiveness of existing policies in a bid to propel uptake of venture capital in Kenya and the region and that can provide important literature to be referenced by scholars and other researchers studying the same or related issue in order to identify gaps for further studies. The study was informed by resource view-based, institution and pecking order theory. The study employed a descriptive research design with a target population of 300 SMEs who had benefited from

venture capital in Kenya through KCB Lions' Den and KCB 2Jiajiri. The sample size for the study was 90 respondents, randomly selected and gathered primary data by use of questionnaires in a Likert scale. Data gathered from correctly filled questionnaires was coded, tabulated and analysed using Statistical Package for Social Sciences (SPSS) Version 24. The study adopted descriptive and inferential statistics to capture the characteristics of variables under study and analyse the relationship between dependent and independent variables. The researcher conducted this study within the set ethical standards. The study established that organisational innovativeness had a positive and significant effect on uptake of venture capital with β=0.586, t=5.228 and $R^2$ of 0.259. Ownership structure had a positive and significant effect on uptake of venture capital (β=0.685, t=5.747) and $R^2$ of 0.297. Capital gearing also had a positive and significant effect on uptake of venture capital with β=0.687, t=6.235 and $R^2$ of 0.333. The study further established that entrepreneurial competencies had β=0.713, t=6.778 and $R^2$ of 0.371, which is a positive correlation and denotes the most significant influence on uptake of venture capital compared to other variables under this study. Therefore, the study concludes that organisation innovativeness influence uptake of venture capital by SMEs to a great extent and is a fundamental pillar to growth and entry to new market place. Ownership structure determine uptake of venture capital by SMEs to a great extent and primary driving factor for investor and creditors decision. Capital gearing influences the uptake of venture capital by SMEs to a great extent. Entrepreneurial competencies of owner/manager influence and determine uptake of venture capital by SMEs to the greatest extent compared to other variables in this study. The study recommends that given the importance of entrepreneurial competencies in relation to uptake of venture capital, instructors should develop competency-based training and education programmes targeting to enhance entrepreneurial skills of owner/managers. SMEs should invest in research to create innovative products and least cost processes. Businesses with high capital gearing ratio should target to attract debt that is relative to their equity, thereby balancing their financial risk. Finally, the owners/managers should strive to take up more venture capital since the venture capitalists do not only assist in provision of funds but can also contribute to the internal operations of the businesses, especially policy formulation.

**Key Words:** *Capital gearing, Venture capital, Ownership structure, Entrepreneurial competencies, uptake*

### 1.1 Background of the Study

Uptake of venture capital is the process where a group of people or an individual is associated with an existing company, creating a new company or instigating renewal and innovation of an organisation (Sharma & Crisman, 2009). Weiblen and Chesbrough (2015) view capital venture as a means through which corporations contribute in the success of external innovations to help them gain insight into non-core markets and access to capabilities. According to Guth and Ginsberg (2010), uptake of venture capital embraces two different kinds of portents that include new venture creation that exist within the organisation and uptake of venture capital through strategic renewal. The idea of venture capital is said to have originated in the United States of America in 1914 when DuPont, a chemicals and

plastics manufacturing company, invested in a small start-up automobile company, General Motors.

Three main variables of entrepreneurial behaviour that determine the process of uptake of venture capital are opportunity recognition, organisational flexibility and a firm's ability to initiate entrepreneurial actions (Zahra, 2013). They are similar across the board for venturing companies. The researcher founded this study on these three main variable to further interrogate and understand venture capital (VC) decision Covin and Slevin (2010) described a CVC firm as a company with entrepreneurial behaviour encompassed by expert top managers, flexibility to environment and varied operating styles, results oriented and with an amiable working atmosphere. However, when dealing with family firms there are additional factors that affect the process and success of a venture capital decision as families are complex social systems both as a group and at the individual level, all of which affect the organisation, strategy and output of the business (Arvin, Cho, Sang, & Mousa, 2016).

A study in the United States by Kang (2019) examined the impact of venture capital involvement in business syndicate. Prior to the study by Kang, the available literature focused on the likelihood of uptake venture capital by investor types. In fact, there are various types of venture capital investors with distinctive objectives. Therefore, by focusing on capital ventures backed by venture capital and independent venture capital, the study's aim was to establish how the relative influence among a heterogeneous group of venture capital investors in a syndicate determines the likelihood of the venture successful exit.

In Africa, a study Kolade (2018) conducted in Nigeria examined capital venture under fire with reference to entrepreneurship education, venture creation and poverty reduction in conflict prone Maiduguri region. The study established that entrepreneurship education programme is required for generating awareness and facilitating skills development, poverty reduction, contributing to new venture creation and positive mind-set, which impacts on the inadequate support through venture capital and limited facilities for business incubation (Kolade, 2018). In South Africa, a study by Afful-Dadzie and Afful-Dadzie (2016) examined the decision-making model for selecting start-up business in government capital scheme. The study's intentions were to propose an intuitionistic fuzzy technique for order preference by similarity to ideal solution multiple criteria for selecting SMEs and start-ups in government founded venture capital.

Venture capital is a recent source of investment for businesses in Kenya. Kenyan businesses tend to look internally for primary funding for business development. Next, they consider financing from banks and cooperative societies although a great hindrance to this step especially for smaller businesses is the lack of adequate security to access loans. It is at this point, where corporate investors become an important source of equity as they can invest in any form of business, regardless of size, depending on their assessment and postulation of the success of the business. No financial security is required for a corporate investor-business merger thus attracting many businesses to this model, although investors are protected under the Constitution of Kenya in the Capital Markets Act, Cap 458 A and the Foreign Investments Protection Act, Cap 518. According to the international audit firm KPMG, 2017

global venture capital investments hit an all-time high of $155 billion (15.6 trillion KES). Regrettably, no African countries were included in Venture Pulse, the KPMG venture capital funding quarterly report that shows the global trends in venture funding. A local KPMG report for the fourth quarter of 2016 stated that private equity firms raised $250 million (25.95 billion KES) in 2016 (KPMG, 2017).

The Kenya government views SMEs as the most important drivers of the national economy. The Economic Survey Report (2016) indicated that SMEs contribute to 70% of Kenya's GDP and the sector employs about 90% of its workforce. The following comparative analysis of definitions on SMEs underscores primacy of these common features in defining the subject and scope of this study. SME is a generic term which stands for and is the recognized abbreviation of small and medium-sized enterprises. Most of the SMEs in Kenya lack access to finance, which is one of the major factors that inhibit growth in the sector. The challenges that limit SMEs in acquisition of financial services are inadequate tangible security, complex legal and regulatory framework that does not recognise innovative strategies for lending to SMEs, perception that small businesses are a financial risk by lenders, among other factors.

According to KPMG (2017), capital gearing is the process of borrowing funds for investment. Organisations use capital gearing to accelerate wealth creation by allowing investors to deposit large investments, which determine productivity and performance. Organisations use the deposited investment in ways such as direct shares, property development and managed investments (Mahesh & Daddikar, 2013). Capital gearing is an effective strategy, especially for organisation if the tax capital gain and income return of the geared investment exceeds after-tax costs of funding investment, as long as net gains from the organisation investments over the long-term outweigh the borrowing cost. Capital gearing will boost the gains. Studies have shown that capital gearing is considered as an effective long-term strategy because results have shown that over a long-term growth based investments can deliver higher possible returns. However, investment suitable for capital gearing is generally more volatile than others and can also lose value. Capital gearing is only appropriate for growth-based investments that include property and shares and should be viewed as long-term strategy (Hovakimian, Ople, & Titman, 2015).

Kenya Commercial Bank developed a programme to support young entrepreneurs, especially in terms of finances as part of its social corporate responsibility. The KCB Lions' Den not only provides funds but also help the young SMEs to get mentors and take their business to the next level. On the other hand, KCB 2Jiajiri's objective is to empower and equip unemployed and out-of-school youth to grow micro enterprises by providing them with technical skill and training opportunities. The bank supports SMEs as financial catalyst. KCB also partners with other media house such as Standard Media Group to connect SMEs with successful venture capitalist that have already cut the niche in their businesses through the Lions' Den TV show.

### 1.2 Statement of the Problem

Despite numerous CVCs identified within the Kenyan business market many of which have taken interest in start-up companies particularly in the information technology sector, manufacturing sector and the health sector, most family entrepreneurs do not readily opt to pitch their business ideas to venture capitalists. Lack of awareness inhibits SME's drive to target and apply for venture capital. In effect, many SMEs owner/managers do not make conscious efforts to enhance key organisational factors that could make their enterprises lucrative for venture capital funding. In the first season of Lions' Den TV show, 59 entrepreneurs received capital worth KES 291,000,000.The problems faced by most entrepreneurs when starting or continuing their businesses is how to access working capital. Getting capital is particularly an uphill task for family-owned businesses, which structurally, are mostly sole proprietorship or partnership arrangements among family members. Bank loans are difficult for family entrepreneurs to get because lenders require collateral, which may not be available, besides, unfavourable interest rates that are relatively higher than the rate of return for many start-up ventures or small family businesses (KPMG, 2017). Inability to access robust working capital options amidst increased changes in business environment could force businesses to undesired strategic options such as restructuring, downsizing, mergers and privatisation (Agusto, Lisboa, & Yasmin, 2014).

Despite having increased significantly over the past few years across the world, recourse to venture capital in Kenya is still relatively modest compared with other parts of the world like United States and Europe. As per a local KPMG report for the fourth quarter of 2016 it was stated that private equity firms raised $250 million (25.95 billion KES) in 2016. This is an indicator that there is a strong presence of venture capital within the country raising equity for promising companies. Ngugi, 2006, states that uptake of venture capital has been present for a while, especially among large scale manufacturing companies, although barriers do exist in their initiative to invest such as extended bureaucracy processes and a lack of support from managerial level staff. Applications to participate in the show increased to 6,500 in season two. In 2018, the applications were more than 10,000. Sigara (2004) studied what hinders SMEs from using venture capital finance and established that unawareness is the major contributing factor. Although this study has a bearing to work of other research, the influence of organisational factors and uptake of venture capital by small and medium-sized enterprises from the perspective of venture capital beneficiaries in Kenya has very little information. Hence, the motivation for this studies seeking to establish and answer the question: what are the organisational factors that influence uptake of venture capital by SMEs in Kenya?

### 1.3 Study Objectives

i. To examine how organisational innovativeness affects uptake of venture capital by SMEs in Kenya.
ii. To establish how ownership structure of businesses affects uptake of venture capital by SMEs in Kenya.
iii. To determine how capital gearing affects uptake of venture capital by SMEs in Kenya.

iv. To examine how entrepreneurial competencies of owner/manager affects uptake of venture capital by SMEs in Kenya.

### 1.4 Research Study Questions

i. Does organisational innovativeness influence uptake of venture capital by SMEs in Kenya?
ii. In what ways do ownership structure of businesses determine uptake of venture capital by SMEs in Kenya?
iii. Does capital gearing determine the uptake of venture capital by SMEs in Kenya?
iv. Is there any relationship between entrepreneurial competencies of owner/ manager and uptake of venture capital by SMEs in Kenya?

## 2.0 Literature Review

### 2.1 Theoretical Literature Review

#### 2.1.1 Resource-Based Theory

This study adopted resource-based theory as the main anchor theory. Resource-based theory applied in early 1930s got back to light in 1990 when Jay Barney reengineered it with his study on "firm resources and sustained advantages". This concept is as pivotal in the emergence of resource-based view. The theory sheds light into how an organisation in the same sector performs better than others and lays emphasis on the internal resources of the organisation in developing its strategy to achieve sustainable competitive advantage in the market. According to the theory, not all organisational resources are important for generating competitive advantage. According to Shook (2009), each organisation possesses different capabilities and resources. The way organization maintains, acquires, bundles, develop and applies the resources will definitely lead to superior performance and having a competitive edge within a given period.

#### 2.1.2 Institution Theory

Goguen and Burstall came up with this theory in 1984. Institution theory puts emphasis on the organisation environment, which is important in shaping firms' structure and actions. The theory states that decisions are not purely driven by rational goals of efficiency but by cultural and social factors and apprehensions for acceptability. Organisations are elated by structures, routines, cultures and operate at several levels. Which implies that organisation that deal with same products or services tend to be homologous within a period. Customer needs and requirements facilitate copying other corporate leaders. According to Othman (2009), organisations are likely to be induced to adopt what peers do by external isomorphic pressures from competitors, government, trading partners and customers. From the foregoing, institution theory provides a useful framework for analysing questions about how organisations interact with their environment and how factors become institutionalised over time.

Stratford Peer Reviewed Journals and Book Publishing
Journal of Entrepreneurship & Project Management
Volume 3||Issue 7||Page 1- 31||December||2019|
Email: info@stratfordjournals.org ISSN: 2616-8464

### 2.1.3 Pecking Order Theory

Donaldson developed the pecking order theory in 1984. Myers and Majluf later modified the theory and made it popular. Pecking order theory indicates that managers have more information on organisation or business performance than the subordinates do. Some businesses have higher level of asymmetric information. Such are organisation with complex production and have less accounting transparency. The theory states that large businesses prefers to be financed with internal funds while small firms that lack resources will have to rely on debt financing. When a business climbs up the pecking order, it faces increase in financial costs. When the business has higher probability of incurring financial distress costs, then it has a higher chance of surpassing future financial obligations (Quan, 2012). The study adopted this theory because it explains the role of internal factors such as capital gearing, ownership structure of businesses and organizational innovativeness on decisions organisations take.

### 2.2 Empirical Literature Review

Ji-Hoon and Zong-Tae (2018) conducted a study entiled 'When are Sharks Beneficial: Venture Capital Investment and Statup Innovation Performance' and examined the effects of venture capital investment on start-up innovation performance. However, the effects were enhanced as important but relatively understudied in entreprenuership and strategy research. Ji-Hoon and Zong-Tae, (2018) built on the idea of regarding venture capital investment relationship as learning associations and introduced two situational factors as boundary conditions on the performance effects of venture capital investment. The study samples were drawn from start-ups in the human biotechnology industry in the US. The research employed propensity score matching differences techniques. The study established that venture capital investment is beneficial for startup innovativeness when it is established after initial independent venture capital funding (Ji-Hoon & Zong-Tae, 2018).

Gugler and Vanoli (2015) examine Chinese innovation processess that are induced by foreign direct investment abroad. The research examined patents and used citation analysis to determine the extent in which investments abroad contribute to enhancing organisation innovate capabilities. The research also focused on the role of foreign location competitiveness as an asset to provide technological capabilities to affiliate Chinese firms. The authors used patents as an indicator for organisation innovative capabilities. The study sampled 3,010 patents that involved 5,749 citations and the authors individually examined the patents. The study findings show that Chinese MNEs' ability to generate their own innovation based on their own knowledge is low with a rating of 4%. Patents by Chinese MNEs are largely based on developed countries with a 90% rating and the 39% of citations represented domestic organisations.

Mara, Tommaso, Garrett, and Shaun (2017) conducted a study on 'How Do Family Firms Launch New Business? A Development on Internal Corporate Venturing in Family Business'. The study's conceptual framework depicted that internal corporate venturing in family business consist of two separate and sequential strategic choices that include the

decision about the degree of relationship between the parent organisation and the venture while the second one is the definition of the level venture autonomy. The study was anchored on stewardship theory. The research established family business dynamics and in particular the development of the ownership structure, the influence of how family businesses pursue internal corporate venturing and decisions based on these two steps. The study also established that contingent effect of corporate governance characteristics and of the national legal system affects internal corporate venturing in family business (Mara, Tommaso, Garrett, & Shaun, 2017).

A study by Limnios, Watson, Mazzarol and Souter (2016) on financial instruments and equity structures for raising capital in co-operatives and the main purpose was to determine the key issues faced by co-operative enterprises on how to raise external equity without compromising member's control. The study also examines the potential of a special type of financial instrument referred to as Cooperative Capital Unit. The study adopted a Delphi Panel and data was collected from six focus groups. The finding from Delphi Panel focus groups were used to develop a proposed framework that the authors believed would be useful in structuring equity like instruments depending on its purpose and they proposed a new form of cooperative ownership and equity structure that could better align member and investor interests and provided a mechanism to strengthen one role over the other depending on the needs of the cooperative as well as to give investors with a better sense of security while retaining members control. The study established that ownership and equity structure proposed in the study are not currently found in theory and practice.

Chowdhury and Maung (2013) investigated the effects of corporate entrepreneurship and debt financing with references to Gulf Cooperation Council countries. The objective was to establish if lack of entrepreneurship in publicly listed Gulf Cooperation Council affects their ability to acquire debt financing. The study used stochastic frontier approach and estimated an optimal revenue function given operating expenses, labour cost and the existing physical infrastructure of the organisation. According to Chowdhury and Maung (2013), the differences between the optimal and actual level of organisation revenues from the revenue frontier function, which partially results from managerial inefficiency due to a lack of corporate entrepreneurship and the study applied the use of fixed effect panel regression and simultaneous equation system to determine the effects of such inefficiency on debt financing. The study found out that entrepreneurial activities increase organisation ability to borrow money from financial institutions.

Aggarwal, Kryscynski and Singh (2015) carried out an evaluation of venture technical competence in venture capital investment decisions. The study collected data from 33 venture capitalists and 308 enterprises. It established that corporate venture decision predicts venture capital investments while venture technical competence predicts subsequent failure. The study also established that technical competence leads to higher assessments. The researchers concluded that venture technical competence enhances accuracy of corporate venture decisions in a positive way. Xiang (2009) investigated entrepreneurial competencies as a distinctive examination of the competency approach in defining entrepreneurs. The study

Stratford Peer Reviewed Journals and Book Publishing
Journal of Entrepreneurship & Project Management
Volume 3||Issue 7||Page 1- 31||December||2019|
Email: info@stratfordjournals.org ISSN: 2616-8464

assumed that entrepreneurial competency differentiates entrepreneurs from non-entrepreneurs without empirically examining it in his research. The study surveyed business owners and managers and adopted discriminant analysis. It established that business owners generally possess higher level of entrepreneurial competence than the business managers. The managers can be discriminated based on their entrepreneurial competency level, which supported the study hypothesis.

Song, Daisy and Kee (2018) investigated the core competence of successful owner-managed SMEs. The study's aim was to measure the impact of uptake of venture capital leadership entrepreneurial, competence and technical competence on organisation performance using innovations in SMEs. The study collected data from 178 SMEs in Malaysia using questionnaires that were analysed using partial least squares structural modelling. The findings showed that there is a link between innovation process and uptake of venture capital leadership, and all relationships linking uptake of venture capital leadership, entreprenuerial and technical competencies with innovativeness were significant. Leadership and innovations are management core components that positively impact on SMEs uptake of venture capital and sustainability to do well in business with less resource (Song, Daisy, & Kee, 2018).

### 2.3 Conceptual Framework

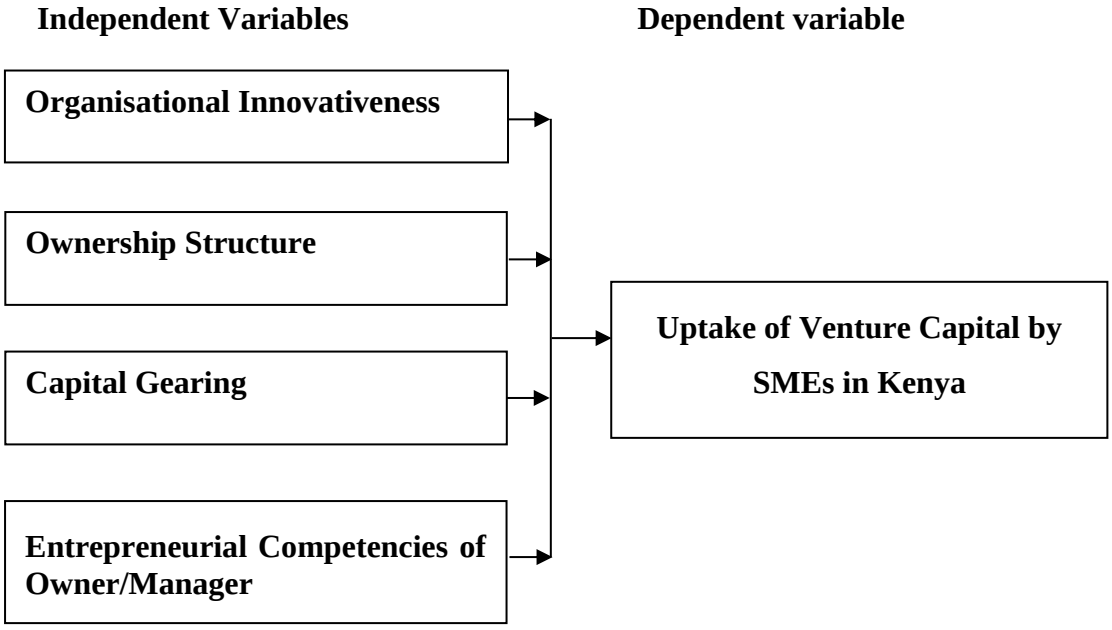


**Figure 1: Conceptual Framework**

### 3.0 Research Methodology

The study employed descriptive research design. This design is the most appropriate for this kind of because it ensures that the data obtained gives suitable answers to the research questions. The descriptive research methods can only describe a set of observations or data

collected. Descriptive study was used to describe characteristics of a population or phenomenon under the study. Data collection was done by asking the target representative population structured pre-determined and relevant questions. This study targeted a population of 300 SMEs that had benefited from venture capital in Kenya through KCB Lions' Den and KCB 2Jiajiri.

The study adopted a stratified random sampling technique to select 30% of the target population as the sample size and as recommended by Mugenda and Mugenda (2003). Therefore, the sample size for this study was 90 SMEs. Data gathered from correctly filled questionnaires was coded, tabulated and analysed using SPSS Version 24 by both descriptive statistics, which include mean and standard deviation, to capture the characteristics of the variables under study. A multiple linear regression model was used to test the significance of the influence of the independent variables on the dependent variable. The model used was as follows;

$Y= \beta0+\beta1X1+\beta2X2+\beta3X3+\beta4X4+e$, where:

Y is the value of dependent variable,

$\{\beta i; i = 1, 2, 3, 4\}$ = coefficients representing the various independent variables.

$\{Xi; i = 1, 2, 3, 4\}$ = are values of the various independent variables.

e is the error term. Thus,

Y = Uptake of Venture Capital

$X_1$= Organisational Innovativeness

$X_2$= Ownership Structure

$X_3$= Capital Gearing

$X_4$= Entrepreneurial Competence of owner/manager

Stratford Peer Reviewed Journals and Book Publishing
Journal of Entrepreneurship & Project Management
Volume 3||Issue 7||Page 1- 31||December||2019|
Email: info@stratfordjournals.org ISSN: 2616-8464

## 4.0 Research Findings and Discussion

### 4.1 Descriptive Statistics

**Table 1: Organisational Innovativeness**

| | Strongly Agreed | Agreed | Neutral | Disagreed | Strongly Disagreed | Mean | Standard Deviation |
|---|---|---|---|---|---|---|---|
| Organisational innovativeness increases uptake of venture capital by SME | 40% | 55% | 4% | 1% | 0% | 4.55 | 0.614 |
| Organisational innovativeness enables SME to increase profitability from the venture capital uptake | 61% | 36% | 3% | 0% | 0% | 4.34 | 0.795 |
| Organisational innovativeness enables the SME to repay the venture capital with ease | 36% | 41% | 1% | 15% | 6% | 4.33 | 0.742 |
| Process innovations increases uptake of venture capital by SME | 55% | 40% | 1% | 4% | 0% | 4.29 | 0.903 |
| Process innovations enables SME to increase profitability from the venture capital uptake | 59% | 40% | 1% | 0% | 0% | 4.29 | 0.679 |
| Process innovations enables the SME to repay the venture capital with ease | 41% | 36% | 1% | 6% | 15% | 4.20 | 0.833 |
| Market innovation strategy increases uptake of venture capital by SME | 55% | 40% | 1% | 3% | 1% | 4.20 | 0.973 |
| Market innovation strategy enables SME to increase profitability from the venture capital uptake | 55% | 41% | 3% | 1% | 0% | 4.19 | 0.828 |
| Market innovation strategy enables the SME to repay the venture capital with ease | 36% | 42% | 3% | 12% | 1% | 4.13 | 0.682 |
| Product innovations increases uptake of venture capital by SME | 50% | 40% | 1% | 6% | 3% | 4.09 | 1.138 |
| Product innovations enable SME to increase profitability from the venture capital uptake | 40% | 55% | 3% | 1% | 1% | 3.94 | 1.194 |
| Product innovations enable the SME to repay the venture capital with ease | 36% | 40% | 2% | 15% | 6% | 3.78 | 1.222 |
| **Average** | | | | | | **4.19** | **0.884** |

Organisational innovativeness was assessed by requiring the respondents to use a five-point Likert scale, the researcher sought to establish how organisational innovativeness influences uptake of venture capital by SMEs in Kenya. To measure organisational innovativeness as study item, a set of 12 items were used and the valid results are shown in Table 4.1 where n=80 and result are discussed using descriptive statistics to show the responses. The study findings were as follows: the first item to be inquired was if organisational innovativeness increases uptake of venture capital by SMEs and 40% of the respondents strongly agreed,

55% of the respondents agreed while 4% were neutral and 1% disagreed with a mean of 4.55 and standard deviation of 0.614. The second item inquired was if organisational innovativeness enables SME to increase profitability from the venture capital uptake and the responses were as follows 61% of the respondents strongly agreed, while 36% agreed and 3% were neutral with none of the respondents disagreeing or strongly disagreed with a mean of 4.34 and standard deviation of 0.795.

The researcher also inquired if organisational innovativeness enables the SME to repay the venture capital with ease and the responses were as follows 36% of the respondents strongly agreed, 41% agreed, 1% were neutral while 15% disagreed and 6% strongly disagreed with a mean of 4.33 and standard deviation of 0.742. The study inquired if process innovations increases uptake of venture capital by SME and 55% of the respondents strongly agreed, 40% agreed while 1% remained neutral and 4% disagreed with a mean of 4.29 and standard deviation of 0.903. Another item of inquiry was if process innovations enables SME to increase profitability from the venture capital uptake and the responses were as follows: 59% of the respondents strongly agreed, 40% agreed while 1% decided to remain neutral with a mean of 4.29 and standard deviation of 0.679. Respondents were asked if process innovations enable the SME to repay the venture capital with ease and 41% of the respondents strongly agreed, 36% agreed, 1% were neutral while 6% disagreed and 15% strongly disagreed with a mean of 4.20 and standard deviation of 0.833.

The other aspect of innovation that the researcher inquired was if market innovation strategy increases uptake of venture capital by SME and the responses were as follows 55% of the respondents strongly agreed, 40% agreed, 1% were neutral while 3% disagreed and 1% strongly disagreed with a mean of 4.20 and standard deviation of 0.973. The study also inquired if market innovation strategy enables SME to increase profitability from the venture capital uptake and the responses were as follows: 55% of the respondents strongly agreed, 41% of the respondents agreed, 3% were neutral while 1% disagreed with a mean of 4.19 and standard deviation of 0.828. Respondents were also asked if market innovation strategy enables the SME to repay the venture capital with ease and 36% of the respondents strongly agreed, 42% agreed, 3% were neutral and 12% disagreed and 1% strongly disagreed with a mean of 4.13 with a standard deviation of 0.682. The researcher also inquired if product innovations increases uptake of venture capital by SME and the responses were as follows 50% of the respondents strongly agreed, 40% agreed, 1% remained neutral and 6% disagreed and 3% strongly disagreed with a mean of 4.09 and standard deviation of 1.138. The second last question asked was if product innovations enable SME to increase profitability from the venture capital uptake and 40% of the respondents strongly agreed, 55% agreed, 3% were neutral and 1% disagreed and strongly disagreed with a mean of 3.94 and standard deviation of 1.194 and finally the study inquired if product innovations enable the SME to repay the venture capital with ease and 36% of the respondents strongly agreed, 40% agreed, 2% were neutral with 15% disagreeing and 6% strongly disagreed with a mean of 3.78 and standard deviation of 1.222.

Stratford Peer Reviewed Journals and Book Publishing
Journal of Entrepreneurship & Project Management
Volume 3||Issue 7||Page 1- 31||December||2019|
Email: info@stratfordjournals.org ISSN: 2616-8464

Table 1 reveals that mean score for the 12 statements used to measure if organisational innovativeness influences uptake of venture capital by SMEs was 4.19. However, the answers were varied as shown by the standard deviation of 0.884. The overall mean score shows that the organisational innovativeness has enough influence in uptake of venture capital by SMEs to a great extent. The study findings are confirmed by other studies such as by Ji-Hoon and Zong-Tae (2018) who examined venture capital investment and statup innovation performance'. The study established that venture capital investment is beneficial for startup innovativeness when venture capital investment is established after initial independent venture capital funding. A study by Ackermann, Stephan, and Penrose (2015) established that the corporations that invest in research and development are communicating the efforts correspondingly and organisational innovativeness will definitely increase. The results show that not only do communications efforts of an organisation innovativeness have perceived importance, but also suggested that organisation innovativeness itself has become more important from a strategic point of view. Gugler and Vanoli (2015) established that Shinese organisation innovation processess are induced by foreign direct investments abroad.

**Table 2: Ownership Structure**

| | Strongly Agreed | Agreed | Neutral | Disagreed | Strongly Disagreed | Mean | Standard Deviation |
|---|---|---|---|---|---|---|---|
| Ownership structure increases uptake of venture capital by SME | 36% | 54% | 6% | 3% | 1% | 4.20 | 1.095 |
| Ownership structure enables SME to increase profitability from the venture capital uptake | 31% | 49% | 3% | 13% | 5% | 4.14 | 0.807 |
| Ownership structure enables the SME to repay the venture capital with ease | 36% | 41% | 1% | 15% | 6% | 4.13 | 0.905 |
| Institutional ownership increases uptake of venture capital by SME | 25% | 49% | 4% | 13% | 10% | 3.96 | 1.152 |
| Institutional ownership enables SME to increase profitability from the venture capital uptake | 23% | 44% | 5% | 19% | 10% | 3.90 | 1.318 |
| Institutional ownership enables the SME to repay the venture capital with ease | 41% | 36% | 1% | 6% | 15% | 3.86 | 1.240 |
| Family ownership increases uptake of venture capital by SME | 40% | 55% | 3% | 1% | 1% | 3.84 | 1.152 |
| Family ownership enables SME to increase profitability from the venture capital uptake | 50% | 41% | 3% | 1% | 5% | 3.81 | 1.370 |
| Family ownership enables the SME to repay the venture capital with ease | 36% | 42% | 3% | 12% | 1% | 3.76 | 1.225 |
| Partnership ownership increases uptake of venture capital by SME | 36% | 40% | 2% | 15% | 6% | 3.74 | 1.260 |
| Partnership ownership enables SME to increase profitability from the venture capital uptake | 40% | 36% | 3% | 6% | 15% | 3.64 | 1.265 |
| Partnership ownership enables the | 23% | 44% | 5% | 19% | 10% | 3.59 | 1.309 |

| | | |
|---|---|---|
| SME to repay the venture capital with ease | | |
| **Average** | **3.88** | **1.175** |

Ownership structure was assessed by requiring the respondents to use a five-point Likert scale and the researcher sought to establish how ownership structure of businesses determine uptake of venture capital by SMEs in Kenya. To measure ownership structure as study item, a set of 12 items were used and the valid results are shown in Table 2 where n=80 and result are discussed using descriptive statistics to show the responses. Findings are as follows: In first statement the study inquired if ownership structure increases uptake of venture capital by SME and 36% of respondents strongly agreed, 54% agreed, 6% were neutral while 3% disagreed and 1% strongly disagreed with a mean of 4.20 and a standard deviation of 1.095. The second inquiry was if ownership structure enables SME to increase profitability from the venture capital uptake and 31% strongly agreed, 49% agreed while 3% were neutral, 13% disagreed and another 5% strongly disagreed with a mean of 4.14 and standard deviation of 0.807. The study also inquired if ownership structure enables the SME to repay the venture capital with ease and 36% of the respondents strongly agreed, 41% agreed, 1% were neutral while 15% disagreed and 6% strongly disagreed with a mean of 4.13 and a standard deviation of 0.905.

The researcher inquired if institutional ownership increases uptake of venture capital by SME and 25% of the respondents strongly agreed, 49% agreed, 4% were neutral while 13% disagreed and 10% strongly disagreed with a mean of 3.96 and standard deviation of 1.152. The study also inquired if institutional ownership enables SME to increase profitability from the venture capital uptake and the responses were as follows: 23% of the respondents strongly agreed, 44% agreed, 5% were neutral while 19% disagreed and 10% strongly disagreed with a mean of 3.90 and a standard deviation of 1.318. The respondents were asked if institutional ownership enables the SME to repay the venture capital with ease and the responses were as follows 41% of the respondents strongly agreed, 36% agreed, 1% were neutral and 6% disagreed while 15% strongly disagreed with a mean of 3.86 and a standard deviation of 1.240.

The researcher inquired if family ownership increases uptake of venture capital by SME and the responses were as follows: 40% of the respondents strongly agreed, 55% agreed, 3% were neutral while 1% of the respondents both disagreed and strongly disagreed with a mean of 3.84 and a standard deviation of 1.152. The study also inquired if family ownership enables SME to increase profitability from the venture capital uptake and the responses were as follows 50% of the respondents strongly agreed, 41% agreed, 3% were neutral and 1% disagreed while 5% strongly disagreed with a mean of 3.81 and a standard deviation of 1.370. The researcher asked the respondents if family ownership enables the SME to repay the venture capital with ease and 36% of the respondents strongly agreed, 42% agreed, 3% were neutral while 12% disagreed and 1% strongly disagreed with a mean of 3.76 and a standard deviation of 1.225.

The study also asked if partnership ownership increases uptake of venture capital by SME and the responses were as follows: 36% of the respondents strongly agreed, 40% agreed, 2% were neutral while 15% disagreed and 6% with a mean of 3.74 and a standard deviation of 1.260. Respondents were asked if partnership ownership enables SME to increase profitability from the venture capital uptake and the responses were as follows 40% strongly agreed, 36% agreed, 3% remained neutral and 6% disagreed and 15% strongly disagreed with a mean of 3.64 and a standard deviation of 1.265. Finally, the respondents were asked if partnership ownership enables the SME to repay the venture capital with ease and the responses were as follows with 23% of them strongly agreed, 44% agreed, 5% were neutral while 19% disagreed and 10% strongly disagreed with a mean of 3.59 and a standard deviation of 1.309. The study variable items measured had an average mean of 3.88 and a standard deviation of 1.175 which implies that ownership structure of businesses determine uptake of venture capital by SMEs in Kenya to a great extent.

The study findings are supported by other researchers such as Mara, Tommaso, Garrett and Shaun (2017) who investigated how family firms launch new businesses. The study established family business dynamics and in particular the development of the ownership structure, the influence of how family organisations pursue internal corporate venturing and decisions are based on these two steps. The study also found out that contingent effect of corporate governance characteristics and of the national legal system affects internal corporate venturing in family business. A study by Ali, Ashaf and Qiang, (2018) established that institutional ownership and state ownership negatively affect market valuation throughout various geographical regions of China. Managerial ownership and concetration of shareholding among the top 10 shareholders positively influence the return on equity and interestingly institutional shareholding negatively affects return on assets while institutional ownership has a impartial effect on profitability in North East China while in East China state ownership and ownership concentration are proportional to profit margins. The study findings outline the unique understanding of relationships between ownership structure market valuation and organisation performance. The study results are important for financial institutions, investors and international firms in making investment decisions.

Stratford Peer Reviewed Journals and Book Publishing
Journal of Entrepreneurship & Project Management
Volume 3||Issue 7||Page 1- 31||December||2019|
Email: info@stratfordjournals.org ISSN: 2616-8464

**Table 3 : Capital Gearing**

| | Strongly Agreed | Agreed | Neutral | Disagreed | Strongly Disagreed | Mean | Standard Deviation |
|---|---|---|---|---|---|---|---|
| Capital gearing increases uptake of venture capital by SME | 40% | 35% | 6% | 11% | 8% | 4.33 | 0.689 |
| Capital gearing enables SME to increase profitability from the venture capital uptake | 31% | 49% | 3% | 13% | 5% | 4.31 | 0.756 |
| Capital gearing enables the SME to repay the venture capital with ease | 41% | 36% | 6% | 11% | 6% | 4.26 | 0.910 |
| Capital investments increases uptake of venture capital by SME | 50% | 41% | 3% | 1% | 5% | 4.24 | 0.716 |
| Capital investments enables SME to increase profitability from the venture capital uptake | 41% | 44% | 5% | 9% | 1% | 4.23 | 0.856 |
| Capital investments enables the SME to repay the venture capital with ease | 41% | 36% | 1% | 6% | 15% | 4.22 | 0.763 |
| Debt obligations increases uptake of venture capital by SME | 55% | 44% | 3% | 1% | 1% | 4.21 | 0.837 |
| Debt obligations enables SME to increase profitability from the venture capital uptake | 50% | 41% | 3% | 1% | 5% | 4.16 | 0.906 |
| Debt obligations enables the SME to repay the venture capital with ease | 36% | 42% | 3% | 12% | 1% | 4.16 | 0.787 |
| Organisation's profits increase uptake of venture capital by SME | 40% | 36% | 2% | 15% | 6% | 4.14 | 0.868 |
| Organisation's profits enable SME to increase profitability from the venture capital uptake | 40% | 50% | 3% | 6% | 1% | 4.13 | 0.877 |
| Organisation's profits enable the SME to repay the venture capital with ease | 48% | 44% | 5% | 1% | 1% | 4.08 | 1.028 |
| **Average** | | | | | | **4.21** | **0.833** |

Capital gearing was assessed by requiring the respondents to use a five-point Likert scale. The researcher sought to establish how capital gearing determines the uptake of venture capital by SMEs in Kenya. To measure capital gearing as study item, a set of 12 items were used and the valid results are shown in Table 3 where n=80 and the result are discussed using descriptive statistics. The findings are as follows: The first statement the study inquired was if capital gearing increases uptake of venture capital by SME and the responses were as follows: 40% of the respondents strongly agreed, 35% agreed, 6% were neutral while 11% disagreed and 8% strongly disagreed with a mean of 4.33 and a standard deviation of 0.689. The second inquiry under the variable was if capital gearing enables SME to increase profitability from the venture capital uptake and the responses were as follows 31% strongly agreed, 49% agreed, 3% were neutral while 13% disagreed and 5% strongly disagreed with a mean of 4.31 and a standard deviation of 0.756. The third inquiry under the variable was if capital gearing enables the SME to repay the venture capital with ease and the responses were

as follows 41% of the respondents strongly agreed, 36% agreed, 6% were neutral while 11% disagreed and 6% strongly disagreed with a mean of 4.26 and a standard deviation of 0.910.

The researcher inquired if capital investment increases uptake of venture capital by SME and 50% of the respondents strongly agreed, 41% agreed, 3% were neutral while 1% disagreed and 5% strongly disagreed with a mean of 4.24 and a standard deviation of 0.716. The study inquired if capital investments enables SME to increase profitability from the venture capital uptake and 41% of the respondents strongly agreed, 44% agreed, 5% were neutral and 9% disagreed while 1% strongly disagreed with a mean of 4.23 and a standard deviation of 0.856. Respondents were also asked if capital investments enables the SME to repay the venture capital with ease, 41% of the respondents strongly agreed, 36% agreed, 1% neutral while 6% disagreed and 15% strongly disagreed with a mean of 4.22 and a standard deviation of 0.763

The study inquired if debt obligations increases uptake of venture capital by SME and 55% of the respondents strongly agreed while 44% agreed, 3% were neutral and 1% of the respondent disagreed as well strongly disagreed with a mean of 4.21 and a standard deviation of 0.837. Respondents were also asked if debt obligations enables SME to increase profitability from the venture capital uptake, 50% of the respondents strongly agreed, 41% agreed, 3% were neutral while 1% disagreed and 5% strongly disagreed, mean was 4.16 and a standard deviation of 0.906. The researcher also asked respondents if debt obligations enables the SME to repay the venture capital with ease and 36% of the respondents strongly agreed, 42% agreed, 3% were neutral while 12% disagreed and 1% strongly disagreed with a mean of 4.16 and a standard deviation of 0.787.

The researcher asked the respondent if organisation's profits increase uptake of venture capital by SME and the responses were as follows: 40% strongly agreed, 36% agreed, 2% were neutral while 15% disagreed and 6% strongly disagreed with a mean of 4.14 and a standard deviation of 0.868. Respondents were required to indicate if organisation's profits enable SME to increase profitability from the venture capital uptake and 40% of the respondents strongly agreed, 50% agreed, 3% were neutral while 6% disagreed with 1% strongly disagreed with a mean of 4.13 and a standard deviation of 0.877. The respondents were asked if organisation's profits enable the SME to repay the venture capital with ease and the responses were as follows: 48% strongly agreed, 44% agreed, 5% were neutral and 1% of the respondents both disagreeing and strongly disagreeing with a mean of 4.08 and a standard deviation of 1.028. The study variable items measured had an average mean of 4.21 and a standard deviation of 0.833 that implies that capital gearing determine uptake of venture capital by SMEs in Kenya to a great extent.

The study findings are in line with other studies such as by Chowdhury and Maung (2013) who investigated the effects of corporate entrepreneurship and debt financing with references from Gulf Cooperation Council countries. The study found out that entrepreneurial activities increase organisation's ability to attract lending from financial institutions. The study also established that increased lending improves internal governance practices and indirectly compel the management to become more efficient. Their study concluded that improved entrepreneurship affects organisation access to external financing when the financial markets

are underdeveloped and plagued with information asymmetry and agency problems. Lai, Chiu, and Liaw (2010) investigated the external corporate venturing broaden organisation techological scope and the role of complementary assets. The study found out that external corporate venturing facilitates an established organisation broadening of its technological scope. The research established that increasing investments in specialised complementary assets will urge firms engaged in external venture capital to concentrate on their technological scope.

**Table 4 : Entrepreneurial competencies of owner/ manager**

| | Strongly Agreed | Agreed | Neutral | Disagreed | Strongly Disagreed | Mean | Standard Deviation |
|---|---|---|---|---|---|---|---|
| Entrepreneurial competencies of owner/ manager increase uptake of venture capital by SME | 55% | 40% | 1% | 4% | 0% | 4.24 | 0.889 |
| Entrepreneurial competencies of owner/ manager enable SME to increase profitability from the venture capital uptake | 41% | 44% | 5% | 9% | 1% | 4.22 | 1.018 |
| Entrepreneurial competencies of owner/ manager enable the SME to repay the venture capital with ease | 50% | 41% | 3% | 1% | 5% | 4.21 | 1.087 |
| Academic qualifications increase uptake of venture capital by SME | 23% | 44% | 5% | 19% | 10% | 4.13 | 1.048 |
| Academic qualifications enable SME to increase profitability from the venture capital uptake | 25% | 49% | 4% | 13% | 10% | 4.11 | 1.114 |
| Academic qualifications enable the SME to repay the venture capital with ease | 23% | 44% | 5% | 10% | 19% | 4.04 | 1.037 |
| Management skills increases uptake of venture capital by SME | 55% | 44% | 3% | 1% | 1% | 4.04 | 0.961 |
| Management skills enables SME to increase profitability from the venture capital uptake | 50% | 41% | 3% | 1% | 5% | 4.01 | 1.073 |
| Management skills enables the SME to repay the venture capital with ease | 44% | 55% | 3% | 1% | 1% | 3.96 | 0.863 |
| Entrepreneurial skills increase uptake of venture capital by SME | 40% | 36% | 2% | 15% | 6% | 3.66 | 1.292 |
| Entrepreneurial skills enable SME to increase profitability from the venture capital uptake | 40% | 50% | 3% | 6% | 1% | 3.59 | 1.290 |
| Entrepreneurial skills enable the SME to repay the venture capital with ease | 48% | 44% | 5% | 1% | 1% | 3.56 | 1.320 |
| **Average** | | | | | | **3.98** | **1.083** |

Entrepreneurial competencies of owner/manager were assessed by requiring the respondents to use a five-point Likert scale. The researcher sought to establish how entrepreneurial competencies of owner/manager determine uptake of venture capital by SMEs in Kenya. To measure entrepreneurial competencies of owner/manager as study item, a set of 12 items

were used and the valid results are shown in table 4.4 where n=80 and result are discussed using descriptive statistics to show the responses. First statement the study inquired was if entrepreneurial competencies of owner/manager increases uptake of venture capital by SME and the responses were as follows: 55% of the respondents strongly agreed, 40% agreed and 1% remained neutral while 4% disagreed with a mean of 4.24 and a standard deviation of 0.889. The second inquiry was if entrepreneurial competencies of owner/ manager enables SME to increase profitability from the venture capital uptake and responses were as follows 41% of the respondents strongly agreed, 44% agreed, 5% were neutral while 9% disagreed and 1% disagreed with a mean of 4.22 and a standard deviation of 1.018. The third inquiry was if entrepreneurial competencies of owner/manager enables the SME to repay the venture capital with ease and the responses were as follows: 50% of the respondents strongly agreed, 41% agreed with 3% remaining neutral and 1% disagreed while 5% strongly disagreed with a mean of 4.21 and a standard deviation of 1.087.

The researcher inquired if academic qualifications increase uptake of venture capital by SME and 23% of the respondents strongly agreed, 44% agreed with 5% remaining neutral while 19% disagreed and 10% strongly disagreed with a mean of 4.13 and a standard deviation of 1.048. The respondents were asked if academic qualifications enables SME to increase profitability from the venture capital uptake and the responses were as follows 25% of the respondents strongly agreed, 49% agreed with 4% remaining neutral and 13% disagreed while 10% strongly disagreed with a mean of 4.11 and a standard deviation of 1.114. Respondents were also asked if academic qualifications enable the SME to repay the venture capital with ease and 23% of the respondents strongly agreed, 44% agreed with 5% remaining neutral and 10% disagreed with 19% strongly disagreed with a mean of 4.04 and a standard deviation of 1.037.

The study also inquired if management skills increase uptake of venture capital by SME and 55% of the respondents strongly agreed, 44% agreed with 3% remaining neutral while 1% both disagreed and strongly disagreed with a mean of 4.04 and a standard deviation of 0.961. Another inquiry was if management skills enable SME to increase profitability from the venture capital uptake and the responses were as follows: 50% of the respondents strongly agreed, 41% agreed with 3% remaining neutral while 1% disagreed with 5% strongly disagreed with a mean of 4.01 and a standard deviation of 1.073. The respondents were also asked if management skills enable the SME to repay the venture capital with ease and 44% strongly agreed, 55% agreed with 3% remaining neutral while 1% of the respondents strongly disagreed and disagreed with a mean of 3.96 and a standard deviation of 0.863.

The respondents were asked if entrepreneurial skills increases uptake of venture capital by SME and 40% of the respondents strongly agreed, 36% agreed with 2% remaining neutral and 15% disagreed while 6% strongly disagreeing with a mean of 3.66 and a standard deviation of 1.292. The researcher also asked the respondents if the entrepreneurial skills enable SME to increase profitability from the venture capital uptake and 40% of the respondents strongly agreed, 50% agreed with 3% remaining neutral while 6% disagreed and1% strongly disagreed with a mean of 3.59 and a standard deviation of 1.290. Finally, the

Stratford Peer Reviewed Journals and Book Publishing
Journal of Entrepreneurship & Project Management
Volume 3||Issue 7||Page 1- 31||December||2019|
Email: info@stratfordjournals.org ISSN: 2616-8464

respondents were asked if entrepreneurial skills enable the SME to repay the venture capital with ease and 48% of the respondents strongly agreed, 44% agreed with 5% remaining neutral and 1% strongly disagreed as well as disagreed with a mean of 3.56 and a standard deviation of 1.320. The study variable items measured had a mean of 3.98 and a standard deviation of 1.083 that implies that entrepreneurial competencies of owner or manager influences and determined uptake of venture capital by SMEs in Kenya to a great extent.

The study findings are confirmation and validation of the findings by Aggarwal, Kryscynski and Singh (2015) who evaluated venture technical competence in venture capital investment decisions. The study established that corporate venture decision predicts venture capital investments and technical competence predicts subsequent venture failure. The study also established that technical competence leads to higher assessments and their study concluded that venture technical competence enhances accuracy of corporate venture decisions in a positive way. Xiang (2009) investigated entrepreneurial competencies as a distinctive examination of the competency approach in defining entrepreneurs. The study established that business owners generally possess higher level of entrepreneurial competence than the managers and that the latter can be discriminated based on their entrepreneurial competency level, which supported the study hypothesis.

Mitchelmore and Rowley (2010) concluded that the concept of entrepreneurial competencies is used widely by government agencies and other drivers of economic development and business success, as the core concept of entrepreneurial competence. Its measurement and its relationship to entrepreneurial performance and business success need further research. Mitchelmore and Rowley (2013) also conducted another study on entrepreneurial competencies impact on organisation growth and performance. The study findings identified four clusters of competencies that included personal and human relations, management and business and finally entrepreneurial competencies. Song, Daisy and Kee (2018) investigated the core competence of successful owner-managed SMEs. The study results had strong managerial and theoretical implications to SME owners that are seeking to adopt entrepreneurial competence, technical competence, and uptake of venture capital leadership and innovations as the management core that will positively impact on SMEs uptake of venture capital and sustainability to do well in business with fewer resources.

**Table 5: Uptake of Venture Capital**

| | Strongly Agreed | Agreed | Neutral | Disagreed | Strongly Disagreed | Mean | Standard Deviation |
|---|---|---|---|---|---|---|---|
| SMEs net assets increases uptake of venture capital | 61% | 36% | 3% | 0% | 0% | 4.66 | 0.476 |
| Entrepreneurial behaviour determines uptake of venture capital by SMEs | 59% | 40% | 1% | 0% | 0% | 4.63 | 0.490 |
| Opportunity recognition enables uptake of venture capital by SMEs | 55% | 40% | 1% | 4% | 0% | 4.61 | 0.515 |
| Organisational flexibility increases uptake of venture capital by SMEs | 55% | 41% | 3% | 1% | 0% | 4.59 | 0.495 |
| **Average** | | | | | | **4.62** | **0.494** |

Stratford Peer Reviewed Journals and Book Publishing
Journal of Entrepreneurship & Project Management
Volume 3||Issue 7||Page 1- 31||December||2019|
Email: info@stratfordjournals.org ISSN: 2616-8464

Respondents were asked to give views using the Likert scale provided to respond to the questions on uptake of venture capital to the best of their knowledge as shown in Table 5. Given the dimensionality of the four components of uptake of venture capital, the scores were computed using simple aggregate from the four responses as revealed by the study. The research sought to establish if SMEs net assets increases uptake of venture capital and 61% of the respondents strongly agreed, 36% agreed with 3% remained neutral while none disagreed or strongly disagreed. The mean score was 4.66 and the standard deviation was 0.476. The study also inquired if entrepreneurial behaviour determines uptake of venture capital by SMEs and 59% of the respondents strongly agreed, 40% agreed with 1% being neutral, none disagreed or strongly disagreed, and the mean was 4.63 with a standard deviation of 0.490. The respondents were required to indicate if opportunity recognition enables uptake of venture capital by SMEs and 55% of the respondents strongly agreed, 40% agreed, 1% were neutral and 4% disagreed. The mean was 4.61 with a standard deviation of 0.515. Finally, respondents were required to indicate if organisational flexibility increases uptake of venture capital by SMEs, 55% of the respondents strongly agreed, 41% agreed, 3% were neutral, 1% disagreed, while the mean was 4.59 and a standard deviation was 0.495. The variable had an average of 4.62 and a standard deviation of 0.494. This shows that organisational factors affects uptake of venture capital by small and medium-sized enterprises.

The findings are echoed by Kang (2019) who established the relative reputation of venture capital investors vis-à-vis independent venture capital investor in a business syndicate that is negatively associated with the likelihood of the venture's successful exit and the negativity is exacerbated when venture capital are geographically close to the focal venture and it is weakened when venture capital investors syndicate with independent venture capital that have collaborated in the past. Ning, Xu and Long (2019) examined what drives the capital venture investments in China. The study established that the amount of venture capital investments are all significantly impacted by macro-economic conditions such as export, money supply, technological innovations, initial public offerings, interest rates, price to earning ration and GDP, among others.

Kolade (2018) examined capital venture under fire with reference to entrepreneurship education, venture creation and poverty reduction in conflict prone Maiduguri region in Nigeria. The study established that entrepreneurship education programme generates awareness and facilitates skills development, poverty reduction, contributing to new venture creation and positive mind set impacts on the inadequate support through venture capital and limited facilities for business incubation (Kolade, 2018). Afful-Dadzie and Afful-Dadzie (2016) examined the decision-making model for selecting start up business in government capital scheme. The study established that most of the government founded venture capital funded start up and SMEs underperform compared to private capital ventures due to lack of transparency and unfairness in the selection process.

Stratford Peer Reviewed Journals and Book Publishing
Journal of Entrepreneurship & Project Management
Volume 3||Issue 7||Page 1- 31||December||2019|
Email: info@stratfordjournals.org ISSN: 2616-8464

### 4.2 Inferential Statistics

**Table 6: Model Summary for Organisational Innovativeness**

| Model | R | R Square | Adjusted R Square | Std. Error |
|---|---|---|---|---|
| 1 | 0.509 (a) | 0.259 | 0.250 | 0.66676 |

The overall model significance was presented in Table 7. The F statistics of 27.328 and p value of 0.000 indicates that the overall model was significant. This implies that organisational innovativeness is significant in shaping the decisions for the uptake of venture capital by SMEs in Kenya.

**Table 7: ANOVA for Organisational Innovativeness**

| Model | | Sum of Squares | Df | Mean Square | F | Sig. |
|---|---|---|---|---|---|---|
| 1 | Regression | 12.149 | 1 | 12.149 | 27.328 | 0.000(b) |
| | Residual | 34.676 | 78 | 0.445 | | |
| | Total | 46.825 | 79 | | | |

In Table 8 the results of coefficients represented (p=0.000) show that organisational innovativeness contributes significantly to the uptake of venture capital since the p-value for the constant and gradient are less than 0.05. Thus, any positive unit change in organisational innovativeness is poised to influence uptake of venture capital decisions at the rate of 0.509.

**Table 8: Regression Coefficients Results of Organisational Innovativeness**

| Model | | Unstandardized Coefficients | | Standardized Coefficients | T | Sig. | 95% Confidence Interval for B | |
|---|---|---|---|---|---|---|---|---|
| | | B | Std. Error | Beta | | | Lower B | Upper B |
| 1 | Constant | 1.350 | 0.446 | | 3.026 | 0.003 | 0.462 | 2.238 |
| | Organisational Innovativeness | 0.586 | 0.112 | 0.509 | 5.228 | 0.000 | 0.363 | 0.809 |

The regression model $Y=\beta_0+\beta_1X_1$ explaining the results in Table 8 is given by:

$Y= 1.350+0.586X_1$

Stratford Peer Reviewed Journals and Book Publishing
Journal of Entrepreneurship & Project Management
Volume 3||Issue 7||Page 1- 31||December||2019|
Email: info@stratfordjournals.org ISSN: 2616-8464

**Table 9: Model Summary for Ownership Structure**

| Model | R | R Square | Adjusted R Square | Std. Error |
|---|---|---|---|---|
| 1 | 0.545 (a) | 0.297 | 0.288 | 0.64942 |

The overall model significance was presented in Table 10. The f statistics of 33.027 and p value of 0.000 indicates that the overall model was significant implying that ownership structure is significant in decisions for the uptake of venture capital by SMEs in Kenya.

**Table 10: ANOVA for Ownership Structure**

| Model | | Sum of Squares | Df | Mean Square | F | Sig. |
|---|---|---|---|---|---|---|
| 1 | Regression | 13.929 | 1 | 13.929 | 33.027 | 0.000(b) |
| | Residual | 32.896 | 78 | 0.422 | | |
| | Total | 46.825 | 79 | | | |

The results of coefficients represented in Table 11 (p=0.000) show that ownership structure significantly determines the uptake of venture capital since the p-value for the constant and gradient are less than 0.05. This implies that types of ownership structure of SMEs influence uptake of venture capital decisions at the rate of 0.545.

**Table11: Regression Coefficients Results of Ownership Structure**

| Model | | Unstandardized Coefficients | | Standardized Coefficients | T | Sig. | 95% Confidence Interval for B | |
|---|---|---|---|---|---|---|---|---|
| | | B | Std. Error | Beta | | | Lower B | Upper B |
| 1 | Constant | 1.142 | 0.442 | | 2.582 | 0.012 | 0.261 | 2.023 |
| | Ownership Structure | 0.685 | 0.119 | 0.545 | 5.747 | 0.000 | 0.448 | 0.922 |

The regression model $Y=\beta_0+\beta_2X_2$ explaining the results in Table 11 is given by: $Y= 1.142+0.685X_2$

**Table 12: Model Summary for Capital Gearing**

| Model | R | R Square | Adjusted R Square | Std. Error |
|---|---|---|---|---|
| 1 | 0.577 (a) | 0.333 | 0.324 | 0.63297 |

The overall model significance presented in Table 13 indicates the f statistics of 38.871 and p value of 0.000. This shows that the overall model was significant and capital gearing is significant in the uptake of venture capital by SMEs in Kenya.

Stratford Peer Reviewed Journals and Book Publishing
Journal of Entrepreneurship & Project Management
Volume 3||Issue 7||Page 1- 31||December||2019|
Email: info@stratfordjournals.org ISSN: 2616-8464

**Table 13: ANOVA for Capital Gearing**

| Model | | Sum of Squares | Df | Mean Square | F | Sig. |
|---|---|---|---|---|---|---|
| 1 | Regression | 15.574 | 1 | 15.574 | 38.871 | 0.000(b) |
| | Residual | 31.251 | 78 | 0.401 | | |
| | Total | 46.825 | 79 | | | |

The results of coefficients (p=0.000) represented in Table 14 show that capital gearing significantly influence the uptake of venture capital since the p-value for the constant and gradient are less than 0.05. Thus, the amount of debt a SME has relative to its equity influences uptake of venture capital decisions at the rate of 0.577.

**Table 14: Regression Coefficients Results of Capital Gearing**

| Model | | Unstandardized Coefficients | | Standardized Coefficients | T | Sig. | 95% Confidence Interval for B | |
|---|---|---|---|---|---|---|---|---|
| | | B | Std. Error | Beta | | | Lower B | Upper B |
| 1 | Constant | 1.152 | 0.407 | | 2.831 | 0.006 | 0.342 | 1.962 |
| | Capital Gearing | 0.687 | 0.110 | 0.577 | 6.235 | 0.000 | 0.468 | 0.907 |

The regression model $Y=\beta_0+\beta_3X_3$ explaining the results in Table 14 is given by: $Y= 1.152+0.687X_3$

**Table 15: Model Summary for Entrepreneurial Competencies**

| Model | R | R Square | Adjusted R Square | Std. Error |
|---|---|---|---|---|
| 1 | 0.609 (a) | 0.371 | 0.363 | 0.61465 |

The overall model significance was presented in Table 16. The f statistics of 45.944 and p value of 0.000 indicates that the overall model was significant implying that entrepreneurial competencies of owner/manager is a significant determinant for the uptake of venture capital by SMEs in Kenya.

Stratford Peer Reviewed Journals and Book Publishing
Journal of Entrepreneurship & Project Management
Volume 3||Issue 7||Page 1- 31||December||2019|
Email: info@stratfordjournals.org ISSN: 2616-8464

**Table 16: ANOVA for Entrepreneurial Competencies**

| Model | | Sum of Squares | Df | Mean Square | F | Sig. |
|---|---|---|---|---|---|---|
| 1 | Regression | 17.357 | 1 | 17.357 | 45.944 | 0.000(b) |
| | Residual | 29.468 | 78 | 0.378 | | |
| | Total | 46.825 | 79 | | | |

The results of coefficients represented in Table 17 show that entrepreneurial competencies of owner/manager contributes significantly to the uptake of venture capital since the p-value for the constant and gradient are less than 0.05, that is p=0.000. Therefore, any positive unit change in entrepreneurial competencies of owner/manager influences uptake of venture capital decisions positively at the rate of 0.609.

**Table 17: Regression Coefficients Results of Entrepreneurial Competencies**

| Model | | Unstandardized Coefficients | | Standardized Coefficients | T | Sig. | 95% Confidence Interval for B | |
|---|---|---|---|---|---|---|---|---|
| | | B | Std. Error | Beta | | | Lower B | Upper B |
| 1 | Constant | 1.096 | 0.383 | | 2.861 | 0.005 | 0.462 | 2.238 |
| | Entrepreneurial Competencies | 0.713 | 0.105 | 0.609 | 6.778 | 0.000 | 0.363 | 0.809 |

The regression model $Y=\beta_0+\beta_4X_4$ explaining the results in Table 17 is given by: $Y= 1.096+0.713X_4$

**Table 18: Model Summary for Organisational Factors**

| Model | R | R Square | Adjusted R Square | Std. Error |
|---|---|---|---|---|
| 1 | 0.750 (a) | 0.563 | 0.539 | 0.52254 |

ANOVA results for the overall model are presented in Table 19. The results indicated that the overall model was significant, that is, organisational factors were good joint explanatory determinants for uptake of venture capital by SMEs in Kenya (F=24.123, p value=0.000).

**Table 19: ANOVA for Organisational Factors**

| Model | | Sum of Squares | Df | Mean Square | F | Sig. |
|---|---|---|---|---|---|---|
| 1 | Regression | 26.347 | 4 | 6.587 | 24.123 | 0.000(b) |
| | Residual | 20.478 | 75 | 0.273 | | |
| | Total | 46.825 | 79 | | | |

The regression results in Table 20 indicates that the relationship between uptake of venture capital and entrepreneurial competencies of owner/manager was positive and significant (b1=0.517, p- value, 0.000). This implies that an increase in the effectiveness of entrepreneurial competencies by 1 unit enhances uptake of venture capital decisions by 0.517 units. However, the results indicated that organisational innovativeness, ownership structure and capital gearing had positive and insignificant relationship with uptake of venture capital by SMEs in Kenya.

**Table 20: Joint Model Summary for Organisational Factors**

| Model | | Unstandardized Coefficients | | Standardized Coefficients | T | Sig. |
|---|---|---|---|---|---|---|
| | | B | Std. Error | Beta | | |
| 1 | Constant | -0.624 | 0.453 | | -1.377 | 0.173 |
| | Organisational Innovativeness | 0.180 | 0.113 | 0.156 | 1.591 | 0.116 |
| | Ownership Structure | 0.268 | 0.174 | 0.213 | 1.544 | 0.127 |
| | Capital Gearing | 0.202 | 0.183 | 0.170 | 1.102 | 0.274 |
| | Entrepreneurial Competencies | 0.517 | 0.097 | 0.441 | 5.342 | 0.000 |

The multiple regressions model was given by: $Y= \beta_0+\beta_1X_1+\beta_2X_2+\beta_3X_3+\beta_4X_4+e$. From results in Table 20, showing joint model summary and coefficient estimates, the following regression equation was established:

$Y= -0.624+0.18X_1+0.268X_2+0.202X_3+0.517X_4$

## 5.0 Conclusions

Based on the objectives and findings of the study, the researcher concluded that organisational innovativeness, ownership structure, capital gearing and entrepreneurial competencies of owner/manager have strong influence on the uptake of venture capital by SMEs in Kenya. The study also concluded that, competent attributes of owner/manager encompassing personality traits, knowledge, skills and ability to carry out their duties successfully makes an organisation to stand a greater chance of getting a venture capital.

In addition the study concluded that, ownership structure of businesses determine uptake of venture capital by SMEs in Kenya to a great extent. It is a driving factor for both investor and creditors financing. This is because owners of a firm have economic relationship with the business and influence type of decisions their organisations are prepared to take in order to decrease the level of financial risk, improve growth rates, development and performance.

The results demonstrated that highly geared organisation is at greater finacial risk because in times when profits are low and interest rates are higher, it would be more susceptible to defaulting repayments and bankruptcy than lowly geared businesses. The result further provides empirical support that capital investments increases profitability. Debt obligations increases presuure and effort to vouch for funding, hence the uptake of venture capital. Organisational profits enables SMEs to repay venture capital with ease. Thus the study concluded that capital gearing influences the uptake of venture capital by SMEs in Kenya to a great extent.

## 6.0 Recommendations

The study recommended that, instructors should consider developing competency-based training and education programmes to enhance the competence of both non-entrepreneurs to make them entrepreneurs as well as to improve entrepreneur's competencies and skill to better fulfil their entrepreneurial role. SMEs should continuously engage in organisational innovativeness to enhance the competitive advantage it possesses against other players in the sector by conducting market research among its users and non-users to identify products that should be introduced into their catalogue to attract capital investment. SMEs should consistently analyse and measure their service operations to enhance operations efficiency. This can be achieved by keeping up with best practices across the global and integrating better, newer, least cost state-of-the-art processes in their operations to maintain their competitive advantage. The study recommends that SMEs should constantly monitor status of their financial level and check their gearing ratios to ensure it is kept low, hence making their organisations to be in attractive financial form lucrative for uptake of venture capital. Finally, the study recommends a review of governance policies by the policy makers in order to attract and encourage corporate financial institutions and individuals to join venture capital initiatives and build the funding capacity for more investment.

## 7.0 References

Ackermann, M. S., Stephan, M., & Penrose, J. M. (2015). Assessing organization innovativeness :evidence from corporate narratives. *An international journal of Corporate communications vol. 20(4)*, 399 - 414.

Afful-Dadzie, E., & Afful-Dadzie, A. (2016). A decision making model for selecting start-up businesses in a government venture capital scheme. *Management Decision, Vol. 54 Issue 3*, 714-734.

Aggarwal, R., Kryscynski, D., & Singh, H. (2015). Evaluating Venture Technical Competence in Venture Capitalist Investment Decisions. *Management Science Vol. 61 Issue 11*, 2685 - 2706.

Agusto, M., Lisboa, J., & Yasmin, M. (2014). Organization performance and innovation in the context of TQM. *Journal of TQM and Business excellence volume 25* , 1141-1155.

Arvin, S., Cho, S. M., Sang, K., & Mousa, F. (2016). Mixed blessings: How top management team heterogeneity and governance structure influence the use of corporate venture capital by post-IPO firms. *Journal of Business Research vol. 69 issue 3*, 1208 - 1218.

Berghe, V., & Levrau, L. (2010). *Corporate Governance and Board Effectiveness: Beyond Formalism Working Papers of Faculty of Economics and Business Administration.* Belgium: Ghent University.

Bjorck, F. (2004). *Institutional Theory: A new perspective for research.* Hawaii: HICSS.

Braton, G., & Ahlstrom, D. (2010). Institutional theory and entrepreneurship: Where are we now and where do we need to move in the future? Entrepreneurship: Theory and Practicevol 34(3), 421–440.

Chowdhury, R. H., & Maung, M. (2013). Corporate entrepreneurship and debt financing: evidence from the GCC countries. *International Journal of Managerial Finance, Vol. 9 Issue: 4*, 294 - 313.

Damanpour, F. (2011). Organizational Complexity and Innovation: Developing and Testing Multiple Contingency Models. *Management science vol 42:5*, 693-716.

Guday, G., Ulusory, G., Kilic, K., & Alpkan, L. (2011). Effects of innovation types on organizational performance. *Journal of Management vol. 133*, 2-43.

Gugler, P., & Vanoli, L. (2015). Technology Sourcing Investment abroad as an enhancer of Chinese MNEs Innovation capabilities. *International Journal of Emerging Markets vol. 10 (2)*, 243-271.

Guth, H., & Ginsberg, K. (2010). *The early stage of corporate venturing - activities andeffectuation in a corporate context.* London: Kogan Page.

Hisrich, R., & Peters, A. (2015). *Entrepreneurship: New Venture creation.* New Delhi: Tata Mc Graw Hill.

Hovakimian, A., Ople, T., & Titman, S. (2015). The Debt Equity Choice. *Journal of Financial and Quantitative Analysis volume 36 (1)*, 1-24.

Huck, J. F., & McEwen, T. (2011). Competencies needed for SMEs success: peceptions of Jamaican entrepreneurs. *Journal of small business management vol. 21 issue 3*, 90-95.

Hunt, E., & Derozier, W. (2004). *Measuring the Strategic Readiness of Intangible Assets.* Harvad: HBS.

Ji-Hoon, P., & Zong-Tae, B. B. (2018). When are Sharks beneficial: Corporate Venture Capital Investment and Statup innovation performance. *Technology Analysis and Strategic Management Vol. 30 (3) March*, 324 -336.

Kothari, C. R. (2009). *Research Methodology: Methods and Techniques.* New Delhi: Willy Eastern.

Lacka, I. (2017). Barriers to the development of polish SMEs in the light of the research results on innovatiness of the economy and companies. *Economic Science for Rural Development Journal issue 44*, 99 - 109.

Lessing, B., Schepes, J., & Valoyi, E. (2012). Participating in decision making. *Journal of industrial psychology volume 26 issue 3*, 32-38.

Lin, C., Peng, C. H., & Kao, D. T. (2008). The innovation effets of market orientation and learning orientation on business performance. *International Journal of Manpower vol. 28 (8)*, 752 - 772.

Lioui, A., & Sharma, Z. (2012). Environmental Corporate social responsibility and financial performance: disentangling direct and indirect effects. *Journal of Ecological Economics vol. 78(4)*, 90-100.

Mahesh, R., & Daddikar, P. V. (2013). Influence of capital gearing on firm value empirical evidence from India transport and logistics sector. *Indian Journal of Commerce and Management Studies Vol. 4 (3)*, 61-66.

Mead, D., & Liedholm, C. (2008). *Small Enterprises and Economic Development: The Dynamic Role of Micro and Small Enterprises.* London: Routledge.

Miller, T. L., & Wesley, C. L. (2010). Assessing Mission & Resources for Social Change: Organizational Identity Perspective on Social Venture Capitalists' Decision Criteria. *Entrepreneurship Theory & Practice Vol. 34 Issue 4*, 705-733.

Mitchelmore, S., & Rowley, J. (2010). Entrepreneurial competencies: a literature review and development agenda. *International Journal of Entrepreneurial Behavior & Research, Vol. 16 Issue: 2*, 92-111.

Mugenda, A., & Mugenda, O. (2003). *Research Methods: Quantitative and Qualitative Approaches.* Nairobi: African Centre for Technology Studies.

Othman, T. (2009). *The New Institutionalism in Organizational Analysis.* Chicago: Chicago Press.

Quan, V. (2012). A rational justification of the pecking order hypothesis to the choice of sources of financing. *Management Research Journal vol. 25*, 74-90.

Sabana, B. M. (2014). *The relationship between entrepreneur financial literacy, financial access, transaction costs and performance of microenterprises in Nairobi County, Kenya.* PhD thesis JKUAT.

Sanchez, H. (2006). *People in organizations understanding their behavior*. Bookpower.

Sandberg, D., & Hofer, B. (2008). *Efficient capital markets.* Ireland: BookPower.

Sekaran, U. (2009). *Research Methods for Business: A Skill Building Approach,.* London: John Wiley & Sons.

Song, H. N., Daisy, M., & Kee, H. (2018). The core competence of successful owner-managed SMEs. *Management Decision Vol. 56 Issue: 1,*, 252-272.

Vanacke, T. R., & Manigart, S. (2010). Pecking order and Debt capacity consideration for high growth organizations seeking finances. *Journal of small business economics vol. 35*, 53-69.

Weiblen, T., & Chesbrough, H. W. (2015). Engaging with Start-ups to Enhance. Corporate Innovation. Vol. 57 (2) 66-90.