DBA AFRICA MANAGEMENT REVIEW

COMPETITIVE STRATEGY DRIVERS, ENTREPRENEURIAL ORIENTATION AND PERFORMANCE OF MANUFACTURING SMALL AND MEDIUM ENTERPRISES IN NAIROBI COUNTY, KENYA

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Abstract

This study sought to establish the mediating effect of entrepreneurial orientation on the relationship between competitive strategy drivers and the performance of manufacturing small and medium enterprises (SMEs) in Nairobi City County in Kenya. SMEs are the backbone of many economies all over the world for they create employment opportunities as well as wealth to entrepreneurs. Strong competitive strategy drivers offer advantage to SMEs hence help them achieve good performance and remain competitive in their respective markets. Entrepreneurial behaviour including innovativeness, risk taking and pro-activeness are indicators of a firm's entrepreneurial orientation and could intervene between competitive strategy drivers and the performance of manufacturing SMEs. The study was anchored on resource-based theory and supported by dynamic capabilities theory, which together provide a framework for examining the association between research variables. For the methodology, a cross-sectional study design was adopted covering 334 manufacturing small and medium enterprises in Nairobi County, Kenya. Structured questionnaires were used for data collection which achieved a response rate of 89.6%. Various descriptive statistics were used to project the demographic characteristics of the respondents. Inferential statistics was used to build up the connections between the factors and additionally testing the theories. The results indicated that there was a significant influence of entrepreneurial orientation (innovativeness, risk taking, pro activeness and competitive aggressiveness) on the relationship between competitive strategy drivers and performance of manufacturing SMEs. The study demonstrated that small and medium enterprises in the manufacturing sector do operate in competitive environments and their performance is subject to entrepreneurial orientation dimensions as well as competitive strategies adopted as postulated in the various paradigms. The findings add on to the knowledge of

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resource-based theory. Manufacturing small and medium enterprises need to exercises their innovative ability in renewing their market offers to enable them survive and grow when they are operating under conditions of stiff competition, rapid technology advances and resource scarcity. Further research is recommended to involve manufacturing SMEs in other counties to compare with the findings of this research.

Key Words: Competitive strategy drivers, Risk taking, Proactiveness, Performance, Entrepreneurial Orientation

1.0 Introduction

SMEs are key drivers to successful economic growth through innovations, creation of employment opportunities, perfecting of entrepreneurship skills and supporting social integration (Dahmen & Rodriguez, 2014). This is because they fuel economic growth in most economies and if their performance is compromised, economic development suffers a great deal (Sidik, 2012). This study was anchored on Resource-Based theory which was supported by the dynamic capabilities theory which together provided a framework for examining the association between competitive strategy drivers, entrepreneurial orientation and performance of manufacturing small and medium enterprises. The resource-based theory contends that a firm's competitive advantage is mainly derived from its ability to mobilize resources to its advantage (Barney, 1991). The dynamic capability theory adds to the resource-based view by attempting to improve the theory by explaining the nature of sustainable competitive advantage, while also intending to inform managerial practices.

Nairobi County has the largest concentration of microenterprises in Kenya, providing about 25% of total employment in the sector. There exist limited studies seeking to link competitive strategy drivers, entrepreneurial orientation and performance of manufacturing SMEs especially in the context of manufacturing SMEs in Nairobi County. In particular, there is need to study how entrepreneurial orientation elements have influenced performance of these manufacturing SMEs through selection of better competitive strategy drivers in the prevailing environmental conditions geared towards improved performance. A strategy driver is a deliberate set of clearly defined activities that are planned and implemented with the aim of achieving a competitive advantage (Salavou, 2015). The competitive strategy drivers ought to be aligned to a firm's long term strategy in an endeavor to achieve a competitive position and achieve long term profitability (Peteraf, 1993).The manufacturing SMEs competitive strategy drivers in this study are categorized as environmental-based strategy drivers, resource based strategy drivers and hybrid strategy drivers. The environment-based strategy drivers are explained using porter's generic strategies of cost leadership, differentiation and focus. Cost leadership allows a firm to charge lower prices than its competitors and differentiation allows firms to offer product types and benefits that competitors cannot match. Focus is providing a particular service in an identified specific market. To sustain a competitive advantage, manufacturing SMEs must optimize their resources. These resources include human resources, intellectual property, materials and organization brand as well as capabilities, such as innovativeness, efficiency and quality, (Gathungu & Baariu, 2018). For this study, the resource-based strategy drivers comprise of manufacturing SMEs capital raising capacity, technology development, human capital and Value Chain. The hybrid strategy drivers are categorized as combination of low cost and differentiation. An organization that implements a hybrid strategic approach will benefit from a non-imitation advantage compared to other competitors who employ pure strategic approach (Miller, 1992). The dynamic capabilities theory explains how organizational responsiveness and innovativeness through entrepreneurial orientation make organizations adaptable in their markets (Di Stefano, Peteraf &

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Verona, 2010). Therefore, these theories provide a strong underpinning for understanding the interaction of the variables in this study.

Entrepreneurially oriented firms are innovative, calculated risk-takers, and proactively reach markets ahead of their competitors. Entrepreneurial orientation are practices or activities within organizations that is driven by entrepreneurial behaviors (Leitoa & Franco, 2011). These authors further maintain that entrepreneurial orientation comprises of the measurements, imaginativeness, risk taking, liveliness, focused forcefulness and self-governance by firms. Nyasetia (2013) includes two other aspects of entrepreneurial orientation namely; aggressiveness in competition and autonomy. Machirori and Fatoki(2013) have adopted a five factor multidimensional model which are innovation, risk taking, pro-activeness, autonomy, and competitive aggressiveness as individual measures of entrepreneurial orientation. For this study, entrepreneurial orientation will be conceptualized as innovation, proactivity and risk taking.

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 the manufacturing space 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 integrate factors including competitive strategy drivers, 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, Morara, &

Mureithi, 2009).The main study objective was to establish the influence of entrepreneurial orientation on the relationship between competitive strategy drivers and performance of manufacturing SMEs.

Research Hypothesis.

H₁: Entrepreneurial orientation intervenes the relationship between competitive strategy drivers and performance of manufacturing SMEs in Nairobi County.

2.0 Literature Review

Entrepreneurship is the process of identifying an opportunity in the business environment, pooling of resources, exploiting the opportunity, make profit and meeting the needs of customers. Entrepreneurship is mainly about taking risks, creativity and being innovative. Several theories exist to explain entrepreneurship, among them, the resource-based theory of entrepreneurship and dynamic capability theory of entrepreneurship. The resource-based theory argues that distinct bundle of resources at the discretion of the firm generate sustained competitive advantage (Barney, 1991; Conner &Prahalad, 1996). In this study, the theory conceptualizes the argument that firm performance is enhanced when firms use unique resources that they own and configured to enable the firm attain competitive advantage position.

The dynamic capability theory explains how a firm's responsiveness and innovativeness through entrepreneurial orientation becomes timely, rapid and flexible in dynamic markets.

The term dynamic is the capacity to renew competences so as to achieve congruence with the changing business environment. Capabilities on the other hand are the key roles of strategic management in

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appropriately adapting, integrating and reconfiguring, internal and external organizational skills, resources, and functional competences to match the requirements of a changing environment (Teece, Pisano & Schuen, 1997). The Dynamic capabilities theory attempts to be clearer by improving the resource-based theory which has been criticized to be conceptually vague and redundant, with limited focus on the mechanisms by which resources actually contribute to competitive advantage (Eisenhardt & Martin, 2000, p. 1106). Resource dependence theory of entrepreneurship articulates how external resources of organizations affect the behavior of organizations. Resource dependency theory is based on the principle that a business firm, must engage in transactions with other actors and organizations in its environment in order to acquire resources (Casciaro & Piskorski, 2005). To address the challenge of scarce resources, organizations should develop strategies as well as internal structures designed to enhance their bargaining position in resource-related transactions (Gulati & Sytch, 2007).

SMEs are required to raise efficiency levels and act timely to market changes with the shortcomings brought about by new entrants to the market, increased liberalization, technological progress and high standards requirements. Lechner and Gudmundsson (2014), examined the individual entrepreneurial orientation dimensions influence on the relationship amongst competitive strategy and firm performance and discovered that there were various impacts that the individual dimensions of entrepreneurial orientation have on competitive advantage as well as the different effects the two generic types of competitive advantage, cost leadership and differentiation have on performance.

Innovativeness was the most robust variable that influenced differentiation and firm performance. Risk taking negatively influenced both generic strategies. While competitive strategy drivers examine how an organization operates in order to positively impact firm performance, both entrepreneurial orientation and competitive strategy drivers are strategic business unit-level concepts (Covin & Lumpkin, 2011): entrepreneurial orientation plays the role of strategy building while competitive strategy drivers describe the content. The relationship between competitive strategy drivers and entrepreneurial orientation is key to understanding SMEs performance (Lumpkin & Dess, 1996; Wales et al., 2011). Differentiation and cost leadership are categorized as opposing logics (Porter, 1985), hence it cannot be assumed that a universal entrepreneurial orientation has an impact on the differentiation or cost leadership in a similar manner. An empirical approach with entrepreneurial orientation as a multidimensional concept, which specifically addresses how the individual entrepreneurial orientation dimensions impact positively or negatively these two types of competitive strategy, is appropriate (Wales et al., 2011).

SMEs play a very vital role in helping Kenya to grow economically hence supports the country in its quest to attain high standards of life by 2030 (GoK, 2008).SMEs are required to raise efficiency levels and act timely to market changes with the challenges brought about by new entrants to the market, increased liberalization, technological advancement and high standards requirements. Additionally, greater integration into the worldwide economy offers openings for SMEs to share the universal supply chains systems. All these serve to encourage SMEs to climb the supply chain and also take up

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new developments, particularly data and communication innovation. The present business environment conditions cannot allow companies to ignore the key impacts of value for its focused position (Rohitratana & Boon-Itt, 2011). Lechner and Gudmundsson (2014), assessed the individual entrepreneurial orientation dimensions influence on the relationship between competitive strategy and firm performance and discovered that there were various impacts that the individual dimensions of entrepreneurial orientation have on competitive advantage as well as the different effects the two generic types of competitive advantage, cost leadership and differentiation have on performance. Innovativeness was the most robust variable that influenced differentiation and firm performance. Risk taking and competitive aggressiveness negatively influenced both generic strategies.

While competitive strategy drivers examine how a firm operates in order to positively impact firm performance (Porter, 1980), both entrepreneurial orientation and competitive strategy drivers are strategic business unit-level concepts (Covin & Lumpkin, 2011): EO plays the role of strategy formulation while competitive strategy drivers describe the content. Focus is not a standalone strategy and cannot be a source of competitive advantage. Both competitive strategy and EO are distinct business unit-level concepts. Competitive strategy contributes to EO and channels it. EO would not be adequate for firm performance without a competitive strategy (Ireland et al., 2003). The relationship between competitive strategy drivers and EO is critical to understanding small firm performance (Lumpkin & Dess, 1996; Wales, Gupta, & Mousa, 2011). Both EO and competitive strategy drivers have separate own inner logic which have unique

theoretical constructs (Lumpkin & Dess, 1996). Their conceptual separation should help to advance the understanding of the transformation of EO into firm performance (Wales et al., 2011). Differentiation and cost leadership are categorized as opposing logics (Porter, 1985), hence it cannot be assumed that a universal EO has an impact on the differentiation or cost leadership in a similar manner.

An empirical approach with EO as a multidimensional concept, which specifically addresses how the individual EO dimensions impact positively or negatively these two types of competitive strategy is appropriate (Wales et al., 2011). Meta-analysis (Rauch, Wiklund, Lumpkin, & Frese, 2009) and a broad review (Wales et al., 2011) of EO research concludes that research has focused on the direct EO–performance relationship and less on indirect effects and the association of EO to other variables.

3.0 Method

Research Procedure and Sample Characteristics

The study was guided by positivistic perspective as it is grounded on theory and hypothesis testing. Positivism is grounded on interpretations and tests based on prevailing theory that can be articulated numerically. The study used cross-sectional research design, considered appropriate for entrepreneurship research (Davidsson, 2004). This design enabled pooling of quantitative data and allowed the researcher to identify patterns of association amongst the variables that confirmed the general interpretation of the associations among the study variables. The principal research tool of data collection of this study was a structured questionnaire. Respondents included SME's owners or senior

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managers/persons in charge of the SME who by virtue of their positions were better placed to give informed and reliable responses. The study population comprised of all manufacturing SMEs in Nairobi County. The target population consisted of 2050 SMEs. Sample size was determined using formula for finite population proposed by Israel (2009) as follows;

$$n = \frac{N}{1+N(e^2)}$$

Where:

n= Desired Sample Size

N= Population

e = Margin of Error at 5% (standard value of 0.05)

The size of the sample in this research will be:

$$n = \frac{2050}{1+ 2050(0.05)^2}$$

n= 334 Manufacturing SMEs

A stratified random was used to establish proportianate sample from each strata as follows:

Table 1: Sample Size

Target Population	Percent	Sample Size
2050	100	334

Source: Nairobi County Licensing Office (2019)

Measures

The questionnaire used nominal and ordinal scaled items on a five-point Likert scale ranging from Strongly disagree (1) to Strongly agree (5) and are shown in Table 2 below.

Table 2: Variables and Respective Measurement Items

Entrepreneurial Orientation	
Innovativeness	
Innovativeness	Employees frequently come up with new products or ways of doing new things
	Manager favours own original approaches to problem solving
	Company has marketed new lines of products or services in last five years
	Employees have strong tendency to follow the leader in introducing new products
	Company often first to introduce new products and services
Risk Taking	Manager has strong preference for high risk projects
	Company often first in the market in introducing new products and services
	Company has strong tendency to be ahead of competitors in introducing new products
	Company initiates actions to which competitor's then respond
Pro-Activeness	
Pro-Activeness	In dealing with competitors the firm is often the first business to introducing new products and services
	Organization adopts a cautious wait-and-see attitude to minimize costly decisions
	The firm typically initiates actions to which competitors then respond to
Performance	
Entrepreneur Satisfaction	You are generally satisfied with your current business
	Your current business meets your expectations
	Your current business is your most ideal
Growth in Employment	Number of employees have significantly increased in line with our business expansion
	Local market plays a role in employment growth
	Our firm promotes and hire new employees annually
	Our firm experience low employee turnover annually
Business Longevity	Financial strength influences our longevity
	Customer orientation determine business lifespan

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	Internal capabilities influence our longevity
	Strategic perspective defines our firm lifespan
	Learning and growth influences our firm longevity

On the whole, the measurement instrument was highly reliable with an overall Cronbach alpha of 0.813.

Analytical Procedure

Inferential measurements were used to test the data drawn from the respondents from manufacturing SMEs in Nairobi County with respect to the stated hypothesis. The study performed inferential tests to understand the relationship between different variables and validate/invalidate theories. Pearson product of correlation coefficient was used to measure the direction and magnitude of relationship between the study variables. It varied from -1 to +1. Coefficient of determination (R^2) was used to measure the goodness of fit of the model. The hypothesis was tested using the models suggested by (Wonacott, 1990) for testing intervening variable.

4.0 Results

Measurement model

Confirmatory factor extraction was done to confirm the structures for entrepreneurial orientation measures of innovativeness, proactiveness and risk taking as well as the overall factor as shown in Table 3.

Table 3: Factor Statistics for competitive strategy drivers

Dimension/Structure/Factor	No of Items	Scale Mean Scores
Overall Competitive Strategy Drivers	**15**	**3.45**
Innovativeness	5	3.78
Proactiveness	3	2.90
Risk Taking	4	3.45

On the whole, our measurement model shows acceptable good levels of statistical fit as indicated by the confirmatory factor analyses. Specifically, innovativeness shows good levels of fit on all the 5 indices with a scale mean score of 3.78. The second measure (Proactiveness) also shows good levels of fit across the 3 indices (scale mean score of 2.90). Risk taking measure similarly indicates good levels of fit across its four indices with a scale mean score of 3.45. The scale means score of 45 confirms an overall good level of fit.

Descriptive Statistics

Table 4: Descriptive Statistics for Measures of the variables

Sub components	Mean	Std. Deviation	Coefficient of variation	Skewness	Kurtosis
Innovativeness	**3.532**	**1.0080**	**0.29**	**0.066**	**-0.829**
Risk taking	**3.312**	**1.1982**	**0.37**	**0.112**	**-0.440**
Pro -Activeness	**3.147**	**1.1681**	**0.38**	**-0.149**	**0.573**
Performance	**3.880**	**0.4165**	**12.30**	**-0.060**	**-0.234**

Source: Field Data (2019)

Entrepreneurial orientation indicators results showed that innovativeness had the highest average followed by risk taking and proactiveness respectively. Performance was rated on the agreed level. There was low variability in the rating as indicated by low values of coefficient of variation.

Correlation Analysis

Table 5: Correlation between Entrepreneurial Orientation and Firm Performance

		Firm Performance	Innovation	Proactivity	Risk Taking
Firm Performance	Pearson Correlation	1			
	Sig. (2-tailed)				
	N	300			
Innovation	Pearson Correlation	.139**	1		
	Sig. (2-tailed)	.005			
	N	300	298		
Proactivity	Pearson Correlation	.184**	.371**	1	
	Sig. (2-tailed)	.001	.000		
	N	300	300	300	

Risk Taking	Pearson Correlation	.398[**]	.287[**]	.329[**]	1
	Sig. (2-tailed)	.000	.000	.000	
	N	300	300	300	300

Source: Field Data (2019)

Table 5 shows a correlation between innovation, proactivity, risk taking and firm performance. The Pearson correlation for innovation on performance (r= .139, p<.01), proactivity on performance (r =.184, P<.01). and risk taking on performance (r =.398, P<.01) were significant. There was no multicollinearity reported since none of the coefficients between the independent variables are greater than 0.5.

Hypothesis Testing

Objective: To establish the influence of entrepreneurial orientation on the relationship between competitive strategy drivers and performance of manufacturing SMEs. The following hypothesis was formulated;

H₁: Entrepreneurial orientation intervenes the relationship between competitive strategy drivers and performance of manufacturing SMEs in Nairobi County, Kenya.

To determine effect of entrepreneurial orientation on the relationship between competitive strategy drivers and performance of manufacturing SMEs, path analysis four step method was used (Baron & Kenny, 1986). Hypothesis was modelled using path analysis. Intervention is confirmed when four conditions are satisfied. Condition one is that independent variable must be significantly relate to dependent variable. Condition two is that independent variable must be significantly relate to intervening variable. Condition three is that intervening variable must be significantly relate to dependent variable. Condition four is that when the effect of the intervening variable on the dependent variable is controlled, the effect of the independent variable on the dependent variable should not be significant. The equations used to measure the hypothesis are:

$$Y_1 = \beta_0 + \beta_1 X + \varepsilon$$

$$W = \beta_0 + \beta_1 X + \varepsilon$$

$$Y_2 = \beta_0 + \beta 1 W + \varepsilon$$

$$Y_3 = \beta_0 + \beta 1\ X + \beta_2 W + \varepsilon$$

Y_i = Performance

W = Entrepreneurial orientation

β_0 = constant (intercept)

$\beta_1,$ = coefficients of competitive strategy drivers

$X_{s=}$ Competitive strategy drivers

ε = Error term

Table 6: Regression Results for Intervening effect of Entrepreneurial Orientation on the relationship between Competitive strategy Drivers and Performance of Small and Medium Enterprises in Manufacturing Sector

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.352	0.124	0.121	0.61984
2	0.137	0.019	0.015	0.7207
3	0.579	0.335	0.333	0.54
4	0.641	0.411	0.407	0.50916

ANOVA						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	16.180	1	16.180	42.113	0.000
	Residual	114.492	298	0.384		
	Total	130.671	299			
2	Regression	2.946	1	2.946	5.672	0.018
	Residual	154.784	298	0.519		
	Total	157.730	299			
3	Regression	43.767	1	43.767	150.080	0.000
	Residual	86.904	298	0.292		
	Total	130.671	299			
4	Regression	53.676	2	26.838	103.525	0.000
	Residual	76.995	297	0.259		
	Total	130.671	299			

Coefficients						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.

		B	Std. Error	Beta		
1	(Constant)	1.849	0.202		9.153	0.000
	CSD	0.39	0.06	0.04	6.500	0.014
2	(Constant)	2.056	0.235		8.749	0.000
	CSD	0.166	0.070	0.531	2.371	0.018
3	(Constant)	1.767	0.116		15.233	0.000
	EO	0.527	0.043	0.403	12.256	0.000
4	(Constant)	1.849	0.202		9.153	0.000
	CSD	0.390	0.060	0.151	1.500	0.055
	EO	0.492	0.241	0.322	2.041	0.065

Model 1 Predictors (Constant) competitive strategy drivers
Model 2 Predictors: (Constant) competitive strategy drivers
Model 3 Predictors: (Constant) entrepreneurial orientation
Model 4 Predictors: (Constant) competitive strategic drivers, entrepreneurial orientation

The results revealed that in step one the influence of competitive strategy drivers on performance was significant (R^2 = .124, F = 42.113, P = .000<.05, β = .39, t = 6.500, P= 0.014<0.05). The first mediation condition which states that the independent variable should be significantly related to the dependent variable in the absence of the mediating variable is satisfied. The second step indicated that competitive strategy drivers influences innovation is significant (R^2 = .019, F = 5.672, P =.018<.05, β=.166, t = 2.371, P = 0.018<0.05)), hence satisfying the second condition which states that the independent variable should be significantly related to the intervening variable. The third step revealed that innovation significantly influence performance (R^2 = .335, F = 150.08, P = .000<.05, β =.527, t = 12.256, P =

0.000<0.05), thus satisfying the third condition which states that intervening variable should be significantly be related to the dependent variable.

The fourth step indicated that the influence of the competitive strategy drivers on performance was insignificant in the absence of the innovation (R^2 = .411, F = 103.525, P = .000<.05, β = .390, t = 1.500, P = 0.055>0.05) thus satisfying the condition which states that if the effect of intervening variable is controlled, then the effect of the independent variable on the dependent variable should be insignificant. The four conditions were satisfied thus innovation mediates the relationship between competitive starry drivers and performance.

Table 7: Regression Results for Intervening effect of Innovation on the relationship between Competitive strategy Drivers and Performance of manufacturing SMEs in Nairobi County, Kenya

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.352	0.124	0.121	0.61984
2	0.359	0.129	0.127	0.54324
3	0.366	0.134	0.132	0.02659
4	0.389	0.151	0.148	0.02226
ANOVA				
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	16.180	1	16.180	42.113	0.000
	Residual	114.492	298	0.384		
	Total	130.671	299			
2	Regression	12.452	1	12.452	144.509	0.001
	Residual	25.678	298	0.086		
	Total	38.130	299			
3	Regression	5.342	1	5.342	92.249	0.010
	Residual	17.257	298	0.058		
	Total	22.599	299			
4	Regression	9.121	2	4.561	95.080	0.026
	Residual	14.246	297	0.048		
	Total	23.367	299			

Coefficients						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-0.006	0.032		-0.188	0.857
	CSD	0.019	0.009	0.015	2.111	0.042
2	(Constant)	0.277	0.122		2.266	0.000
	CSD	0.326	0.138	0.317	2.362	0.000
3	(Constant)	1.658	0.428		3.874	0.000
	I	0.452	0.128	0.439	3.531	0.010
4	(Constant)	0.025	0.011		2.227	0.000
	CSD	0.045	0.029	0.043	1.559	0.075
	I	0.033	0.042	0.031	0.786	0.060

Model 1 Predictors (Constant) competitive strategy drivers
Model 2 Predictors: (Constant) competitive strategy drivers
Model 3 Predictors: (Constant) innovation
Model 4 Predictors: (Constant) competitive strategic drivers, innovation
Source: Field Data (2019)

The results show that in step one, the influence of competitive strategy drivers on performance was significant ($R^2 = .124$, $F = 42.113$, $P = .000<.05$, $\beta = .39$, $t = 6.500$, $P= 0.014<0.05$). The first mediation condition which states that the independent variable should be significantly related to the dependent variable in the absence of the mediating variable is satisfied. The second step indicated that competitive strategy drivers influence on innovation is significant ($R^2 = .129$, $F = 144.509$, $P =.001<.05$, $\beta=.326$, $t = 2.362$, $P = 0.000<0.05$)), hence satisfying the second condition which states that the independent variable should be significantly related to the intervening variable. The third step revealed that innovation significantly influences performance ($R^2 = .134$, $F = 92.249$, $P = .010<.05$, $\beta =.452$, $t = 3.531$, $P = 0.010<0.05$), thus satisfying the third condition which states that intervening variable should be significantly be related to the dependent variable. The fourth step indicated that the influence of the competitive strategy drivers on performance was insignificant in the absence of the innovation ($R^2 = .151$, $F = 93.080$, $P = .0260<.05$, $\beta = .045$, $t = 1.559$, $P = 0.075>0.05$) thus satisfying the condition which states that if the effect of intervening variable is controlled, then the effect of the independent variable on the dependent variable should be insignificant. The four conditions were satisfied thus innovation as a measure of entrepreneurial orientation mediates the relationship between competitive starry drivers and performance.

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Table 8: Regression Results for Intervening effect of Proactivity on the relationship between Competitive strategy Drivers and Performance of manufacturing SMEs in Nairobi County, Kenya.

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.352	0.124	0.121	0.61984
2	0.312	0.097	0.095	0.43426
3	0.382	0.146	0.144	0.15623
4	0.402	0.162	0.156	0.23157

ANOVA						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	16.180	1	16.180	42.113	0.000
	Residual	114.492	298	0.384		
	Total	130.671	299			
2	Regression	7.349	1	7.349	64.653	0.001
	Residual	33.873	298	0.114		
	Total	41.222	299			
3	Regression	9.453	1	9.453	123.628	0.010
	Residual	22.786	298	0.076		
	Total	32.239	299			
4	Regression	11.891	2	5.946	67.919	0.026
	Residual	25.999	297	0.088		
	Total	37.890	299			

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Coefficients						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-0.006	0.032		-0.188	0.857
	CSD	0.019	0.009	0.016	2.111	0.042
2	(Constant)	0.005	0.122		0.041	0.000
	CSD	0.145	0.138	0.144	1.051	0.000
3	(Constant)	0.035	0.428		0.082	0.000
	P	0.327	0.128	0.319	2.555	0.010
4	(Constant)	0.044	0.011		4.000	0.000
	CSD	0.026	0.029	0.024	0.897	0.080
	P	0.022	0.042	0.020	0.524	0.150

Model 1 Predictors (Constant) competitive strategy drivers
Model 2 Predictors: (Constant) competitive strategy drivers
Model 3 Predictors: (Constant) proactivity
Model 4 Predictors: (Constant) competitive strategic drivers, proactivity
Source: Field Data (2019)

The results reveal that in step one, the influence of competitive strategy drivers on performance was significant (R^2 = .124, F = 42.113, P = .000<.05, β = .39, t = 6.500, P= 0.014<0.05). The first mediation condition which states that the independent variable should be significantly related to the dependent variable in the absence of the mediating variable is satisfied. The second step, indicated that competitive strategy drivers influence on proactivity is significant (R^2 = .097, F = 64.653, P =.001<.05, β=.145, t = 1.051, P = 0.000<0.05)), hence satisfying the second condition which states that the independent variable should be significantly related to the intervening variable. The third step revealed that proactivity significantly influences performance (R^2 = .146, F =

123.628, P = .010<.05, β =.327, t = 2.555, P = 0.010<0.05), thus satisfying the third condition which states that intervening variable should be significantly be related to the dependent variable. The fourth step indicated that the influence of the competitive strategy drivers on performance was insignificant in the absence of the proactivity (R^2 = .162, F = 67.919, P = .026<.05, β = .026, t = 0.897, P = 0.080>0.05) thus satisfying the condition which states that if the effect of intervening variable is controlled, then the effect of the independent variable on the dependent variable should be insignificant. The four conditions were satisfied thus proactivity mediates the relationship between competitive starry drivers and performance.

Table 9: Regression Results for Intervening effect of Risk Appetite on the relationship between Competitive strategy Drivers and performance of Small and Medium Enterprises in Manufacturing Sector

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.352	0.124	0.121	0.61984
2	0.388	0.151	0.148	0.37865
3	0.403	0.162	0.158	0.32357
4	0.413	0.171	0.17	0.33236
ANOVA				
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	16.180	1	16.180	42.113	0.000
	Residual	114.492	298	0.384		
	Total	130.671	299			
2	Regression	11.675	1	11.675	139.177	0.001
	Residual	24.998	298	0.084		
	Total	36.673	299			
3	Regression	8.432	1	8.432	183.747	0.010
	Residual	13.675	298	0.046		
	Total	22.107	299			
4	Regression	22.564	2	11.282	73.361	0.002
	Residual	45.675	297	0.154		
	Total	68.239	299			
Coefficients						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-0.006	0.032		-0.188	0.857

	CSD	0.019	0.009	0.018	2.111	0.042
2	(Constant)	0.231	0.117		1.974	0.000
	CSD	0.227	0.100	0.225	2.270	0.000
3	(Constant)	0.324	0.121		2.678	0.000
	RA	0.428	0.179	0.427	2.391	0.010
4	(Constant)	0.331	0.117		2.829	0.000
	CSD	0.387	0.265	0.386	1.460	0.150
	RA	0.356	0.278	0.355	1.281	0.090

Model 1 Predictors (Constant) competitive strategy drivers

Model 2 Predictors: (Constant) competitive strategy drivers

Model 3 Predictors: (Constant) risk appetite

Model 4 Predictors: (Constant) competitive strategic drivers, risk appetite

Source: Field Data (2019)

The results show that in step one, the influence of competitive strategy drivers on performance was significant (R^2 = .124, F = 42.113, P = .000<.05, β = .39, t = 6.500, P= 0.014<0.05). The first mediation condition which states that the independent variable should be significantly related to the dependent variable in the absence of the mediating variable is satisfied. The second step indicated that competitive strategy drivers influence on risk appetite is significant (R^2 = .151, F = 139.177, P =.001<.05, β=.227, t = 2.27, P = 0.00<0.05)), hence satisfying the second condition which states that the independent variable should be significantly related to the intervening variable. The third step revealed that risk appetite significantly influences performance (R^2 = .162, F = 183.747, P = .010<.05, β =.428, t = 2.391, P = 0.010<0.05), thus satisfying the third condition which states that intervening variable should be significantly be related to the dependent variable. The fourth step indicated that the influence of the competitive strategy drivers on performance was insignificant in the absence of the risk appetite (R^2 = .171, F = 73.361, P = .026<.05, β = .387, t = 1.460, P = 0.150>0.05) thus satisfying the condition which states that if the effect of intervening variable is controlled, then the effect of the independent variable on the dependent variable should be insignificant. The four conditions were satisfied thus risk appetite mediates the relationship between competitive starry drivers and performance.

5.0 Discussion

The study achieved a response rate of 89.82 percent which was considered adequate for further analysis. The measurement instrument was highly reliable with an overall Cronbach alpha of 0.813. Majority of the firms had been in operation for a period of 5 to 10 years. In terms of business classification; sole proprietorship was the most popular model followed by partnership and companies respectively.

Entrepreneurial orientation main conditions were; innovation, risk appetite and proactiveness. These are in line with the psychological entrepreneurship theory which emphasis on personal characteristics that define entrepreneurship. On hypothesis testing, the study aimed at assessing the effect of entrepreneurial orientation on the relationship between competitive strategy drivers and the performance of manufacturing SMEs. The study determined how entrepreneurial orientation conceptualized as an intervening variable affects the relationship between competitive strategy drivers and firm performance SMEs in manufacturing sector. In order to test for this influence, the hypothesis that entrepreneurial orientation intervenes the relationship between competitive strategy drivers and firm performance was formulated. Full intervention takes place if in the absence of the mediator variable, the relationship between the dependent and independent variable ceases. The study used four steps of testing intervention effect as proposed by Baron and Kenny (1986). All the four conditions were met for mediation relationship. The study findings establish that entrepreneurial orientation intervenes significantly the relationship between competitive strategy drivers and firm performance thereby accepting the hypothesis. The relatively moderate change in R^2 was an indication that the interaction term had significant effect to explain the relationship. It is therefore important that as SMEs adopt competitive strategy drivers, entrepreneurial orientation also takes place so as to boost performance.

The findings add on to the knowledge of resource-based theory. According to the theory, competitive advantage is rooted in a firm's assets that are valuable and inimitable. The new perspective expects

firms to compete based on their unique or distinctive internal capabilities, competencies and resource capabilities (Hoskisson et al, 1999). Entrepreneurial orientation emphasizes the importance of game theory. Game theory is useful in strategic decision making and suggests the need to carry out analysis of decisions, analysis of the environment, analysis of possible alternative actions of a firm and those of other players in the industry and the possible outcome (Myerson, 1991). SMEs are required to raise efficiency levels and act timely to market changes with the shortcomings brought about by new entrants to the market, increased liberalization, technological progress and high standards requirements. Furthermore, greater incorporation into the global economy offers openings for SMEs to partake in the international value chain and supply chains networks. SMEs which are able to harness technology and knowledge to come up with high value-added goods of superior quality are the only ones that will be able to compete globally (GoK, 2008).

6.0 Conclusion

The main objective of the study was to determine the influence of entrepreneurial orientation on the relationship between competitive strategy drivers and performance of manufacturing small and medium enterprises in Nairobi County, Kenya. The results of the relationship to determine the influence of entrepreneurial orientation on performance were found to be statistically significant. A firm's innovativeness is shown by the firm's innovations in introducing new products/services, developing new processes or applying new technologies. Based on the results of the findings, manufacturing small and medium enterprises need to exercises their

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innovative ability in renewing their market offers to enable them survive and grow when they are operating under conditions of stiff competition, rapid technology advances and resource scarcity. Further these firms need to engage in and support the generation of new ideas and creative process that may lead to new products/ services, technological process and new markets to realize success. Additionally, surveyed firms were seen to be active in risk taking and introduced new products and service to the market with a mission of increasing their profits and sales. It was observed that single variable can effectively influence a firms' performance. Generally, this study advocates that SMEs in the manufacturing sector need to control and manage risks so that these risky opportunities that appear threatening may be attractive. In addition, a firm may come to see that developing a greater capacity to identify and mitigate risk enables it to capture opportunities that competition alone cannot. Further, a firm's level of pro-activeness is positively related to its ability to collect more information pertinent to resources and opportunities available in an industry. This means that SMEs in the manufacturing sector ought to be proactive to be able to scan the environment more thoroughly to recognize and identify opportunities in their macro environment. Accordingly, these firms are likely to be more knowledgeable in regards to the acquisition of information and resources than less-proactive firms, and in turn, this characteristic allows them to perform better than their less-proactive counterparts. The results of test of hypothesis on composite indices established that there was statistically significant relationship between entrepreneurial orientation and performance of manufacturing SMEs. The firms should therefore lay more emphasis on entrepreneurial orientation dimensions with positive impacts on their performance.

A limitation of the study is that it was purely a quantitative research. We, nonetheless, acknowledge this as a limitation of the study and encourage future scholarly work to utilize mixed methodologies to enrich the findings and probably this may provide additional insights to organizations on how best they can improve their performance. Finally, it is also possible that questionnaire respondents were influenced by a social desirability effect since the respondents were owners of the SME's, hence not providing totally accurate response to our questionnaire items. This may be solved by future scholars by triangulation of data collection tools. Further studies can be done to explore other entrepreneurial orientation factors that may influence a firm's performance. It would also be interesting to investigate other factors likely to influence entrepreneurial orientation and, consequently, a firm's performance.

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