Entrepreneurial Orientation, MSME Growth and the Mediating Role of Firm Strategic Capabilities in the Manufacturing Sector in Nairobi County, Kenya

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Abstract

Growth among Micro, Small and Medium-sized Enterprises (MSME) is of eminence to economic progression in both developed and developing economies, credited for employment creation, driving innovation and contribution to Gross Domestic Product (GDP) in both contexts. Whereas entrepreneurial orientation has been identified to underpin MSME growth, several studies on entrepreneurial orientation - growth nexus have provided mixed results based on the aggregated one-dimensional measure of entrepreneurial orientation. While some report a significant association, some report no significance. The mixed findings imply that the relationship between entrepreneurial orientation and growth is not linear, pointing to other causal factors either internal or external to the enterprise. against this backdrop, this study set out to assess the mediating effect of firm strategic capabilities on the relationship between entrepreneurial orientation and growth of manufacturing sector MSMEs in Kenya. Anchored on the contingency fit view, the resource-based view and the life-cycle theory, the study adopted a positivist approach, employing the explanatory research design of a cross sectional nature. With a target population of 98,607, a stratified sample of 384 MSMEs from the manufacturing sector in Nairobi County was drawn. Data was collected by use of structured questionnaires and analyzed by both descriptive and inferential statistics including Pearson correlation and regression analyses. The study controlled for both age and sub-sector, as they have been previously found to affect firm growth. Results indicate that entrepreneurial orientation has a significant effect on firm strategic capabilities (β = .276, p = .000<.05). The study also found that firm strategic capabilities have a significant effect on MSME growth at 95% confidence level (β = .124, p = .026<.05). Firm strategic capabilities did not however have a significant mediating effect on the relationship between entrepreneurial orientation and MSME Growth (β = .0617, p = 111>.05; LLCI=-.0020; ULCI=.0273). The study concludes that among MSMEs in the manufacturing sector in Kenya, innovative, risk tolerant and proactive owners/managers are likely to achieve growth, regardless of their strategic capabilities. It is recommended that MSME owners/managers innovate, take risks and stay proactive in their businesses in order to grow. It is also recommended that strategic policy decisions of MSMEs should focus on enhancing their positions in respect of innovativeness, proactiveness and risk propensity..

Key Words: Entrepreneurial Orientation, Firm Strategic Capabilities, MSME Growth

1.0 Introduction

The growth of MSMEs has been directly associated with the growth and development of many developed and developing countries globally, including the United States of America (USA), China, India, South Korea, Malaysia, Taiwan and Thailand among a host of other OECD countries whose MSME contribution to employment ranges from 60-70% and over 50% of GDP (Organisation for Economic Co-operation and Development (OECD), 2017). Micro, Small and Medium Enterprises in such countries further consist of over 98% of businesses. In South East Asian countries, about 90% of industrial establishments are under MSMEs (United Nations Industrial Development Organization (UNIDO), 2018). In the European Union

(EU), MSMEs constitute 99.8% of all businesses as well as employ 76 million people representing 67.4% of total employment (EU, 2017).

In emerging economies, MSMEs contribute up to 45% of total employment and 33% of GDP (OECD, 2017a). In Ghana, the MSME sector is the most dominant form of business in Ghana as they account for up to 92% of businesses in the economy, contributing 49% of the country's GDP (UNIDO, 2018). In Nigeria, it was estimated that in 2016, MSMEs, accounted for 90% of existing businesses and provided about 85% of manufacturing employment (Olokundun, Moses, Iyiola, Ibidunni & Amaihian, 2017). In Nigeria, MSMEs account for 96% of businesses, and contribute 48% of national GDP and 84% of employment (PriceWaterhouseCoopers (PWC), 2020).

In Kenya, the share of private sector employment grew from 69.1 per cent MSMEs in 2017 to 69.5 per cent in 2018. Conversely, the informal sector accounted for 89.0 per cent representing 14.9 million persons in 2018 which was a 5.4 per cent increase from 83.6 per cent in 2017 (Kenya National Bureau of Statistics (KNBS), 2019). According to White, Boit & Maru (2013), MSMEs sector employs 6.4 Million Kenyans accounting for 84% of the total workforce in the Country; contributes 34.0% GDP. This is corroborated by the Micro and Small Enterprise Authority (MSEA) (2018) who reports that the MSME sector employs about 85 percent of the Kenyan workforce.

From the foregoing, it is notable that growth among MSMEs is of particular importance to economic progression in both developed and developing economies, which have been credited for employment creation, driving innovation and contribution to GDP in both contexts (United Nations Development Programme (UNDP), 2018; Organization for Economic Co-operation and Development (OECD), 2017). In contrast to large corporations where growth is largely attributed to organizational strategy and firm-level entrepreneurship, growth among MSMEs is largely tied to the owner/manager entrepreneurial orientation (EO) owing to their decision-making autonomy and direct involvement in day-to-day business operation (Neneh & van Zyl, 2017). In addition, owners/managers in MSMEs are in direct touch with both the market and the products/services. Accordingly, a cross-section of studies empirically establishes that one way of fostering MSME growth is by enhancing their level of EO (Mensah, 2017; Neneh & van Zyl, 2017; Bergthaler et al., 2015; Neneh & Smit, 2013).

Defined as a strategic orientation capturing specific entrepreneurial aspects of decision-making styles, methods and practices, EO was in its original conceptualization comprised of three dimensions: innovativeness, proactiveness and risk propensity (Miller, 1983). According to Miller (1983), firms that engage in product market innovation, undertake somewhat risky ventures, and are usually first to come up with 'proactive' innovations beating competitors to the punch can be described as being entrepreneurially oriented. Lumpkin and Dess (1996) later advanced the conceptualization of EO to include competitive aggression and autonomy. There have however been some concerns over the distinctiveness between proactiveness and competitive aggressiveness (Covin & Slevin, 1989). Consequently, a number of studies (Osoro, 2012; Neneh, Zyl & Noordwyk, 2016; Neneh & Zyl, 2017; Etim, Adabu & Ogar, 2017) have conceptualized EO as per Miller (1983) while others (Yamoah, 2016; Waithaka, 2016) have adopted all the five dimensions as per Lumpkin and Dess (1996).

The dimensionality of the concept of EO with the addition of competitive aggression and autonomy is equally a subject of debate among scholars. While some studies have argued that EO is best viewed as a multidimensional construct (Lumpkin & Dess, 2001) because each EO construct may occur in different combinations, consequently, each representing different and independent aspects of the EO construct (George, 2006), others have held that the dimensions of EO is more suited as a unidimensional concept (Covin & Slevin, 1991; Knight, 1997; Miller, 1983). In view of the foregoing concerns over distinctiveness in the conceptualization of EO by Lumpkin and Dess (2001) coupled with debate over its dimensionality, this study adopts the original conceptualization of EO by Miller (1983). According to Miller (1983) an organization has an EO when it is concurrently risk taking, innovative and proactive and that in this respect, EO is a unidimensional construct. This has also been successfully adopted in a number of extant related studies (Neneh & van Zyl, 2017; Mensah, 2017; Bergthaler et al., 2015; Neneh & Smit, 2013)

Whereas MSME growth has been directly linked to EO (Mensah, 2017; Neneh & van Zyl, 2017; Dananjaya & Kuswanto, 2015; Bergthaler *et al.*, 2015; Neneh & Smit, 2013), it is not the only precondition to grow. A business must also have the capability to grow (Dananjaya & Kuswanto, 2015; Bergthaler *et al.*, 2015). The management team has to be able to manage the greater complexity that comes with growth. The business itself must not only have qualified personnel, but also foster cooperation and helping employees adapt to the frequent changes associated with growth (Trevinyo-Rodríguez, 2018). Growth oriented enterprises must be able to capitalize on highly advanced equipment and technologies, and ensure that employees receive the training they need to become proficient in their use (Liberman-Yaconi, Hooper & Hutchings, 2016).

Growth oriented enterprises must also have a solid understanding of their market and clients' needs in order to adapt and innovate, whether by introducing new products and services or by upgrading their business processes and models (Martinez-Roman, Gamero & Tamayo, 2017). The business's financial capacity must also be considered. Sustaining growth requires significant resources, and the business has to be able to generate sufficient cash flow or make its operations more profitable while continuing to be backed by solid financial partners (Barbero, Casillas & Feldman, 2019). Against this backdrop, the present study presupposed that firm strategic capability, as indicated by firm resources and market orientation, has an indirect effect on the association between EO and enterprise growth.

Relative to other sub-sectors in the realm of MSMEs, the manufacturing sector has the highest potential to generate additional output and create jobs (Kenya Association of Manufacturers (KAM), 2019; OECD, 2017; Were, 2016). Kenya's manufacturing sector's contribution to GDP has however averaged at 10% in the last seven years (2008 to 2014), and has been on a declining trend, contributing 8.4% to GDP in 2017, falling short of the target set in the Medium-Term Plan (MTP) II (2012 - 2017) for the sector to grow by 8.7%. Manufacturing growth has also been marginal, as the sector only grew by 0.2% in 2017 (Kenya National Bureau of Statistics (KNBS), 2016; KAM, 2019). This implies that the share of manufacturing in GDP has been reducing over time. As a result, it can be argued that Kenya is going through premature de-industrialization in a context where manufacturing and industry are still relatively under-developed (Were, 2016; KAM, 2019).

Accordingly, the National Micro and Small Enterprise baseline survey, 2018 (GoK, 2019) reports that while Kenya's MSMEs continue to create jobs and boost the country's GDP, they face a myriad of challenges that impede their growth. The survey reveals that only 38% of the businesses are expanding while 58% have stagnated in terms of both annual turnover and number of employees. According to the survey, more enterprises are most likely to close in their first three years of operation. Access to finance was ranked as the most common growth impediment to growth, followed by access to markets and pricing of products/services given high costs of production respectively. This is consistent with the African Development Bank (2020) who report in their African Economic Outlook, 2020, that as at the year ending, 2019, most African SMEs have a 77 per cent chance of stagnating while medium and large firms have 18 per cent and 5 per cent chances respectively. By contrast, firms that started out small had a 23 percent chance of growing into a medium or large firm, and firms that started out medium had a 13 percent chance of growing into a large firm

Further, the Kenya Private Sector Alliance (KEPSA) (2020) conducted a Micro, Medium and Small Enterprises (MSME) Policy Index survey in 2019 which reports that current policies are unfavourable to business growth and as a result, they are stagnating enterprises. The survey showed that the overall MSME policy index stood at 3.0 out of 5, below the level of 4.0, which is the policymakers regard as to be ideal for growth. The Deloitte Kenya Economic Outlook, 2016 further notes that Kenyan SMEs are hindered by inadequate capital, limited market access, poor infrastructure, inadequate knowledge and skills and rapid changes in technology, corruption and an unfavorable regulatory environment (Deloitte, 2017).

The foregoing reports imply that overall, it seems much easier for MSMEs in Kenya to shrink than to expand, pointing to an underlying growth challenge among MSMEs in the country. While EO has been identified in aforementioned studies to underpin MSME growth (Mensah, 2017; Neneh & van Zyl, 2017;

Bergthaler *et al.*, 2015; Neneh & Smit, 2013), several studies on EO-growth nexus have provided mixed results based on the aggregated one-dimensional measure of EO. For example, Gurbuz and Aykol (2017), and Neneh and van Zyl (2017) have established that EO based on innovativeness, risk-taking and proactiveness, has a positive effect on both employment and sales growth. However, Moreno and Casillas (2018), and Slater and Narver (2010) fail to find any direct association between EO and sales growth.

The foregoing mixed findings imply that the relationship between EO and growth is not linear, pointing to other causal factors either internal or external to the enterprise. This is consistent with the anchoring theory, the Contingency Fit View, in which Lumpkin and Dess (1996) opines that for the most desirable outcome, EO needs to be aligned with many different contextual which can be divided between external (environmental) and internal (organizational) factors. Accordingly, organizational capabilities have previously found to exhibit a significant mediating role between pertinent firm-specific factors and organizational outcomes (Alkasim, Abdullah & Bohari, 2018; Li, Huang & Tsai, 2017; Messersmith & Wales, 2014). It is against this backdrop, that this study set out to *assess the mediating effect of firm strategic capabilities on the relationship between Entrepreneurial Orientation and Growth of manufacturing sector MSMEs in Kenya.*

2.0 Literature Review
Previous empirical studies on MSME growth are underpinned by a mix of theories. Of particular relevance to the question of the moderating role of environmental factors on the relationship between entrepreneurial orientation and growth of manufacturing sector MSMEs include the Contingency Fit View (Lumpkin & Dess, 1996), Resource-Based View (RBV) Theory by Penrose (1959) and the Life Cycle Theory (Churchill & Lewis, 1983).

Whereas the Contingency Fit View has been conceptualized in many different ways in EO literature, the essential idea behind contingency theory in the EO field as put forth by Lumpkin and Dess (1996) is that entrepreneurship needs to be aligned with context for best results. Lumpkin and Dess (1996) suggest that EO needs to be aligned with many different contextual factors and that these can be divided between environmental (external) and organizational (internal) factors, making the contingency fit view most ideal in underpinning the present study's conceptual factors, and the anchoring theory. This owes to the contextualization of environmental factors as external factors. The Contingency Fit view is therefore of relevance to this study as it underpins the entire conceptual model. The study adopts the theory to articulate the effect of EO on MSME growth as mediated by firm strategic capabilities as an internal factor.

As presented in Penrose's (1959) classical work, Resource-Based View (RBV) Theory concerns the internal sources of the sustained competitive advantage of a firm (Kotler, 2001). The central premise of RBV theory espouses how firms strategically deploy their resources to achieve sustained competitive advantage as well as how firms are different in this respect (Penrose, 1959). However, these resources need to be configured depending on the phase of growth and development of a firm (Wernefelt, 1984). In clarifying the causal relationships among production capability, firm resources and performance, Penrose (1959) emphasizes on the innovative and efficient use of resources. Penrose (1959) further notes that industrious resources managed by companies vary due to heterogeneous nature of firms regardless of the industry (Penrose, 1959). The Resource Based View has however received a considerable amount of criticism. For instance, Jurevicius (2013) argues that statements from the RBV, dealing directly with competitive advantage, is not amenable to empirical tests. Furthermore, Lumineau, Fréchet and Puthod (2011) criticized Barney (1997) study of RBV theory for making little contribution to the explanation or prediction of the competitive advantage of the firm. Notwithstanding the above criticism, RBV is relevant to this study in that they provide an adequate basis upon which this study conceptualizes both entrepreneurial orientation and firm strategic capabilities as resources internal to MSMEs which may be leveraged to enhance growth. As such, the theory underpins the mediating effect of strategic firm capabilities on the relationship between entrepreneurial orientation and growth of manufacturing sector MSMEs in Kenya.
Coined by Churchill and Lewis (1983), the Life Cycle Theory opines that business has to start up and grow amidst crises and challenges, and finally mature and decline in a linear model. Churchill and Lewis (1983) point out, that only a part of the general firm life-cycle model is relevant to SMEs; in fact, firms either grow

out of the SME size bracket during their development or stop growing, and remain SMEs or collapse. They further argue that both external and internal environmental factors influence the growth pattern of SMEs. The life-cycle theory has however been criticized as lacking empirical validation, which was addressed by O'Farrell and Hitchens (1988) who pointed out that this empirical validation has been mostly conducted using small samples and cross-sectional data, instead of longitudinal data. The Life Cycle theory supports the study as it underpins the understanding of growth of manufacturing MSMEs in Kenya from their inception to their present growth levels. The study will then seek to establish how internal factors (entrepreneurial orientation and firm strategic capabilities) have influenced the growth pattern among the MSMEs.

2.1 The Mediating Role Firm Strategic Capabilities

Alkasim et al. (2018) study the mediating effect of competitive strategy on the relationship between market development, product development and performance of manufacturing-based SMEs in Nigeria. Data was compiled from the manufacturing-based SMEs operating in the North-West region of Nigeria, using cross-sectional research design. This study adopted cluster sampling and randomly selected 453 respondents and questionnaires were proportionately distributed and collected through personally administered method. PLS-SEM was used to test the hypotheses. The study found that competitive strategy empirically mediates the relationship between the strategic growth of manufacturing-based SMEs and performance.

Messersmith and Wales (2014) examine the effects of managerial practice and philosophy variables – high-performance work systems (HPWS) and partnership philosophy – on the relationship between entrepreneurial orientation (EO) and sales growth. The results from a sample of 119 young high-technology firms indicate a non-significant relationship between EO and firm growth. However, firms combining HPWS or partnership philosophy with EO realized significantly higher levels of growth. Specifically, the results suggest that the promise of EO as a means of enhancing the growth trajectories of young firms depends on the extent to which these organizations embrace and establish certain human resource practices and philosophies.

Li, Huang and Tsai (2015) examine the relationships among entrepreneurial orientation, knowledge creation process, and firm performance using survey data from 165 entrepreneurs. The study used LISREL analysis to test the direct and indirect effects of the entrepreneurial orientation on firm performance. Knowledge creation process – operationalized to reflect the dimensions of socialization, externalization, combination, and internalization – is used as the mediating variable for explaining the relationship between entrepreneurial orientation and firm performance. The results indicate that the significance of the direct effect of entrepreneurial orientation on firm performance is reduced when the indirect effect of entrepreneurial orientation through knowledge creation process is included in a total effect model. Consequently, entrepreneurial orientation is positively related to firm performance, and knowledge creation process plays a mediating role in this relationship.

Leitner (2014) studies the nature of the strategy formation and its mediating impact on firm performance in relation to market development and product innovation. The paper is based on an empirical study of 91 Austrian SMEs which covers a time period of ten years. The study finds no direct association between strategy formation and performance, though, emergent strategists had less often a growth orientation. Taking into account industry dynamics, shows, contrary to our expectations, that companies which employed an emergent market development strategy achieved higher sales growth in stable than in dynamic industries.

In contrast, Acquaah and Agyapong (2015) investigate the role of managerial and marketing capabilities in moderating the relationship between competitive strategy and firm performance using data from 581 micro and small businesses (MSBs) in Ghana. Using a hierarchical multiple regression analysis, the findings indicate that while differentiation strategy is related to performance, cost leadership strategy does not influence performance after controlling for several firm-specific factors. The findings further show that both managerial capability and marketing capability moderate the relationship between competitive strategy (cost leadership and differentiation) and performance for MSBs in Ghana. However, managerial capability strengthens the influence of cost leadership strategy on performance, while it weakens the impact of

differentiation on performance. The findings further paint firm strategic capabilities as a significant indirect factor in the realization of organizational outcomes.

Byoungho and Hyeon (2018) examine the mediating role of technological and marketing capabilities on the effect of international entrepreneurial orientation and domestic market competition on SME's export performance. A proposed framework built on RBV and contingency theory was tested using PLS with data collected from 470 Korean SMEs. International entrepreneurial orientation and domestic market competition both prompted SMEs to develop their technological and marketing capabilities, leading to enhanced performance in international markets. Full mediating effects of technological and marketing capabilities were discovered between international entrepreneurial orientation and export performance.

Ramayah, Thurasamy, Aldakhil and Kaswuri (2016) study the effect of market orientation as a mediating variable in the relationship between entrepreneurial orientation and SMEs performance. A total of 500 SMEs in the manufacturing industry of food and beverages were involved in this study with a response rate of 117. Data collection was conducted in all states of Peninsular Malaysia including the northern, central, southern and eastern regions. Employing the partial least squares (PLS) data analysis approach, the findings show that EO has a significant relationship with MO, and MO has a significant relationship with SME performance. MO will mediate the relationship between EO and SMEs' performance.

Al-Dhaafri, Al-Swidi and Yusoff (2016) study the mediating role of total quality management between the entrepreneurial orientation and the organizational performance. The study aimed to review the literature related to the organizational performance and explain the potential effects of TQM, ERP and EO. Based on a thorough review of the extant literature and the theoretical foundation, a research model was proposed. Organizational excellence was found significantly mediate the effect of TQM, ERP and EO on organizational performance. The proposed model was grounded by the fact that only excellent, innovative and differentiated companies and products can excite the customers and succeed in a turbulent business environment.

Lekmat, Selvarajah and Hewege (2018) investigate the firm performance predictors of Thai SMEs, examining the relationships among market orientation (MO), entrepreneurial orientation (EO), and firm performance (FP) through a sample of 405 SMEs operating in the service and retail industries. Specifically, the study tested the mediation effects of marketing capabilities on the relationships between MO, EO, and FP. Results indicate that MO has both direct and indirect impacts on FP, whereas EO has only a significant indirect impact on FP through the mediation of marketing capabilities. EO can predict MO, while marketing capabilities can predict marketing performance through financial outcomes.

Chen, Huang and Wey (2018) study the mediating roles of differentiation strategy and learning orientation in the relationship between entrepreneurial orientation and firm performance, sampling the components supply network of a vehicle manufacturer as its research subject. The study constructed a multiple mediating model to comprehensively examine how entrepreneurial performance influences multiple firm performance measures (growth performance and profitability performance) through the mediating variables of differentiation strategy and learning orientation. The study focuses on firms in a component supply network in the automotive industry. Structural equation modelling (SEM) analysis and tests on multiple mediating effects indicate that, through the mediating effect of differentiation strategy, entrepreneurial performance increases growth performance.

In Kenya, Kiiru (2015) studies dynamic capabilities, strategic orientation and competitive advantage of small and medium-retail enterprises in Kenya. The study defines strategic capabilities as the enterprises' abilities to perceive and seize opportunities they need to make interrelated strategic choices and investment decisions and make timely as well as competitive investment decisions. The findings of this study from the multiple regression analysis indicated that SMREs competitive advantage is directly influenced by the deployment of strategic dynamic capabilities. The results of this research shows that, both competition orientation and customer orientation of an enterprise partially mediates the relationship between seizing and reconfiguration capabilities and fully mediates the relationship between sensing capabilities and competitive

advantage. The results indicate that, customer-oriented strategies coupled with reconfiguration capabilities were the most critical dynamic capabilities in enhancing an SMRE's competitive advantage.

The foregoing review reveals that none of the extant studies has explored firm strategic capabilities as a mediating variable in the relationship between entrepreneurial orientation and MSME growth. Further, none of the studies explored the relationship with reference to the manufacturing industry in Kenya, hence this study. Accordingly, the study set out to test the second hypothesis, that states that firm strategic capabilities do not significantly mediate the relationship between entrepreneurial orientation and MSME growth.

2.2 Conceptual Framework

Based on the foregoing review, the presented study was anchored on the conceptual framework presented in Figure 1. The study conceptualizes a direct relationship between entrepreneurial orientation and firm strategic capabilities. The study then hypothesized a mediating effect of firm strategic capabilities on the relationship between entrepreneurial orientation and MSME growth.
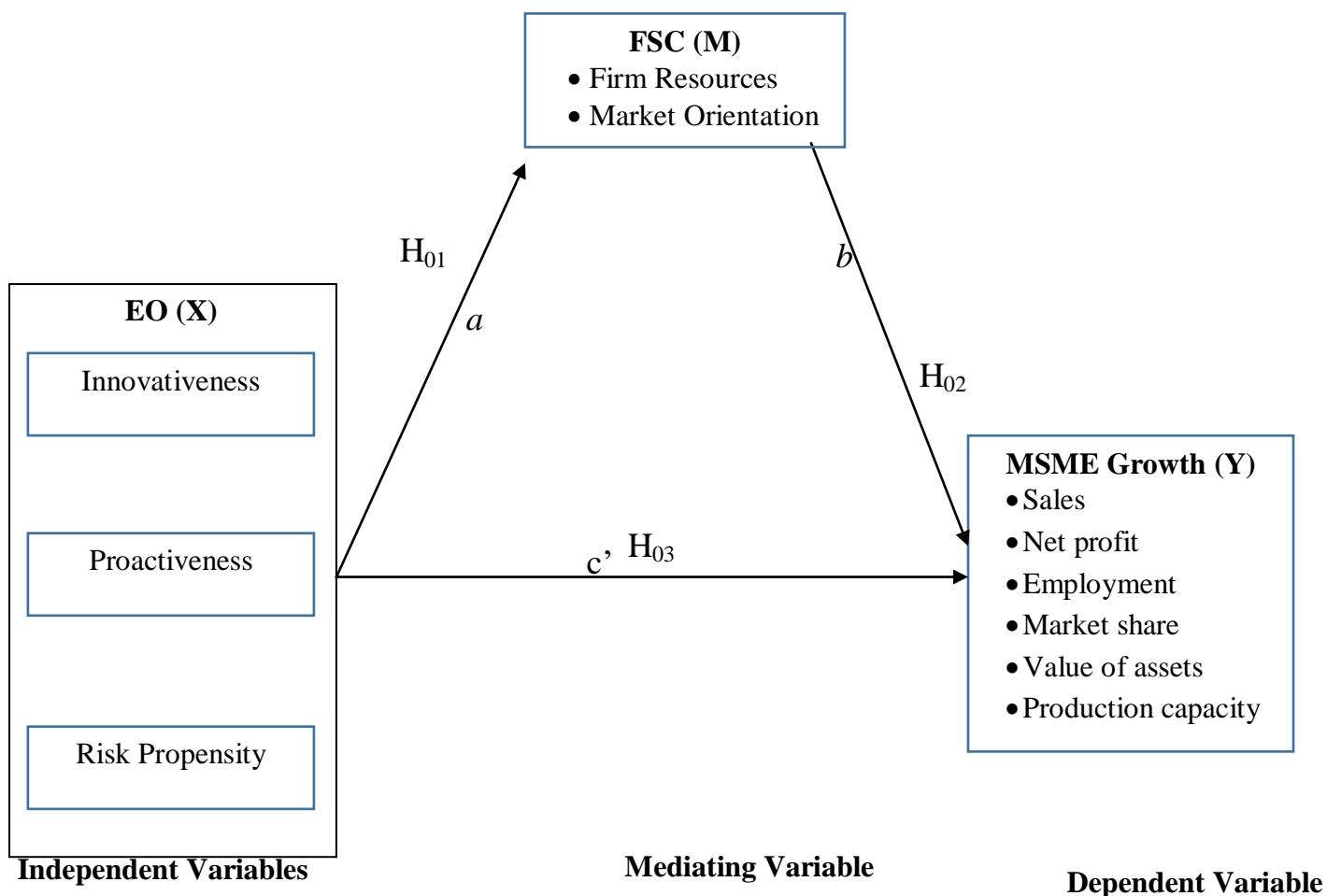

Figure 1 Conceptual Framework

3.0 Research Methodology

The study was anchored on the Positivism philosophy, as the data sought was purely quantitative and that quantitative approaches were used in data collection, analysis and hypothesis testing. Patton (2002) defined Positivism as entailing the communication with the real world, impartiality, objective reality, consistency, confirmability, explanation of regularities and dependability. The quantitative data used in the study include frequencies, percentages, measures of dispersion including standard deviations and measures of central tendencies including means as well as inferential coefficients and measures of statistical significance.

This study further adopted the explanatory research design of a cross sectional nature as it was considered the most suitable method for realizing the research objectives. Lee and Lim (2017) and Burns and Bush

(2000) define an explanatory research design as one that attempts to connect ideas to understand cause and effect, as well as understand the interaction of concepts. As indicated by Lewis (2015), cross-sectional survey designs entail collecting a set of information for a sample at one point in time. The design was considered adequate as the study set out to assess the effect of entrepreneurial orientation on MSME growth, and the mediating role of firm strategic capabilities among manufacturing sector in Nairobi County, Kenya.

The study was carried out in Nairobi City County, one of the 47 counties of Kenya. The smallest yet most populous of the counties, Nairobi County harbors the country's capital and largest city. Nairobi City County is also the Commercial hub of East and Central Africa as well as the Industrial, transport and Communication center of the region and Kenya's' administration center. The Nairobi City County is the creation of the Constitution of Kenya 2010 and successor of the defunct City Council of Nairobi and is selected owing to its highest concentration of MSMEs (65%) across the country (KNBS, 2016; County Government of Nairobi, 2017). The study was particularly carried out across the county with a focus on nine (9) manufacturing zones within Nairobi County as per the NCC planning department formed the strata. These include Peri-Central Business District (CBD), Main Industrial Area, Dandora Industrial Zone, Kariobangi Industrial Zone, Mathare North, Baba Dogo, Zimmerman, Githurai 44 and 45 and Kahawa West.

The target population for this study included all manufacturing sector MSMEs in Nairobi County. There are 174,720 licensed manufacturing sector MSMEs in Kenya and 702,000 unlicensed (KNBS, 2016; KAM, 2018). In tandem with KAM (2018), the Nairobi City County (NCC) revenue department further enlists 98,607 licensed manufacturing sector MSMEs distributed across the county in different sub-sectors as tabulated in Table 1.

Table 1: Target Population

Sub-sector	Population	% Proportion
Textile and Apparels	46202	46.9
Food and Beverage	17011	17.3
Leather	8820	8.9
Timber	7455	7.6
Agriculture/Fresh Produce	4203	4.3
Automotive Parts	2941	3.0
Iron and Steel	4202	4.3
Chemicals and Pharmaceutical	4831	4.9
Paper and Paperboard	2942	3.0
Total	**98,607**	**100.0**

Source: NCC (2019)

To determine the sample size for the study, the Fisher (1983) sample size determination formula is employed. According to Fisher (1983), the size of a sample for a particular study can be calculated as follows:

$$n = \frac{Z^2 pq}{d^2}$$

Where n = the required sample size, when the target population is more than 10,000
   Z = is standard normal deviate at the required confidence level (1.96) at 0.05
   p = is the proportion of the target population estimated to have the characteristics being   measured when one is not sure, so one takes middle ground (0.5)
   q = 1-p
d is the level of statistical significance
Therefore n = $\frac{1.96^2 \times 0.5 \times 0.5}{0.05^2} = 384$

Since the target population is more than 10,000 (98,607), the study adopts the 384-sample size as determined by Fisher (1983). Employing the percentage proportion for each subsector as tabulated in Table 1, the sample population was distributed as indicated in Table 2.

Table 2: Sample Size Distribution

Sub-sector	Sample	% Proportion
Textile and Apparels	180	46.9
Food and Beverage	66	17.3
Leather	34	8.9
Timber	29	7.6
Agriculture/Fresh Produce	16	4.3
Automotive	11	3.0
Iron and Steel	16	4.3
Chemicals & Pharmaceutical	19	4.9
Paper and Paperboard	11	3.0
Total	**384**	**100.0**

Source: NCC (2019)

To reach the determined sample size, the study employed both the stratified and random sampling techniques, whereby nine (9) manufacturing zones within Nairobi County as per the NCC planning department formed the strata as presented in Table 3.

Table 3: Manufacturing Zones (Strata)

S/N	Areas Covered	Type of Development
1	Peri-CBD	Light industries
2	Main Industrial Area	Industries/Godowns
3	Dandora Industrial Zone	Light Industries/Godowns
4	Kariobangi Industrial Zone	Light Industries/Godowns
5	Mathare North	Light Industries/Godowns
6	Baba Dogo	Light Industries
7	Zimmerman	Light Industries
8	Githurai 44 and 45	Light Industries
9	Kahawa West	Light Industries

Source: NCC (2019)

The 384 MSMEs in each sub-sector were then proportionately divided by the nine (9) zones and the outcome adjusted depending on the availability of the sub-sector in the respective zones. To aid in this, the NCC Revenue Department further details the registered addresses for the manufacturing MSMEs, which also guided the study in locating respondents who were selected randomly. This is tabulated in Table 4.

Table 4 Proportionate Sampling by Sub-sector and Zone

Sub-sector	Zones									
	1	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**Total**
Textile and Apparels	20	20	20	20	20	20	20	20	20	180
Food and Beverage	7	10	7	7	7	7	7	7	7	66
Leather	4	4	4	4	4	4	4	3	3	34
Timber	4	4	3	3	3	3	3	3	3	29
Agriculture/Fresh Produce	2	2	2	2	2	2	2	1	1	16

Automotive	0	11	0	0	0	0	0	0	0	11
Iron and Steel	2	2	2	2	2	2	2	1	1	16
Chemicals/ Pharmaceutical	0	19	0	0	0	0	0	0	0	19
Paper and Paperboard	0	11	0	0	0	0	0	0	0	11
Total	**39**	**83**	**38**	**38**	**38**	**38**	**38**	**35**	**35**	**384**

Source: Researcher (2019)

In each zone, streets were selected at random from which respondents were further randomly picked on a lottery basis whereby in every zone, all the enterprises under a particular subsector were itemized in form of numbers and the numbers, mixed up and picked. In the Textile and Apparels sub-sector, 20 enterprises were drawn from each of the 9 zones while 7 enterprises were picked from each of 9 zones in the Food and Beverage sub-sector, expect for zone 2, from which 10 enterprises were drawn owing to their higher concentration. Similarly, 4 enterprises were picked from each zone in the Leather sub-sector except for zones 8 and 9 in tandem with their distribution across the zones. The same approach was applied for enterprises under the Timber sub-sector whereby 4 enterprises were randomly picked from zones 1 and 2 respectively while 3 enterprises were drawn from the rest of the 9 zones. In the Agriculture/Fresh Produce and Iron and Steel sub-sectors, 2 enterprises were drawn from zones 1 through 8 while 1 enterprise was from zone 9 for both. In the Automotive, Chemicals and Pharmaceutical and Paper and Paperboard sub-sectors, enterprises were only randomly drawn from zone 2 owing to their concentration in the specific zone as Industries/Godowns.

Data was collected by use of *s*tructured questionnaires, which were favored because as Dempsey (2003) argues, they are effective instruments for data collection enabling respondents to give much of their opinions relating to the study problem. The independent variable, Entrepreneurial Orientation was measured by 3 sub-scales including: Innovativeness, Risk propensity and Proactiveness. These are established measurement scales and are adopted as used in a number of previous studies including Osoro (2012), Neneh, Zyl and Noordwyk (2016); and Neneh and Zyl (2017). The moderating variable, Environmental Factors was measured by 2 sub-scales including Regulatory policies and Government support. These are adopted as used in previous studies including: Yusoff (2010), and Kyenze (2016).

The dependent variable, MSMEs growth was measured growth in value of assets, market share, production capacity, sales, profits, and number of employees and were adopted as used in previous studies including: Neneh and Zyl (2017); Davis *et al.* (2007); Haltiwanger *et al.* (2013); and Yamoah (2016). Throughout the hypothesis tests, the study controlled for both enterprise age and sub-sector, as they have been found in previous studies to influence firm growth (Haltiwange et al, 2010; Dixon and Rollin, 2012; Lawless, 2013; Criscuolo et. 2014; Tajeddini & Mueller, 2018).

Both descriptive and inferential statistics were employed to analyze data and test the research hypothesis. Descriptive statistics in the form of frequencies, means standard deviations, and were utilized to analyze data obtained from the profile of the MSMEs to be surveyed. Inferential statistics include correlation analysis simple linear, hierarchical, step-wise and multiple regression analyses. Analysis was done at 95% confidence level ($p=0.05$). Prior to data analysis, the study performed reliability and validity tests with a view to determine the internal consistency in the data collection instruments as well as to check the suitability of the stated constructs. Both Cronbach's alpha coefficient and CFA were used to check for reliability and validity tests respectively. Factor analysis was further used to explore the data for patterns and reduce the many sets of statements in the questionnaire to a more manageable number as well as group variables with similar characteristics. The study adopted Kaiser's recommendation of Kaiser-Meyer-Olkin values greater than 0.5 as agreeable for factor analysis to be considered (Kumar, 2011).

The study adopted regression model 4 developed by Hayes (2013) to test for the indirect effect of X on Y via the mediating variable, M (firm strategic capabilities). To this end, the study first tested for the direct effect of X on M and noted the statistical significance of the effect. In the second equation, the indirect effect of X on Y via M was tested. The mediation effect is said to be significant if the coefficient of bM is statistically non-zero and its confidence interval excludes a zero value. Model 4 illustrated in Figure 2 was used to test hypotheses H_{01}, H_{02} and H_{03}.
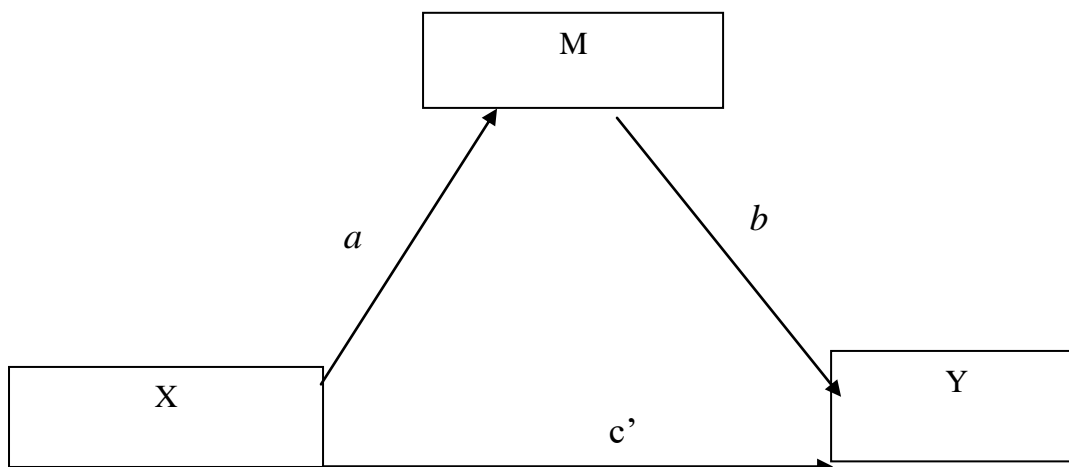

Figure 2: Hayes Model 4
Source: Hayes (2013)

Accordingly, the PROCESS macro, a plugin developed by Hayes (2013) was installed into SPSS to aid in all the statistical analyses to test for direct effects, mediation, moderation and moderated mediation.

Hypothesis 1
$M = \alpha_2 + aX + \varepsilon_2$ (**H_{01}**).. Direct effect of EO on FSC

Where: M = Firm Strategic Capabilities; α_2 = Model constant; a = Coefficient of Entrepreneurial Orientation; X = Entrepreneurial Orientation; ε_2 = Error term

Hypothesis 2

$Y = \alpha_4 + c'X + bM + \varepsilon_4$(**$H_{02}$**)................…......................... Direct effect of FSC on MSME growth

Where: Y = MSME Growth; M = Firm Strategic Capabilities; α_4 = Model constant; c' = Coefficient of respective variables; X = Entrepreneurial Orientation; b = Coefficient of Firm Strategic Capabilities; ε_4 = Error term
$H_{02}=b$M

Note: bM was the same from the three equations

Where: b = Coefficient of Firm Strategic Capabilities; M = Firm Strategic Capabilities

Hypothesis 3

Mediating effect

$H_{03}=a*b$

Note: **a** is from model 2 and **b** from model 3
Where: a = Coefficient of Entrepreneurial Orientation; b = Coefficient of Firm Strategic Capabilities

The following equations were considered for hypotheses H_{01}, H_{02} and H_{03}, based on the Baron and Kenny (1986), and Hayes (2013). The equations are derived from model 59 process macro. This enabled the moderating effect of EF to be tested on all three paths simultaneously (as illustrated in figure 3).
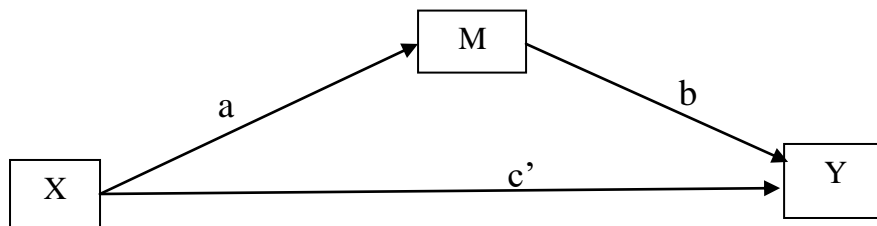

Figure 3.2: Hayes Model 59
Source: Hayes (2013)

4.0 Results

Three hypotheses were set in their null form informed by the corresponding specific objectives of the study. To achieve this both simple linear regression and mediation analyses were performed. This section presents the hypotheses test results.

4.1 Effect of Entrepreneurial Orientation on Firm Strategic Capabilities

The first hypothesis of the study stated that entrepreneurial orientation does not have a significant effect on Firm Strategic Capabilities. Adopting a unidimensional analysis, the variable, Firm Strategic Capabilities, was computed by addition of the two identified sub-scales, including firm resources and market orientation. To test the hypothesis, a simple linear regression analysis was performed in 2 models. In the first model, the control variables, Age and Sub-sector were regressed against Firm Strategic Capabilities. In the second model, the independent variable, EO was introduced. The results are summarized in Table 5.

Table 5: Test Results for H_{01}

Variables	Model 1 (Age, Sub-sector)	Model 2 (Age, Sub-sector, EO)
Constant	48.076 (.000)	34.646 (.000)
Independent Variables		
Age	.114 (.045) *	.091 (.097)
Sub-sector	.103 (.069)	.094 (.083)
EO		.276 (.000)**
R	.160	.318
R^2	.026	.101
Adjusted R^2	.019	.092
R^2 change	.026	.075
F Statistics	4.081 (0.018)	11.542 (0.000)

Dependent Variable: Firm Strategic Capabilities
Values of Standardized beta coefficients, with standard errors in Parenthesis *P<.05, **P<0.01 (2 tailed test)
Source: Survey Data (2020)

Results summarized in Table 5 show a correlation value (R) of .234 in Model 1 indicating a linear relationship between the control variables, Age and Sub-sector and Firm Strategic Capabilities. An adjusted R Square of .019 was also recorded implying that only 1.9% of the variation in Firm Strategic Capabilities is accounted for by Age and Sub-sector, while the remaining 98.1% is accounted for by other factors not included in this regression model. An F value of 4.081 was further revealed with a P value of .018 (<0.05)

indicating that the adopted regression model is statistically significant and can be relied upon to make further inferences. Regression coefficients for Model 1 further revealed that only Age has a significant effect on Firm Strategic Capabilities at 95% confidence level ($\beta = .114$, $p = .045 < .05$) while sub-sector does not ($\beta = .103$, $p = .069 > .05$).

Table 5 further reveals a correlation value (R) of .318 in Model 2 indicating a linear relationship between EO and MSME growth, controlling for both Age and Sub-sector. An adjusted R Square of .092 was also recorded implying that 9.2% of the variation in MSME growth is accounted for by EO, controlling for both Age and Sub-sector while the remaining 90.8% is accounted for by other factors not included in this regression model. An F value of 11.542 was also established in Model 2 with a P value of .000 (<0.05) indicating that the regression model is statistically significant and can be relied upon to make further inferences. The regression coefficients under Model 2 further revealed that controlling for both Age and Sub-sector, EO has a significant effect on Firm Strategic Capabilities at 95% confidence level ($\beta = .276$, $p = .000 < .05$). The null hypothesis that EO does not have a significant effect on Firm Strategic Capabilities (H_{01}) is therefore rejected.

4.2 Effect of Firm Strategic Capabilities on MSME Growth
The third hypothesis of the study stated that Firm strategic capabilities do not have a significant effect on MSME Growth (H_{02}). Firm strategic capabilities variable was conceptualized as unidimensional and therefore the composite variable was computed with the aid of SPSS. To test this null hypothesis, Model 4 of the Process Macro by Hayes (2013) was also adopted. Findings are presented in Table 6.

Table 6: Test Results for H_{02}

Variables	Model 1 (Age, Sub-sector)	Model 2 (Age, Sub-sector, FSC)
Constant	18.847 (.000)	14.852 (.000)
Independent Variables		
Age	.205 (.000)**	.191 (.001)
Sub-sector	.094 (.093)	.081 (.146)
FSC		.124 (.026)*
R	.234	.264
R^2	.055	.070
Adjusted R^2	.048	.061
R^2 change	.055	.015
F Statistics	8.916 (0.000)	7.679 (0.000)

Dependent Variable: MSME Growth
Values of Standardized beta coefficients, with standard errors in Parenthesis *P<.05, **P<0.01 (2 tailed test)
Source: Survey Data (2020)

A correlation value (R) of .234 was recorded in Model 1 indicating a linear relationship between the control variables, Age and Sub-sector and MSME growth. An adjusted R Square of .048 was also recorded implying that only 4.8% of the variation in MSME growth is accounted for by Age and Sub-sector, while the remaining 95.2% is accounted for by other factors not included in this regression model. An F value of 8.916 was further revealed with a P value of .000 (<0.05) indicating that the adopted regression model is statistically significant and can be relied upon to make further inferences. Regression coefficients for Model 1 further revealed that only Age has a significant effect on MSME growth at 95% confidence level ($\beta = .205$, $p = .000 < .05$) while Sub-sector does not ($\beta = .094$, $p = .093 > .05$).

Table 6 further reveals a correlation value (R) of .264 in Model 2 indicating a linear relationship between firm strategic capabilities and MSME growth, controlling for both Age and Sub-sector. An adjusted R Square of .061 was also recorded implying that 6.1% of the variation in MSME growth is accounted for by

firm strategic capabilities, controlling for both Age and Sub-sector while the remaining 93.9% is accounted for by other factors not included in this regression model. An F value of 7.679 was also established in Model 2 with a P value of .000 (<0.05) indicating that the regression model is statistically significant and can be relied upon to make further inferences. The regression coefficients under Model 2 further revealed that controlling for both Age and Sub-sector, firm strategic capabilities has a significant effect on MSME growth at 95% confidence level (β = .124, p = .026<.05). The null hypothesis that firm strategic capabilities does not have a significant effect on MSME Growth (H_{02}) is therefore rejected.

4.3 Firm Strategic Capabilities, Entrepreneurial Orientation and MSME Growth

The third hypothesis of the study stated that firm strategic capabilities do not significantly mediate the relationship between entrepreneurial orientation and MSME Growth (H_{03}). Model 4 of the Process Macro by Hayes (2013) was further adopted to test the null hypotheses, results of which are summarized on Table 7.

Table 7: Test Results for H_{03}

Variables	Model 1 (Outcome: FSC)	Model 2 (Outcome: Growth)
Constant	34.6458 (.000)**	12.1639 (.000)**
Independent Variables		
EO	.1863 (.000)**	.0516(.047)*
Age	.5122 (.097)	.7007(.001)**
Sub-sector	.0789 (.083)	.045 (.145)
FSC		.0617(.111)
F Statistics	11.5419	6.8089
R	.3179	.2855
R^2	.1011	.0815
Direct effect of X on Y		.052
LLCI		.0007
ULCI		.1024
Indirect effect(s) of X on Y		.012
LLCI		-.0020
ULCI		.0273

Dependent Variable: MSME Growth
Values of Standardized beta coefficients, with standard errors in Parenthesis *P<.05, **P<0.01 (2 tailed test)
Source: Survey Data (2020)

The study established a correlation value (R) of .3179 in Model 1 indicating a linear relationship between entrepreneurial orientation and firm strategic capabilities. An R Square value of .1011 was also recorded implying that 10.1% of the variation in firm strategic capabilities is accounted for by direct effect of entrepreneurial orientation and a mediating effect of Firm Strategic Capabilities, while the remaining 89.9% is accounted for by other factors not included in this regression model. A P value of .0000 was further established at 95% confidence level implying that the regression model adopted is statistically significant and can be relied upon to make further inferences.

The regression Model 1 further revealed that entrepreneurial orientation has a significant effect on MSME Growth at 95% confidence level (β = .1863, p = .000<.05). The direct effects of the control variables, Age (β = .5122, p = .097>.05) and Sub-sector (β = .0789, p = .08>.05) on firm strategic capabilities were however not significant at 95% confidence level.

In model 2, the indirect effect of entrepreneurial orientation on MSME Growth recorded statistical significance (β = .0516, p = .047<.05), controlling for Age, which also recorded statistical significance (β = .7007, p = .001<.05), and Sub-sector (β = .045, p = .145>.05). The mediating variable, firm strategic capabilities however showed no statistical significance (β = .0617, p = .111>.05), with both the lower limit (-.0020) and the upper limit (.0273) including zero (0). The third hypothesis of the study stating that firm strategic capabilities do not significantly mediate the relationship between entrepreneurial orientation and MSME Growth (H_{03}) was therefore accepted.

5.0 Discussions

The null hypothesis that EO does not have a significant effect on Firm Strategic Capabilities (H_{01}) is rejected. It can be deduced from the finding that owners/managers who exhibit entrepreneurial orientation, particularly innovativeness, high risk appetite and proactiveness are more likely to reach markets more effectively and acquire key firm resources requisite in improving their enterprises' strategic capabilities as opposed to owners/managers who do not. Innovativeness among MSME owners/managers motivates enterprises to increase investment in technological and technical innovation activities such as new technology acquisition, new product development and development of new equipment among others. This improves and enterprise's technological innovation ability, promotes enterprise reform and innovation, accelerate the flow and transformation of new knowledge, and contribute to the generation of new knowledge and technology, which improves the enterprise's strategic capabilities. The capability of innovation facilitates MSMEs to introduce new products and adopt new systems quickly is further important to generate working capital to earn MSMEs the capacity to handle ongoing competition.

Accordingly, Subramaniam and Youndt (2015) noted that the ability to innovate has a strong association with the ability to utilize knowledge resources and they further suggested that knowledge and skills that facilitate innovation are helped by individuals within the organisation. Furthermore, Gumusluoglu and Ilsev (2016) report that organizations that develop an innovative strategy are likely to develop and exploit their knowledge and other internal resources. Also, according to Flores *et al.* (2015), organisations that have a differentiated innovation-based strategy will be better at relating with network partners, promote innovative capabilities and acquire adequate resources for the organization.

The finding is of the implication that the more risk tolerant the owner/manager is, the higher the likelihood that they will acquire essential firm resources essential in building their enterprises' strategic capabilities. High risk appetite among MSME owners/managers also encourages experimentation with new products, technologies, equipment and markets which speeds up the acquisition, learning, and absorbing of the new resource capital including information and strategies and ultimately improves the enterprise's strategic capabilities. By taking risks, MSME owners/managers are also able to take full advantage of market opportunities which translates to strategic alliances and collaborations hence improved firm strategies capabilities by the MSMEs.

Similar studied were reported by Nwankwo, Ogamba, Anyanwu, and Onu (2016) who report a significant relationship existing between entrepreneurial orientation as measured by innovation, risk taking and pro-activeness and organizational learning as well as between risk taking and organizational resilience. In line with this, Alegre & Chiva (2017) have noted that organizations with a strong entrepreneurial orientation, will enter new-product markets aggressively and incur substantial risks, which will require them to cope with more complex and dynamic environments and will invariably call for learning. Similarly, Mitchell & Harris (2015) have observed that risk taking firms are more likely to develop more resilience to shocks and stress.

The findings further imply that proactive owners/managers are more likely to acquire key firm resources necessary in building their enterprises' strategic capabilities as compared to non-proactive owners/managers. Proactive MSME owners/managers also focus on developing capabilities that influence policy makers and shape the market to their own advantage in terms of market share or market position. Further, proactive activities by owners/managers enable MSMEs to keep abreast with changes in technology and regularly strive to create and integrate resources to match technology advancement. The finding confirms the views of

Lumpkin & Dess (1996) that if an enterprise maintains high proactive thoughts, such enterprise can predict the desires of emerging markets and pull resources together to satisfy the markets better than its competitors.

Similarly, Blesa and Ripollés (2016) opined that strong proactive thinking is most likely to provide business enterprises with diverse capabilities to predict the needs of customers as well as reactions of competitors in the marketplace. Tang et al. (2018) are also in agreement that proactiveness plays a pivot role in capability building as it involves the display of opportunities seeking behaviour not only to satisfy immediate market wants but also the inculcation of forward-looking thoughts which can forecast future market needs accurately. Hao and song (2016) further concur that given the trend of previous demand as well as the prevailing market situation as the season approaches, a proactive manufacturing SME may be able to predict with some level of accuracy, the demand for drinks, and then make efforts to integrate and reconfigure resources to flood the market not just with drinks but chilled drinks better than its competitors.

The null hypothesis that firm strategic capabilities does not have a significant effect on MSME Growth (H_{02}) is rejected. The finding implies that the more resourced and strategic an MSME is, the more growth will be experienced. Firm strategic capability entails the capacity of MSMEs to scout, combine, and execute different set of resources with the main aim of delivering sound performance to the marketplace. Outstanding business performance in the marketplace and eventual growth of MSMEs is to a large extent dependent on the MSMEs' capabilities to address the issues of uncertainties linked with fluctuations in customers' taste by generating robust knowledge about market trends and predict market preferences. As such, improving MSMEs capabilities to align or integrate the right kind of resources to deliver value that best suit such market preferences determines their growth.

The finding is in tandem with Kithusi (2015) who established that firm resources had a statistically significant influence on firm performance. Similarly, Ambad and Wahab (2017) found in their study that firms that are able to commit significant resources to projects are the ones with advantage of realizing higher outputs in terms of incomes generated. Delmer, Davidson and Gestner (2017) also report in their study that a firm-specific advantage in penetrating international markets and facilitating organizational growth may stem from investments in technology or the use of specific technologies, such as the Internet. Likewise, Fruhling and Digman (2016) argue that many entrepreneurial firms can overcome the disadvantage of small size through their use of appropriate technology and quality equipment to reach consumers beyond their borders and widen market opportunities which leads to expansion.

The third hypothesis of the study stating that firm strategic capabilities do not significantly mediate the relationship between entrepreneurial orientation and MSME Growth (H_{03}) was therefore accepted. Tied to the established significant direct association between entrepreneurial orientation and MSME Growth, it can be deduced from the findings that among MSMEs, innovative, risk tolerant and proactive owners/managers are likely to achieve growth, regardless of their strategic capabilities. This can be attributed to both the lack of formal strategic plans among most micro and small businesses and their limited resource endowment in terms of financial resource, cash flow and technological resources.

To achieve growth in light of limited resources and absent formal strategic plans, innovative owners/managers are likely to innovate marketing strategies, develop and align internal operations for efficiency and establish relationships with suppliers which results in improved access to markets, efficiencies in operations, increased products and sales hence growth. Entrepreneurial MSME owners/managers are also forward-looking, risk taking and proactive, creating new markets and market opportunities driven by gaps in the market which often earns them a market and product niche. This improves the MSMEs' competitive advantage as well as capacity to produce products with ready markets as opposed to their competitors resulting in growth.

This is consistent with O'Regan and Ghobadian (2017) who report that resource constraints and lack of technology intelligence inspire not only the entrepreneur's innovativeness and willingness to gather and disseminate, but also an organizational culture that is committed to shaping customer value for growth-oriented SMEs. Similarly, Monteiro, Soares and Rua (2017) argue that the ability to create and sustain the needed organizational culture and inadequacy of resource infrastructure among smaller firms provide impetus of business owners to innovate. Accordingly, Rehman and Saeed (2015) aver that while smaller size would appear to offer an advantage in creating a firm-wide responsiveness, fostering such a marketing-oriented culture becomes much more dependent upon a single individual's risk-taking propensity, the firm owner/manager. If the firm's leader is unwilling or unable to take risks in the day-to-day decision-making,

the organization's culture may also not support the values needed for high levels of marketing orientation. Similarly, Tsao and Chen (2016) intimate that though more immediately apparent in smaller organizations, top management support for a moderate risk-taking culture that fosters a marketing orientation is critical at any size for business growth.

6.0 Conclusions and Recommendations

It is concluded from the foregoing findings that a majority of MSME owners/managers reached are highly innovative as most owners/managers employ research and development and actively introduce improvements and innovations in their establishments. A majority of MSME owners/managers reached also have considerably high-risk appetite. Besides a strong tendency for high-risk business ideas, a majority of MSME owners/managers tend to act boldly in situations where risk is involved. It can also be deduced from the foregoing finding that a majority of MSME owners/managers reached are proactive in nature. Most owners/managers are particularly found to cultivate a culture of continuously monitoring market trends with a view to anticipate future business needs.

The study also deduces from the finding that whereas most MSMEs are well endowed with skilled employees and carry out on-the-job trainings frequently, a majority are constrained with respect to finance, cash flow, technology and equipment. This can be attributed to the difficulties with which most MSMEs raise or access financial capital compared to large firms. A majority of MSMEs reached also align their strategies towards realizing increased access to markets in order to create superior value for their customers and superior performance for their enterprises by focusing on customer needs.

It is also concluded that entrepreneurial orientation has a significant effect on firm strategic capabilities. The study findings are groundbreaking with regard to the direct effect of entrepreneurial orientation from a unidimensional conceptualization on firm strategic capabilities among MSMEs in the manufacturing sector, across international and regional contexts as well as in the Kenyan body of knowledge. The study particularly demonstrates that Innovative owners/managers are more likely to acquire key firm resources requisite in improving their enterprises' strategic capabilities. Also, the more the risk tolerant the owner/manager is, the higher the likelihood that they will acquire essential firm resources essential in building their enterprises' strategic capabilities. Proactive owners/managers are also more likely to acquire key firm resources necessary in building their enterprises' strategic capabilities as compared to non-proactive owners/managers. Whereas Nwankwo et al. (2016) edged close to this study, the study explored the effect of risk taking on organizational learning, which is a narrower construct of the broader concept of firm strategic capabilities. The finding therefore also validates the proposed conceptual framework with regard to the direct relationship between Innovativeness, Risk Propensity and Proactiveness as dimensions of Entrepreneurial Orientation, and firm strategic capabilities.

The study is also of the conclusion that firm strategic capabilities have a significant effect on MSME growth. The finding is a significant contribution to the body of knowledge with regard to the direct effect of firm strategic capabilities on MSME growth with specific reference to the manufacturing sector, across international, regional and the Kenyan context. The study particularly demonstrates that the more resourced and strategic an MSME is, the more likely it is to experience growth. Among MSMEs, innovative owners/managers are more likely to acquire key firm resources requisite in improving their enterprises' strategic capabilities and eventually grow. Also the more risk tolerant the owner/manager is, the higher the likelihood that they will acquire firm resources essential in building their enterprises' strategic capabilities and capital resources to facilitate growth. It is further demonstrated that among MSMEs, proactive owners/managers are more likely to acquire key firm resources necessary in building their enterprises' strategic capabilities and capital resources to facilitate growth as compared to non-proactive owners/managers. A closely related study, Kithusi (2015) explored the effect of firm resources on firm performance with reference to MSMEs in the Furniture sub-sector of the manufacturing industry. The finding further validates the proposed conceptual framework with regard to the direct relationship between firm strategic capabilities and MSME growth.

The study further concludes that firm strategic capabilities does not have a significant mediating effect on the relationship between entrepreneurial orientation and MSME growth. Among MSMEs, innovative, risk tolerant and proactive owners/managers are likely to achieve growth, regardless of their strategic

capabilities. This can be attributed to both the lack of formal strategic plans among most micro and small businesses and their limited resource endowment in terms of financial resource, cash flow and technological resources. To achieve growth in light of limited resources and absent formal strategic plans, innovative owners/managers are likely to innovate marketing strategies, develop and align internal operations for efficiency and establish relationships with suppliers which results in improved access to markets, efficiencies in operations, increased products and sales hence growth. Entrepreneurial MSME owners/managers are also forward-looking, risk taking and proactive, creating new markets and market opportunities driven by gaps in the market which often earns them a market and product niche. This improves the MSMEs' competitive advantage as well as capacity to produce products with ready markets as opposed to their competitors resulting in growth. The finding thus invalidates the proposed conceptual framework with regard to the mediating effect of firm strategic capabilities on the relationship between entrepreneurial orientation and MSME growth.

In conclusion, the study puts forth the thesis that in the context of MSMEs in the manufacturing sector in Kenya, owner/manager entrepreneurial orientation is the prime mover in the realization of growth regardless of limited strategic capabilities and environmental factors. Despite limited strategic capabilities, entrepreneurially oriented owners/managers leverage their innovativeness, risk propensity and proactivity to efficiently align their internal operations, establish relationships with suppliers, and to constantly scout for and explore gaps in the market. This results in improved access to markets, efficiencies in operations, increased production and sales hence growth.

In light of the foregoing findings, it is recommended that the government of Kenya should facilitate a technology grants system to link Universities, National Polytechnics and Research and technology institutions with MSMEs. This will facilitate modern technology diffusion and adoption by MSMEs for faster growth and graduation to modern enterprises to catapult Kenya in to a newly industrializing country status in line with Kenya Vision 2030.

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