Entrepreneurial Orientation and the Performance of Youth Owned Funded Small and Medium Enterprises (SMEs) in Chuka Town (Tharaka-Nithi County) Kenya

Dr. Gilbert Mugambi Miriti, Ph.D.
Department of Business Administration, Chuka University

Abstract: **Youth owned Small and Medium Enterprises (SMEs) play an important social and economic role among the Kenyan Youth who are unable to find salaried employment in the formal sector. The performance of the sector is therefore a great concern. While there are other factors that contribute to business performance Entrepreneurial Orientation(EO) is recognized among the important factors in business performance and profitability yet it has not been given consideration among the youth owned SMEs interventions. The purpose of this study was to explore the influence of Entrepreneurial Orientation on Performance of Youth owned funded small and medium sized enterprises in Chuka Town of Tharaka-Nithi County. The study used descriptive survey design. The target population was 146 businesses funded and registered by Chuka Youth Office. Respondents were sampled from 48 Youth owned SMEs which were funded in food processing with 41 who responded in Chuka Town. Data was collected using a 5-point Likert scale questionnaire to gather perception from the respondents. EO was measured using a scale based on previous studies with innovation, risk taking and pro-active as part of EO dimensions. The study generated both qualitative and quantitative data. The collected data analyzed using inferential and descriptive statistics. The findings revealed that owner/ managers of good performing businesses were supportive and encouraged new ways of doing business and that in the past severalyears businesses had pioneered the development of innovations in the business with respondents' having introduced new products / services over the past three years implying that the businesses have not only been innovative but also risk taking. On the basis of these findings the following recommendations were made: business should embrace entrepreneurial mindset, CEOs and founders to create necessary environment that would encourage and reward those working in the business to be more innovative, creative, risk taking and persistent in their business pursuit for improved performance and become more competitive. The findings therefore suggest that innovation which is the driving force in entrepreneurship is key to good business performance and development and that funding alone without innovation will not guarantee business growth. The study therefore concludes that entrepreneurship and business training is necessary before funding for the youth to acquire necessary skills and embrace innovation in their business practices.**

Key term**: Entrepreneurial orientation, businesses performance, Innovativeness, entrepreneurial mindset, Risk taking**

I. INTRODUCTION

Small and Medium Enterprises (SMEs) play a crucial role in overall economic performance as they are strongly involved in employment generating activities and value addition which augment economic growth (Rusu and Roman, 2017). The recognition of the sector dates back to 1972, when International Labour Organization (ILO) conducted a study on employment and income in Kenya. The study revealed out that the sector had potential to employ and generate income to a large percentage of the population. Recently interest in the youth entrepreneurship has been fueled due to high levels of unemployment amongst the young people and as a way of creating employment opportunities through creation of small enterprises.

Performance of youth owned SMEs is of great importance if youth unemployment has to be dealt with. However, despite the critical role that the sector plays the performance of youth owned SMEs has been of great concern. According to SMEs basic report survey of 2016 (KNBS, 2016) the sector faces a lot of challenges among them shortage of operating funds occasioned by increased operating expenses, declining income and losses incurred from the business. As a result of these challenges, an average of 60% of the businesses closed at the average of 3.8 years.

In recognition of the importance role played by youth owned SMEs, the Kenya Government has over time initiated several policies and programmes aimed at stimulating growth in this sector. Some of the initiated programs include those that foster entrepreneurship and small business ownership among the youth and include business skills training, setting up of business incubation centers and access to finance among others.These initiatives are included in the policy frameworks such as; Economic Recovery Strategy for Wealth and Employment creation (2003), policy initiative such as Session Paper No.2 of 2005 on the development of Small and Medium Enterprises (SMEs) for wealth and employment creation (Republic of Kenya, 2005), establishment of Youth Development Fund (YEDF) of 2007, 'KaziKwaVijana' Jobs for the Youth initiative launched in 2009 and Uwezo Youth Fund in 2013 among others. While these interventions have

been initiated, the rate of unemployment remain high with many young people reluctant to engage in small business ownership and those starting small enterprises showing dismal performance and high failure rate.

Although many youths owned enterprises have benefitted from the Youth Enterprise Development Fund (YEDF) the rate of unemployment and small business failure remain high in Tharaka-Nithi County. According to Koe, (2016) Entrepreneurship is recognized as a driver to business performance and Entrepreneurial Orientation (EO) is an essential competency required for being an entrepreneur. It is considered as a critical talent required for being an entrepreneur in order to manage a business with a successful performance (Bolton and Lane, 2012; Ibrahim and Lucky, 2014). The dimensions of EO are the behaviours exhibited in business strategy as all these actions are linked to individual entrepreneurial traits, attitudes and behaviours(Bolton and Lane, 2012). EO is the firm's ability to innovate, take risks and proactively pursue market opportunities (Rauchet et al. 2009; Wiklund and Shepherd, 2005). It is therefore assumed that SMEs that have access to finance and pursue EO are likely to perform well in the market. The SMEs survey basic report of 2016 observed that for SMEs to thrive in a competitive world of business, they need to progressively innovate to ensure that their goods and services reach untapped customer needs.

1.2 Problem Statement and Study Justification

Youth owned SMEs play a critical role in employment creation among the youth and in the economic development of the economy of Kenya. However, despite various government efforts to help the sector realize its full potential and many youth enterprises benefitting from funding the performance of many youths owned enterprises performance has been unsatisfactory with high levels of youth unemployment and business failure.

In view of this the study seeks to explore the role of entrepreneurial orientation on the performance of the youth owned funded enterprises in Chuka, Tharaka-Nithi County.

1.3 Objectives of the Study

The specific objectives included;

1. To establish the effect of innovation on the performance of youth owned small and medium food processing small and medium enterprises in Chuka Town, Tharaka-Nithi County
2. To evaluate the extent to which risk taking influences the performance of youth owned small and medium food processing funded enterprises in Chuka Town, Tharaka-Nithi County
3. To assess the impact of pro-activeness on the performance of youth owned small and medium food processing funded enterprises in Chuka Town, Tharaka-Nithi County.

II. LITERATURE REVIEW

2.1 Empirical Review

Entrepreneurial Orientation and SMEs Performance

Entrepreneurial Orientation (EO) is the firm's ability to innovate, take risks, and pro-actively pursue market opportunities (Rauch et al. 2009; Wiklund and Shepherd, 2005) It is the individual's attitude towards engaging in entrepreneurial activities be it within existing firm or creating a new venture (Jinpei, 2009). According to Lumpkin and Dess, (2001), EO has been used to refer to the strategy making processes and style of firms engaged in entrepreneurial activities.

Good performing businesses are desirable because it is through growth that jobs are created and the owners get good return for their investment. According to Venkatraman and Ramunujam (1986), performance can be measured with financial and operational or non-financial indicators. According to Insah, Mumuni and Bangniyei (2013), both qualitative and quantitative criteria can be used to measure growth. A number of studies agree that growth is generally an increase in the size of a business, which is attained through increase in sales, market share, and return on investment, profitability, value added, employment growth and geographical expansion among others (Gupta, Guha and Krishnaswami, 2013). Since objective measure for many businesses are not publicly available and respondents are unwilling to provide this information, subjective measures can be used through judgemental assessment of respondents and these indicators cover both financial and non-financial indicators (Gonzalez-Benito and Gonnzalez-Benito, 2005). Generally, subjective measures are therefore recommended as Cvin and Slevin (1989), noted that subjective measures may yield more complete information

The existing literature linking EO and business performance or growth is inconclusive. Gurbuz and Aykol (20090 and Rauch et al., (2009)) for instance established a positive relationship between EO and growth of the firm while Moreno and Casillas (2008), Morgan and Strong, 2003), found no significant relationship between EO and growth of the firm. Several other studies found a positive relationship between EO and firm performance (Bolton and Lane, 2012; Ibrahim and Lucky, 2014). Lumpkin and Dess (1996) draw attention to the complexity of EO and firm performance relationship and suggest that the relationship is context specific as influenced by the prevailing external environment as well as internal organizational processes.

Innovation and SMEs Performance

According to Rauch et al. (2009), innovation is the firm's ability and attempt to engage in new ideas or to innovate and create processes that may result in new products. Innovation is referred to as the use of improved products, processes, services, technologies or ideas accepted by markets (Christensen, 2002). According to Schumpeter (1934) this

concept of innovation was referred to as the 'force of creative destruction' which is manifested in four dimensions; introduction of new products and/or services, introduction of new market and new marketing methods, new method of production and new form of organizations. Most categories of innovation fall under product innovation and process innovation. Product innovation is the introduction of a good or service that is new or significantly improved or enhanced performance or additional of new features into the existing products (OECD, 2015). On the other hand, process innovation refers to the new procedures, policies, organizational forms and knowledge embodied in the distributional channels, products, applications, as well as customer expectations, preferences and needs (Gupta, 2013).

Several studies link growth of many organizations to innovation (Coad, 2009). Covin and Miles (1999), agree that without innovation, entrepreneurship cannot exit and that innovativeness is a crucial part of a firm survival strategies. (Hajar,2015), examined the relationship between innovation and performance of wooden furniture manufacturing SMEs in Indonesia and the study revealed innovation has positive effect on performance. Laforet (2010) observed that today's market leaders, besides having visionary growth strategies, also need to focus heavily on innovation while (Kuswantoro, 2012) reveal that innovation in the distribution channels is positively related to overall firm performance. The study finds that entrepreneurial orientations through innovativeness to be positively associated with SMEs performance. The need for innovation is the need to provide high quality and produce products at the lowest possible cost and continuously meet changing customer needs. The concept of innovation is therefore necessary to provide value to the customer and a good return to the business. In order for SMEs to overcome the several constraints they face and grow into large entities they must be innovative (Cannarella and Piccioni, 2003).

Yu-Ming et al (2018), Using a survey of 324 small and medium-sized enterprises (SMEs) of the Yangtze River Delta in China, discussed the relationship between entrepreneurial orientation, absorptive capacity, environmental dynamism, and corporate technological innovation performance. The results based on a moderated moderation model showed that the relationship between entrepreneurial orientation and innovation performance is significantly positive. The absorptive capacity can positively moderate this relationship. When the external environment is in high dynamism, the moderating effect of absorptive capacity will be stronger than when the environment is in low dynamism. They recommended that, the enhancement of an enterprise's entrepreneurial orientation spirit can improve the performance of technological innovation, so as to improve enterprise performance. An entrepreneurship-leading enterprise can bring more opportunities for development, and create more profits, in an increasingly competitive environment.

Risk Taking and SMEs Performance

Risk taking is centered on the firm's willingness to engage in calculated business risk and uncertainty. According to Lumpkin and Dess (2001), risk taking refers to taking calculated business opportunities when the outcome of the risk cannot be determined immediately. Similarly, Wiklund and Shepherd, (2003) suggest that risk taking orientation is the willingness of an entrepreneurial firm to invest resources in a venture where the outcome may be highly uncertain or unknown. According to Lyon et al., (2000) risk taking may consist of borrowing heavily, committing a high percentage of resources to projects with uncertain outcomes, and entering unknown markets.

Studies have revealed that firms that take risks perform better in terms of profitability than those who do not (Bearse, 1982). The positive relationship between risk taking propensity and risk decision making by individuals is expected to translate to organizations through top management teams hence high performance of the SMEs (Panzano and Billings, 2005). It is observed that risk taking is necessary to support both innovativeness and pro-activeness in SMEs (Miller and Friesen, 1984). In addition, risk taking also fosters organizational creativity and is positively related to new product development (Gilson and Shalley, 2004).

Pro-activeness and SMEs Performance

Pro-activeness is related to risk taking and innovativeness. According to Rauch et al., (2009), pro-activeness relates to forward looking, first mover advantage seeking efforts to shape the environment by introducing new products or processes ahead of the competition.Zelbst et al., (2009), observes that the success of an SME depends heavily upon the pro-activeness of the innovation line in which it participates as a partner. Similarly, Lyon et al., (2000), argues that pro-active companies perform better than rivals because they respond to market changes and become leaders of the industry (Hughes and Morgan, 2007).

Several studies have found positive relationship between EO and performance and positive relationship between pro-activeness and performance (Lumpkin and Dess, 2001). According to Juttner et al. (2010), management and customer relationships, which are components of pro-active orientation, influences organization performance in terms of shorter end-to-end pipeline time, total costs and shorter time. It is therefore noted that higher levels of customer-oriented supply chain practices will have a positive impact on customer-oriented organizational performance outcomes.

2.2 Theoretical Perspective

2.2.1 Resource Based View (RBV) Theory

The RBV theory explains how entrepreneurs build their businesses from the resources they currently possess or can realistically acquire in order to gain a sustained competitive advantage. The importance of EO, innovativeness, risk taking

and pro-activeness support the argument of RBV (Wernerfelt, B. 1984). The resource-based theory argues that the choice of which industry to enter and what business to be in is not enough to ensure success. The theory says that the nature and the quality of the resources the entrepreneur possesses and can acquire can lead to long run success. The theory treats entrepreneurs - the individual as important unique resources to the firm, resources that money cannot buy. The resource based theory contests the assumptions of the purely economic theories of industrial organization and strategy by assuming that resources distributed among firms are heterogeneous and immobile.

The resource based theory holds that Sustainable Competitive Advantage (SCA) is created when firms possess and employ resources that are: Valuable because they exploit some environment opportunity, rare in the sense that they are not enough for all competitors, imperfectly imitable so that competitors cannot merely copy them and non - substitutable with other resources. According to the RBV a firm require resources to gain competitive advantage and EO is considered as a way of business management which is a resource for the successful of the businesses (Asad, M., Sharif, M.N., and Hafeez, M. 2016).

The resource-based theory recognizes six types of resources: financial, physical, human, technological, reputational and organizational. These six types are broadly drawn and include all assets, capabilities, organizational processes, firm attributes, information and knowledge. The theory is applicable because, certain firm resources and capabilities may lead to greater EO and/or enhance EO–outcome relationships; EO may give rise to firm resources and capabilities (Covin and Lumpkin, 2011; Covin and Miller, 2014; Edmond and Wiklund, 2010; and Miller, 2011).

III. METHODOLOGY

The target population was 146 businesses funded and registered by Chuka Youth Office. Respondents were sampled from 48Youth owned SMEs which were funded in food processing with 41 who responded in Chuka Town. The study was carried out in Chuka Town and its environs in Tharaka-Nithi County andtargeted Owners/Managers of 48 Youth owned small and medium sized enterprises in food processing funded by the Youth Enterprise Development Fund (YEDF).Youth owned small enterprises in food processing were chosen because they are linked to agriculture and in particular value addition which is critical to the development of the Kenyan economy as they form the bulk of most economic activities and are significant in employment creation and poverty alleviation in the country.

It was found necessary to select all the SMEs in this category since they were not many and a 100 percent response rate was unlikely considering that a few had closed while others the owners or the Managers were not available. Out of the 48 SMEs selected 41 responded representing 85% return rate which was considered sufficient enough. Chuka Town and the environs were selected because it is the economic hub of the county and most SMEs are located here. The study adopted descriptive research design.Data was collected using a 5-point Likert scale questionnaire to gather perceptions of the respondents. The questionnaire comprised of three parts; part one consisted of demographic information, section two consisted of EO and the last part consisted of questions related to performance. The EO was measured using a scale based on earlier studies of Miller, 1983; Covin and Slevin, 1986; 1989 Lumpkin and Dess, 1996. This was modified and measured five dimensions of EO which included; innovativeness, risk taking and pro-activeness. Validity and reliability tests were carried out and confirmed. Data was collected and analyzed using descriptive statistics and inferential statistics to confirm the relationship

The main purpose of the study was to examine the current level of Entrepreneurial Orientation (EO) among the youth owned small and medium funded enterprises and their influence on the business performance.

IV. RESULTS AND DISCUSSION

Descriptive Statistics of the Demographic Information

Respondents were requested to provide information on their demographics, the information included; business ownership, nature of the business, business existence, gender, education level, profession, skills and trainings, duration of working for the company and how the business came to existence. The statistics obtained were as follows;

Out of the 41 respondents, majority of the business owners are women at 58.5% while males were 41.5% indicating that most of the business owners in food processing were women. Of these respondents, 90.2% were founders/owners of the business and only 9.8% were managers of the business showing that most SMEs are operated by the owners and of these 48.78% had secondary level education and only 9.76 had University level of education the rest had technical level of education and lower.

In terms of business ownership, majority are sole proprietorship 87.8% with majority started from scratch with over 2 years of existence. The nature of business indicated that majority were in fruit and cane juice making at 22% followed by grain milling, dairy and milk products, bakery and confectionary at 19.5% respectively. Most of the employees were casuals ranging from 1 to 3 employees with no permanent employee.

Reliability and Validity Test

The study used Cronbach's alpha for maintaining reliability of the dependent factors (Innovation, risk-taking and pro-activeness). An alpha value of 0.70 or higher is considered as acceptable reliability. Dimensions, Cronbach's alpha, and their measures are presented in the reliability statistics table 4.5 below.

Table 4.1: Dimensions and Reliability Statistics

Dimension	Items	Cronbach's Alpha
Innovation		0.806
Risk Taking		0.815
Pro-activeness		0.722

All items were measured with a five-point Linkert scale

The reliability coefficients were found to be 0.806 for measurement items on innovation, 0.815 for items on risk taking and 0.722 for measurements items on pro-activeness. Reliability measures were found above the recommended standards of 0.60 (Bagozzi and Yi, (1998). The values achieved here are above 0.70 which indicates internal consistency.

Innovation and the Performance of Youth-Owned Enterprises

Respondents were asked to give their views concerning how they perceived certain statements about the effect of innovation on the performance of youth owned enterprises in Tharaka-Nithi County. The rates of 1-5 scale was used where 1=Strongly Disagree, 2=Disagree, 3=Not Sure, 4=Agree and 5=Strongly Agree. The results of the study showed that most of the respondents strongly agreed that the owner/manager of the enterprise was supportive and encourages new ways of doing business (mean of 4.49 and a standard deviation of 0.5061). The participants also strongly agreed that owner/manager was supportive and encourages new business opportunities (mean of 4.51 and a standard deviation of 0. 6754). The statistics showed that the respondents were not sure that over the past three years, the company pioneered development and introduction of new products/services (mean of 3.32 and a standard deviation of 0. 7886). Participants were also neutral to the statement that their business has introduced new markets/marketing methods over the past 3 years (mean of 3.22 and a standard deviation of 1.0843). The youths who participated in the study indicated that they agree that the changes of product/service have not been quite dramatic in the last 3 years (mean of 3.59 and a standard deviation of 0.0507). Table 4.6 below shows these statistics;

Table 4.2: Descriptive statistics for Innovation with normality test

	Mean	Std. Deviation	Skewness	kurtosis
Owner/manager is supportive and encourages new ways of doing business	4.49	0.5061	0.0507	-2.103
Owner/manager is supportive and encourages new business opportunities	4.51	0.6754	-1.0702	-0.0051
Over the past three years, the company pioneered development and introduction of new products/services	3.32	0.7886	0.6445	0.2398
Our business has introduced new markets/marketing methods over the past 3 years	3.22	1.0843	-0.4619	-0.0655
Changes of product/service have not been quite dramatic in the last 3 years	3.59	0.5061	0.0507	-2.1025
Average mean of Innovation	3.826			

Source: Survey data, 2019

The average mean of 3.82 indicates youth owned SMEs in food processing embraced innovation and the low levels of innovation among the youth owned SMEs can be explained perhaps due to the fear of risk in unexplored area.

Risk Taking and the Performance of Youth-Owned Enterprises

Respondents were asked to give their views concerning how they perceived certain statements about the extent to which risk-taking influences the performance of youth owned. The rates of 1-5 scale was used where 1=Strongly Disagree, 2=Disagree, 3=Not Sure, 4=Agree and 5=Strongly Agree. The study revealed that most of the respondents agreed that their company is usually the first to introduce new products and new markets (mean of 4.00 and a standard deviation of 0.775). Most participants agreed that there is a strong tendency to get into high-risk ventures with chances of high returns (mean of 4.12 and a standard deviation of 1.053). Participants strongly agreed that depending on the environment, the worker(s) take bold and wide-ranging acts to achieve the firm's objectives (mean of 4.51 and a standard deviation of 0.810). Participants were however uncertain that the business is highly involved in the risk and uncertain initiatives (mean of 3.23 and a standard deviation of 0.759). Table 4.7 below shows these statistics;

Table 4.3: Descriptive statistics for Risk taking with normality test

	Mean	Std. Deviation	Skewness	kurtosis
Company is usually the first to introduce new products and new markets	4.00	0.775	0.0000	-1.3023
There is a strong tendency to get into high-risk ventures with chances of high returns	4.12	1.053	-0.7939	-0.7326
Depending on the environment, the worker(s) take bold and wide-ranging acts to achieve the firm's objectives	4.51	0.810	-1.2282	-0.2865
The business is highly involved in the risk and uncertain initiatives	3.23	0.759	-0.3970	-1.1312
Average mean of Risk Taking	3.965			

Source: Survey data, 2019

The tables above show that a number of youth owned SMEs were willing to take risk as shown by the mean of 3.9 particularly in those areas that they believed could generate high returns.

Pro-Activeness and the Performance of Youth-Owned Enterprises

Respondents were asked to give their views concerning how they perceived certain statements about the impact of pro-activeness on the performance of youth owned enterprises. The rates of 1-5 scale was used where 1=Strongly Disagree, 2=Disagree, 3=Not Sure, 4=Agree and 5=Strongly Agree. The study revealed that majority of the respondents agreed that they take new initiatives and strategies rather than responding to their competitors (mean of 4.32 and a standard deviation of 0.6496). Respondents were not sure that in dealing with competitors, the firm is not usually the first to introduce new products/services, administrative techniques or operating technologies (mean of 2.78 and a standard deviation of 0. 6129). The study revealed that the respondents agreed that they are very cautious in getting into new opportunities technologies (mean of 3.46 and a standard deviation of 0.8396). Respondents however disagreed that they seek to avoid competitive clashes (mean of 2.36 and a standard deviation of 0.8249). Respondents strongly agreed that the company adopts a bold, aggressive posture in order to maximize the probability of exploiting potential opportunity (mean of 4.80 and a standard deviation of 0.4012).

Table 4.4: Descriptive statistics for Pro-activeness with normality test

	Mean	Std. Deviation	Skewness	kurtosis
Owner/manager take new initiatives and strategies rather than responding to their competitors	4.32	0.6496	-0.4182	-0.6388
In dealing with competitors, the firm is not usually the first to introduce new products/services, administrative techniques or operating technologies	2.78	0.6129	-0.1516	-0.4125
Owners/managers are very cautious in getting into new opportunities	3.46	0.8396	-1.0782	-0.6791
Owner/manager seek to avoid competitive clashes	2.36	0.8249	-0.6781	0.0617
Company adopts a bold, aggressive posture in order to maximize the probability of exploiting potential opportunity	4.80	0.4012	-1.5977	0.5785
Average mean of Pro-activeness	3.604			

Source: Survey data, 2019

Performance Measures of the Youth-Owned Enterprises

Respondents were requested to indicate the extent of agreement to statements about performance of youth owned enterprises. The rates of 1-5 scale was used where 1=Strongly Disagree, 2=Disagree, 3=Not Sure, 4=Agree and 5=Strongly Agree. The study revealed

Table 4.5: Descriptive statistics for Performance Measures with normality test

	Mean	Std. Deviation	Skewness	Agreeing Extent
The company has over the years demonstrated continuous growth in profits before tax.	4.00	0.7560	0.0000	Agree
The business has increased its market share	3.90	0.9435	-0.5488	Agree
There has been a continuous sales growth	3.71	0.4606	-0.9463	Agree
The business has increased production capacity	3.83	0.7714	0.3089	Agree
Business has been expanded overtime	3.71	0.4606	-0.9463	Agree
Business has created a high degree of customer satisfaction.	4.80	0.4012	-1.5977	Strongly-Agree
Increased number of employees	2.51	0.5061	-0.0507	Agree
Business has created job security for its employees.	3.44	1.2257	-0.4941	Not Sure
Business has been modernized overtime	3.39	0.6663	-0.6420	Not Sure
Business has increased its financial value.	4.32	0.6496	-0.4182	Agree
Average mean of Enterprise Performance	3.761			

Source: Survey data, 2019

Most of the youth owned SMEs believed their businesses are successful as indicated by the mean of 3.76. From this analysis, 64.9% considered their business having performed fairly well.

Correlation of Entrepreneurial Orientation (Innovation, Risk Taking, and Pro-Activeness) Versus the Performance on the Youth Owned Enterprise

Correlation is a statistical measure that indicates the extent to which two or more variables fluctuate together. Strength of relationship between +/- 0.7 to 1.0 indicates strong, +/- 0.3 to 0.69 indicates moderate and +/- 0.0 to 0.29 indicates weak to none. A positive correlation indicates the extent to which those variables increase or decrease in parallel; a negative correlation indicates the extent to which one variable increases as the other decreases. Table 4.11 below shows that the association between innovation, risk taking and pro-activeness was 81.1%, 60.2% and 85.9% respectively.

Table 4.6: Correlation of Entrepreneurial Orientation (Innovation, Risk taking, and Pro-activeness) versus the Performance on the Youth Owned Enterprise

	Performance	Innovation	Risk Taking	Pro-activeness
Performance	1			
Innovation	0.811**	1		
Risk Taking	0.602**	0.512**	1	
Pro-activeness	0.859**	0.764**	0.709**	1

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

The above table shows the correlation analysis between the 3 dimensions of EO, innovation, risk taking, pro-active and the business performance of SMEs.

Regression Analysis

R Square is the coefficient of determination. It expresses the proportion of variation in a dependent variable which is explained by variation in independent variables.

Table 4.7: Regression Model Statistics

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.826[a]	.683	.210	.988
a. Predictors: (Constant), Innovation, Risk-Taking, Pro-activeness.				

The correlation coefficient of 82.6% in the above table indicates that the combined influence of the predictor variables has a greater positive correlation with the growth of SMEs.

The coefficient of determination (R^2) is an estimate of the percentage variation in the dependent variable (Performance) which can be predicted from the entrepreneurial orientation variables (innovation, risk taking and pro-activeness). This coefficient shows how well the multiple regression model fits the data. A value close to zero shows a weak fit whereas a value close to one implies a good fit. The R^2– value of 0.683 in Table 4.7 above, indicates that 68.3% of the variation in Performance has been significantly explained by the 3 predictor variables (innovation, risk taking and pro-activeness) identified in the regression equation. Therefore, the hypothesis can be accepted.

V. CONCLUSIONS AND IMPLICATIONS

The purpose of the study was to investigate the influence of EO on the performance of Youth owned and funded SMEs in food processing in Chuka and its environs of Tharaka-Nithi County. To achieve this objective, the study investigated three of the dimensions of EO; innovation, risk taking and pro-activeness. The study established that EO was significant and positively related to the performance of SMEs. These findings support those of previous studies on the EO (Jalali et al., 2014; Baran and Velickaite, 2008). The policy implication of this study is that it is important to develop and encourage EO among the SMEs if they have to realizetheir potential. This calls for the government and other financiers of youth enterprises incorporateentrepreneurship training to go along with the financing programs as access to finance is no guarantee for success without embracing EO. Managers/Owners of SMEs should also encourage and create an environment that encourages and promotes creativity, innovation and risk taking if they are to survive in the competitive markets and grow.

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