

## **INFLUENCE OF ENTREPRENEURIAL PROACTIVENESS ON YOUTH LED MICRO AND SMALL ENTERPRISES PERFORMANCE IN KENYA**

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**Abstract:** *Youth led micro and small enterprises are key economic backbones in provision of employment and enhancing the livelihoods of majority of Kenyans who are the youth. However, these firms are characterized by high mortality rate, stagnation with minimal growth and poor performance. While the government has been at the forefront of enhancing the youth entrepreneurship through initiatives such as the Youth Enterprise Fund, youth led enterprises are yet to face a new dawn of prosperity, performance and sustainability. This raises the question of the underlying aspects affecting the performance of these enterprises hence the study sought to establish the influence of entrepreneurial pro-activeness on the performance of youth led micro and small enterprises in Nyanza region, Kenya. The moderating effect of entrepreneurial finance was also a key focus of the study. The study employed a descriptive research design and targeted 771 registered youth led Jua Kali Artisans MSEs in Nyanza region. Questionnaires were used as data collection instruments. Content analysis was used to analyse the qualitative data. The findings revealed that pro-activeness was not effectively upheld among the youth entrepreneurs which could be a factor leading to poor performance of their enterprises. Pro-activeness was found to significantly influence the performance of youth led enterprises in Nyanza region. Entrepreneurial finance was found to be a key moderating factor on the relationship between entrepreneurial pro-activeness and the performance of youth led micro and small enterprises. The study concluded that pro-activeness was a significant aspect of entrepreneurial orientation that influenced the performance of youth led enterprises in Nyanza region, Kenya. Based on the findings, the study recommended that the youth entrepreneurs in Nyanza region and all over Kenya ought to be pro-active by swiftly taking advantage of any opportunity that come their way in order to maximize their revenue in their enterprises.*

**Keywords:** *Entrepreneurial orientation, Pro-activeness, Firm performance, Youth enterprises*

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### **1. Background of the Study**

Karacaoglu, Bayrakdaroglu and San (2012) defined pro-activeness as the act of to predict as well as act on immediate future market impulses and burdens, thus creating a first-mover profit against rivals. Helm and Andersson (2010) characterized it as the application before most other companies in the sector, construction industry or community at large of a policy, program, service or process in response to incentives which cannot be demonstrated in the present but are anticipated to impact change in the future.. Pro-activeness can also mean being active in participating to shape your own environment other than being a passive observer by strategically eliminating operations which are in the nature or declining stages of the life cycle.

Rauch, Wiklund and Lumpkin (2009) view pro-active firm as one that is forward-looking, opportunity seeking and willing to introduce new products and services ahead of other competing firms. The essence of pro-

activeness is the extent to which a firm supports the projected development and implementation of innovations early before your competitors, thereby enabling growth and enhanced performance. According to Karacaoglu, Bayrakdaroglu and San, (2012), a future-oriented perspective enables pro-active firms want to be leaders by capitalizing on generated opportunities. Pearce, Fritz and Davis (2010) cited in Kiruki (2012) showed the demarcation between pro-activeness and innovation by stating that whereas pro-activeness entails the implementation of new measures that are largely imitations, innovativeness conveys novelty and invention.

The entrepreneurial practices provide a basis for entrepreneurial actions of small businesses and in the past has been of great interest to many scholars. Small business that are entrepreneurially oriented are inventive, risk-takers and actively reach markets ahead of even their own rivals (Buli, 2017).

EO includes Specific level traits that enhance the ability to carry out risk ventures, self-directed pursuits, employ in technology and proactively and aggressively react to market volatility of suppliers and thus enhance firm overall performance (Lumpkin & Dess, 1996; Hakala, 2011). Youth operating SMEs have to retain entrepreneurial orientation to live on and outdo their competitors in the market, where they also require self-directed actions like being more pro-active, innovative, risk taking, competitive and creative in order to seize the moment in the market place. In the current competitive environment, the importance of EO is accredited due to its rapid diffusion throughout the strategy. It is one of the major determinants of youth and women SMEs Business startup, growth and graduation into medium and large-scale enterprise, (Sasaka, Namusonge & Sakwa, 2015). Greater EO thresholds can enable SMEs to categorize and take chances in a manner that distinguishes them from many other business firms (Slevin & Shepherd, 2006; Soinine, 2013).

Sharu and Guyo (2013) observed that, tackling youth joblessness is one of the greatest problems facing most nation in the world and is likely to persist for many years to come, with a projected 88 million youngsters' worldwide being unemployed, creating the necessity for employment energies focusing on youth as being inevitable. For every one adult employed, there are three youth who are unemployed. According to the International Labor Organization 2020, it is estimated that approximately 65% of young people ages between 15-35 in Kenya are not employed and are looking for work, an increase of 7.25 per cent over the number that was there in 2019. Youth entrepreneurship is a pertinent strategic instrument that will discourse joblessness as the global economic downturn persists among nations and international organizations (International Labour Organization, 2020). Youth business make up for an important percentage of the Kenyan populace. Because of the predominant high rate of joblessness, private sector is indeed a way through which the young people can make a living and contribute towards the direction of progress in an economy. Other ways that youth can profitably hire themselves is by starting and managing their own enterprises. This will need entrepreneurial skills, accessible markets and availability of startup capital. For the youths to raise capital either for startup businesses or increase of existing businesses they need sources of entrepreneurial finance that are available and reliable. They can either finance such ventures through credit or through own funds, however studies show that the youth are much inhibited in gaining access to credit (Waruru & Muchugu, 2010).

## **2. Statement of the Problem**

Eighty-five per cent (85%) of all the youth enterprises fail within the first five years of operation (KNBS, 2017). The distressing statistics reveal that 65% of youth in Kenya are unemployed and the situation is alarming with crime rates as a result increasing steadily (British Council, 2017). The high mortality rate of youth led MSEs has been highly associated with loss of economic development and social injustices among the youth among other poverty-tied prospects (UNDP, 2018).

Empirical studies have revealed mixed results on the relationship between entrepreneurial orientation and business performance which leaves a question on whether there is indeed a relationship between EO and firm performance. Moreover, the available studies have been carried out in different contexts as compared to the current study. This study therefore sought to assess the influence of pro-activeness on performance of youth led SMEs in the Nyanza region, Kenya.

**3. Objectives of the Study**

- (i) To establish the influence of pro-activeness on the performance of youth led Micro and Small Enterprises in Nyanza region, Kenya.
- (ii) To analyze the moderating effect of Entrepreneurial finance on the relationship between pro-activeness and performance of youth led micro and small enterprises in Kenya

**4. Research Methodology**

The study adopted a descriptive research design as the research methodology. The main data collection instrument was a defined questionnaire consisted of formatted open-ended and completely closed-ended questions. The survey consisted of a series of questions, so either providing space for answering the quiz or offering a number of adjusted options from which the interviewee made a choice. This exposed into details the youth SMEs in terms of their aspects of entrepreneurial orientation and performance trend.

**5. Research Findings and Discussions**

The study sought to examine the influence of pro-activeness on the performance of youth MSEs in Nyanza Region, Kenya. Pro-activeness was measured through customer consultations, product forecasting, looking for alternative cause of action and early implementation of new ideas. The respondents were asked to indicate their level of agreement or disagreement with specific statements drawn from these aspects based on a 5-point Likert’s scale. The findings are as shown in Table 1.

Majority of the respondents indicated that the loyalty in their customers could be attributed to the quality of services they offered and this is an evidence of pro-actives which according to Bakar and Zainol (2015), entails doing the best to the customers in order to understand their feelings, preferences and needs thus developing ideas that match the expectations of the customers. The findings compare with those by Moylan, Gallagher and Heagney (2016) who established that most of the small businesses faced slow growth rate and poor performance as a results of taking too long to observe what is happening in the market and implementing new changes ahead of the competitors. According to Olaniran (2016), pro-active entrepreneurs are committed toward learning from their peers and competitors and taking advantage of any new development to better their enterprises and steer growth.

*Table 1: Descriptive Findings of Pro-activeness*

| <b>Statements</b>   | <b>Mean</b> | <b>Std. Dev.</b> |
|---|-------------|------------------|
| I regularly consult with the consumers to know their tastes and preferences                               | 3.31        | 1.47             |
| I take note of the customer feedbacks to improve on quality of products and customer service              | 3.35        | 1.51             |
| Most of my customers are loyal which could be attributed to the quality of services rendered              | 3.39        | 1.53             |
| I frequently forecast on the products that customers would require in terms of quality and designs        | 3.46        | 1.55             |
| Through product predicting I have been able to make prior changes to products to suit the market          | 3.19        | 1.45             |
| I always ensure that my products are of higher quality and designs as compared to those of my competitors | 3.16        | 1.41             |

|  |      |      |
|--|------|------|
| I always look for alternatives when one decision/action has an unexpected outcome                              | 2.95 | 1.30 |
| I plan for other ways of having my strategies implemented if the main one does not work before I start         | 3.05 | 1.37 |
| I always think of the implications of any action that I plan to undertake in my enterprise                     | 2.97 | 1.37 |
| I always carry out continuous market research to enhance early recognition of new opportunities in the market. | 3.29 | 1.48 |
| I always rush but keenly to implement new opportunities earlier than the competitors                           | 2.85 | 1.35 |
| I am keen to observe new changes among my competitors and take advantage to implement any changes              | 3.04 | 1.37 |

### 6. Descriptive Results of Entrepreneurial finance

The second objective of the study was to analyse the moderating effect of entrepreneurial finance on the relationship between proactiveness and the performance of youth led micro and small enterprises in Nyanza region, Kenya. This study assessed entrepreneurial finance through accessibility and awareness.

As the findings portray, majority of the respondents disagreed that they were aware of the availability of sources of entrepreneurial finance for youth enterprises. Most respondents indicated that they had not applied for the government entrepreneurial finance through the available channels. The findings imply that entrepreneurial finance has not been well upheld among the youth entrepreneurs in Nyanza region and this could have affected the success of their enterprises. According to Mpiti (2017), one of the main challenges that face small businesses in the current era is inadequacy of entrepreneurial finance which render them incapable of meeting their expenses.

Table 2: Level of Agreement with Statements on Entrepreneurial finance

| Statements   | Mean | Std. Dev. |
|--|------|-----------|
| I'm aware of the available sources of entrepreneurial finance for youth enterprises                | 2.57 | 1.39      |
| I have frequently applied for government entrepreneurial finance channels to support my enterprise | 2.57 | 1.39      |

### 7. Descriptive Results of the Performance of Youth led Enterprises

The study sought to establish the performance of youth led small and micro enterprises in Nyanza region, Kenya. As the findings in Table 3 show, most of the respondents disagreed that the sales volume of their enterprises had been on the increase since the inception of their enterprises.

Table 3: Performance of Youth Enterprises

| Statements   | Mean | Std. Dev. |
|--|------|-----------|
| The level of sales volume in my enterprise have been on the increase since the inception of the business | 2.43 | 1.61      |
| I have opened other branches so as to meet the demand and as a way of reinvesting profits                | 2.78 | 1.29      |

### 8. Multiple Regression Results

*H<sub>01</sub>* Pro-activeness has no significant influence on the performance of youth led micro and small enterprises in Nyanza region, Kenya

To test the above hypothesis, linear regression was used to test the relationship between pro-activeness and performance of youth led MSEs in Nyanza region, Kenya. Path coefficients were used to determine the

direction and strength while  $t$  statistics provided information on the significance to the relationships. The results are presented in Table 4.

The  $R^2$  for the regression model between pro-activeness and performance of youth led Micro and Small Enterprise in Nyanza region, Kenya was 0.803 meaning that pro-activeness explains 80.3 % variation in the performance of youth led Micro and Small Enterprise in Nyanza region, Kenya while the remaining variation is explained by the error term.

*Table 4: Model Summary*

| Model | R                 | R Square | Adjusted R Square | Std. Error of the Estimate |
|-------|-------------------|----------|-------------------|----------------------------|
| 1     | .896 <sup>a</sup> | .803     | .803              | 5.56684                    |

a. Predictors: (Constant), Pro-activeness

b. Dependent Variable: Firm Performance

Further test on ANOVA shows that the regression model was a good fit as indicated by a significant F statistic ( $F=895.273$ ,  $p<0.05$ ) as shown in Table 4.30. This implied that pro-activeness can statistically predict the performance of youth led enterprises in Nyanza region, Kenya.

*Table 5: ANOVA Results of Pro-activeness*

| Model |            | Sum of Squares | df  | Mean Square | F       | Sig.              |
|-------|------------|----------------|-----|-------------|---------|-------------------|
| 1     | Regression | 27744.221      | 1   | 27744.221   | 895.273 | .000 <sup>b</sup> |
|       | Residual   | 6786.738       | 219 | 30.990      |         |                   |
|       | Total      | 34530.959      | 220 |             |         |                   |

a. Dependent Variable: Firm Performance

b. Predictors: (Constant), Pro-activeness

The regression model obtained from the output was

$$\text{Performance} = 10.435 + 0.708 \text{ Pro-activeness} + .0538 (\text{error})$$

The standardized regression coefficient for pro-activeness was 0.896. This indicated that a unit increase in the pro-activeness would result in 89.6% increase in the performance of youth led enterprises in Nyanza region, Kenya. The t-statistic for the regression coefficient for pro-activeness was significant at 5% level of significance ( $T=13.159$ ,  $p<0.05$ ) as shown in Table 6, implying rejection of null hypothesis. On the basis of these statistics, the study concludes that there is significant positive relationship between pro-activeness and performance of youth led Micro and Small Enterprise in Nyanza region, Kenya.

*Table 6: Regression Coefficients of Pro-activeness*

| Model |                | Unstandardized Coefficients |            | Standardized Coefficients | t      | Sig. |
|-------|----------------|-----------------------------|------------|---------------------------|--------|------|
|       |                | B                           | Std. Error | Beta                      |        |      |
| 1     | (Constant)     | 10.435                      | .976       |                           | 10.694 | .000 |
|       | Pro-activeness | .708                        | .0538      | .896                      | 13.159 | .000 |

a. Dependent Variable: Firm Performance

The Scatter Plot was also used to show the relationship between pro-activeness and the performance of youth owned MSEs. The findings as shown in Figure 1 revealed that there was a positive gradient in the plots. This is an indication that increase in the X-axis led to increase in the Y-axis thus implying that pro-activeness had a positive influence on the performance of youth led enterprises in Nyanza region, Kenya.

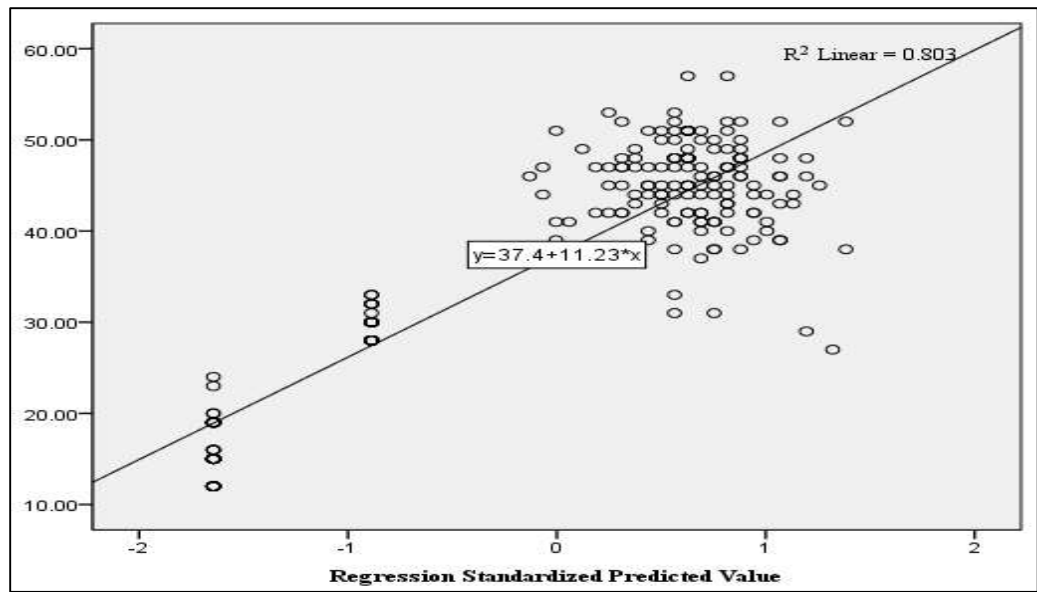


Figure 1: Scatter Plot on the Pro-activeness and Firm Performance

**9. Moderating effect of Entrepreneurial finance**

The moderated model reveals the details of the inclusion of the interactive term (entrepreneurial finance) in the model. Pro-activeness was found to be significant ( $p < 0.05$ ,  $B = 0.079$ ), Entrepreneurial finance found to be significant ( $p < 0.05$ ,  $B = 0.208$ ). Pro-activeness and Entrepreneurial finance was also found to be significant ( $p < 0.05$ ,  $B = 0.175$ )

Table 7: Regression Coefficients for the Overall Moderated Model

| Model                                      | Unstandardized Coefficients |            | Standardized Coefficients |       | Sig. |
|--|-----------------------------|------------|---------------------------|-------|------|
|  | B                           | Std. Error | Beta                      | t     |      |
| (Constant)                                 | .419                        | .167       |                           | 2.503 | .013 |
| Pro-activeness                             | .057                        | .081       | .047                      | .705  | .481 |
| Entrepreneurial finance                    | .273                        | .091       | .229                      | 3.017 | .003 |
| (Constant)                                 | .012                        | .136       |                           | -.088 | .030 |
| Pro-activeness                             | .079                        | .064       | .065                      | 1.226 | .021 |
| Entrepreneurial finance                    | .208                        | .075       | .175                      | 2.794 | .006 |
| Pro-activeness and Entrepreneurial finance | .175                        | .083       | .161                      | 2.107 | .036 |

a. Dependent Variable: Performance

**10. Conclusions**

The study concludes that majority of the youth led micro and small enterprises consulted with their customers to identify their tastes and preferences and they took note of the customer feedback which helped them improve on the quality of products and enhance customer service. Equally, the study concludes that most of the youth led micro and small enterprises show their loyalty to their customers through provision of quality services and hence an evidence of pro-actives. Likewise, the study concludes that majority of the youth led micro and small enterprises agreed that they frequently forecasted on the products and services that would best-suit their customers and offered them way before the customers asked for them. The study also concludes that that most

of the youth led micro and small enterprises tap the niche of the market by availing products that meet the future needs of the customers. However, the study concludes that some of the youth led micro and small enterprises do not have alternative plans in case their main ones did not work and this showed lack of effective pro-activeness because pro-active entrepreneurs are always set with options and alternatives of what to do in case their master plans do not succeed. Further, the study concludes that some youth led micro and small enterprises were not keen to implement new identified opportunities before the competitors and they were not keen to observe any new changes from the competitors and come up with ways of imitating. Also, the study concludes that pro-activeness has a strong positive correlation with the performance of youth led Micro and Small Enterprise in Nyanza region, Kenya and hence it increases the performance of youth led Micro and Small Enterprise in Nyanza region, Kenya.

### **11. Recommendations**

The study found out that youth led micro and small enterprises do not have alternative plans in case their main ones did not work and this showed lack of effective pro-activeness. Thus, the study recommends that enterprises should be pro-active with options and alternatives of what to do in case their master plans do not succeed.

The study recommends that entrepreneurs should be ready and willing to access government entrepreneurial financial sources. This will be providing them with enough finances to meet their operations. It was also established that financing business properly will increase entrepreneurial orientation and the performance of youth led micro and small enterprises.

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