

# American Journal of Strategic Studies (AJSS)

Entrepreneurial Orientation and Performance of the Hospitality  
Industry in Nairobi County, Kenya



## Entrepreneurial Orientation and Performance of the Hospitality Industry in Nairobi County, Kenya

 <sup>1</sup>Anne Wanjiku Karanja, <sup>2</sup>Professor Willy Muturi, <sup>3</sup>Professor Allan Kihara, <sup>4</sup>Dr. Samson Nyang'au Paul

<sup>1</sup>Ph.D. Student, Jomo Kenyatta University of Agriculture and Technology

<sup>2,3,4</sup>Lecturers, Jomo Kenyatta University of Agriculture and Technology

*Accepted: 20<sup>th</sup> Mar, 2026, Received in Revised Form: 3<sup>rd</sup> Apr, 2026, Published 17<sup>th</sup> Apr, 2026*

### ABSTRACT

**Purpose:** The hospitality industry in Nairobi County operates in an increasingly turbulent and competitive environment, requiring firms to adopt proactive and innovative strategic behaviors to sustain performance. This study examined the influence of entrepreneurial orientation on firm performance among hospitality firms in Nairobi County, Kenya. Entrepreneurial orientation was conceptualized through innovativeness, proactiveness, and risk-taking behaviors.

**Methodology:** A cross-sectional correlational design was employed. The target population comprised 1,104 registered hospitality firms, including hotels, travel agencies, and tour operators. Using stratified random sampling, data were collected from 293 senior managers through structured questionnaires, supplemented with secondary performance data. Multiple regression analysis was conducted to test the hypothesized relationship.

**Findings:** The findings indicate that entrepreneurial orientation has a positive and statistically significant influence on firm performance. Firms exhibiting higher levels of innovation, proactive opportunity seeking, and calculated risk-taking reported superior outcomes in sales growth, market share, and return on assets.

**Unique Contribution to Theory Practice and Policy:** The study concludes that entrepreneurial orientation constitutes a critical dynamic capability within hospitality firms operating in volatile service markets. It recommends that managers institutionalize innovation-driven cultures, strengthen opportunity recognition processes, and allocate resources toward strategic experimentation to enhance sustained performance.

**Key Words:** *Entrepreneurial Orientation, Firm Performance, Hospitality Firms, Nairobi County, Kenya*

## **Background of the Study**

The hospitality industry operates in an increasingly volatile and competitive environment shaped by political, economic, technological, and socio-cultural disruptions (Ncube & Jerie, 2022). The COVID-19 pandemic further intensified this turbulence, accelerating business model transformation and exposing structural vulnerabilities within service industries (Sigala, 2020). In such contexts, firms are compelled to adopt proactive and innovation-driven strategies to sustain performance (Zhou et al., 2019).

Globally, tourism remains one of the largest economic sectors, contributing significantly to employment and GDP (World Travel & Tourism Council, 2019). However, increased competition, rapid technological shifts, and evolving customer expectations have made performance sustainability increasingly complex (Gursoy & Swanger, 2020). Hospitality firms must therefore move beyond operational efficiency and embrace strategic postures that enable opportunity recognition, innovation, and calculated risk-taking.

Entrepreneurial orientation has been widely recognized as a strategic posture characterized by innovativeness, proactiveness, and risk-taking (Narver & Slater, 2020; Balodi, 2024). Firms exhibiting strong entrepreneurial orientation actively introduce new services, anticipate market trends, and commit resources to uncertain but promising initiatives. Within service-intensive industries such as hospitality, these behaviors are critical in differentiating offerings and responding to environmental uncertainty.

In emerging economies, including Kenya, the hospitality sector contributes significantly to national GDP and employment (KNBS, 2022). Yet the industry faces persistent challenges including high employee turnover, political instability, competitive pressures, and fluctuating tourist demand (Ondieki & Kung'u, 2023). These conditions heighten the need for entrepreneurial strategic behavior. While prior research has examined the relationship between strategic orientation and firm performance, empirical findings remain mixed (Frank et al., 2020; Baker & Sinkula, 2019). Furthermore, limited evidence exists within Sub-Saharan hospitality contexts.

From a Dynamic Capabilities perspective, entrepreneurial orientation enables firms to sense opportunities, seize emerging markets, and reconfigure internal resources to achieve sustained competitive advantage (Teece, 2007). However, the extent to which entrepreneurial orientation drives measurable performance outcomes in Nairobi's hospitality sector remains underexplored. This study therefore examines the influence of entrepreneurial orientation on firm performance within Kenya's hospitality industry.

## **Statement of the Problem**

Firm performance in the hospitality industry has exhibited persistent volatility globally and within emerging economies, raising concerns about strategic resilience and sustainability. The World Travel & Tourism Council (WTTC, 2023) reports that the global travel and tourism sector contributed 9.1% of global GDP in 2023, remaining below the 10.4% recorded in 2019. During the COVID-19 crisis, sectoral GDP declined by 49.1% in 2020, representing a loss of approximately USD 4.5 trillion (WTTC, 2021). Such contractions reveal the fragility of hospitality firms' revenue streams, asset utilization, and market share stability.

In Kenya, similar instability has been observed. The Kenya National Bureau of Statistics (KNBS, 2022) reported that accommodation and food service activities contracted by 47.7% in 2020, while international visitor arrivals declined by 72%. Tourism earnings fell from KSh 163.6 billion in 2019 to KSh 79.9 billion in 2020. Nairobi County, which hosts the highest concentration of hospitality enterprises, experienced occupancy rates below 30% during the crisis compared to pre-pandemic averages above 60% (Tourism Research Institute [TRI], 2021). Although recovery has begun, profitability and return on assets remain uneven across firms (TRI, 2023).

External shocks alone do not explain performance variability. Strategic management literature suggests that internal strategic posture influences how firms respond to turbulence. Entrepreneurial orientation, characterized by innovativeness, proactiveness, and risk-taking, has been identified as a critical driver of competitive advantage and firm performance (Hakala, 2021; Gupta & Batra, 2022). Empirical evidence indicates that firms exhibiting strong entrepreneurial orientation demonstrate higher sales growth, improved market positioning, and enhanced adaptability (Spanjol et al., 2021). However, findings remain inconsistent across contexts, particularly within emerging economies where institutional and structural constraints may affect the translation of entrepreneurial posture into measurable performance outcomes (Frank et al., 2020).

Despite Nairobi County's economic centrality and exposure to intense competition, limited empirical research has isolated and examined the influence of entrepreneurial orientation on firm performance within this context. Most Kenyan studies aggregate sectors or focus on coastal tourism zones, leaving Nairobi's hospitality firms underexamined. This contextual and empirical gap necessitates investigation. Therefore, the persistent instability in hospitality firm performance, coupled with inconclusive evidence regarding the performance implications of entrepreneurial orientation within emerging urban markets, forms the core problem addressed by this study.

## **Specific Objective**

Determine the influence of entrepreneurial orientation on firm performance in the hospitality industry in Nairobi County, Kenya

## **Research Hypotheses**

**H<sub>01</sub>:** Entrepreneurial orientation does not have a significant influence on firm performance in the hospitality industry in Nairobi County, Kenya

## **Literature Review**

### **Theoretical Review**

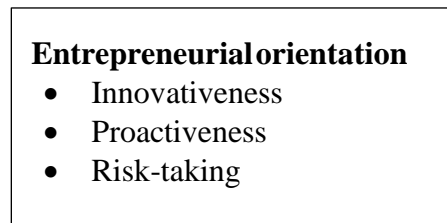
Psychologist Fred Edward Fielder put forth the Contingency Theory in 1964. This theory proposes that the degree to which an organization's internal resources, structure, and strategies complement the external environment in which it operates, determines how successful the organization is. The assertion that an effective organizational structure is dependent upon the context of an organization serves as the foundation for this theory. More specifically, the theory proposes that such a structure enables an organization to modify its structure so that it better suits the organization's circumstances (Mousanezhad et al., 2020). According to the theory, there is not a single type of structure that can be universally applied to all organizations; to put it another way, there is no one way that is superior to any other when it comes to designing an organization within the context of contingency. So, the theory of contingency can play a significant role in organizational design by helping to establish which structures are most suitable for a given set of conditions.

The contingency method is based on the premise that no single management accounting system is suitable for use in every imaginable set of circumstances and companies. One of the benefits of contingency theory is that it has contributed to the expansion and improvement of management theories by emphasizing the significance of environmental factors in managerial decision-making. The theory has also assisted management in organizations in enhance the effectiveness of decision making by acknowledging contingent variables such as environment, strategy, and organizational culture. The principle, as applied here, encourages an entrepreneurial mindset within organizations so that they can better compete (Morgan, 1993). Entrepreneurial mindsets are essential for companies to succeed in today's market.

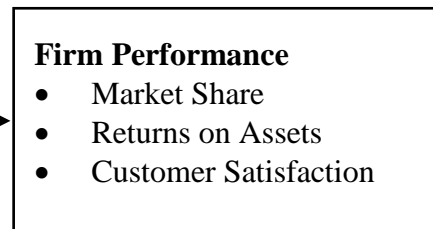
Therefore, this theory provided a rationale for including entrepreneurial orientation as a variable in the study. Entrepreneurial orientation, characterized by innovation, proactiveness, and risk-taking, enables firms to navigate complex and changing environments effectively (Morgan, 1993). The Contingency Theory highlighted the importance of entrepreneurial mindsets in achieving strategic fit, supporting the study's exploration of how entrepreneurial orientation impacts firm performance in the hospitality sector.

## Conceptual Framework

### Independent Variable



### Dependent Variable



**Figure 2. 1: Conceptual Framework**

### Entrepreneurial Orientation

The term entrepreneurial orientation refers to the method by which businesses lay the groundwork for entrepreneurial decisions (Lumpkin and Dess, 2022). Companies with an entrepreneurial mindset have the flexibility to adapt their operations to a shifting marketplace, the organizational buy-in to invest in the risks inherent in seizing opportunities, and the resources to do so (Covin and Slevin, 2019). Previous research has shown that an entrepreneurial mindset can boost an organization's productivity. This is due to the fact that companies that encourage risk-taking, proactiveness and innovation are more adept at adapting to new conditions (Gupta and Gupta, 2025).

Over the course of the last three decades, researchers have found that entrepreneurial orientation is one of the most studied topics in business and managerial studies (Covin et al., 2019; Gupta and Gupta, 2025). Although many different mediators exist between entrepreneurial orientation and firm performance, this research suggests that competitive advantage is one of them. The resource-based perspective provides theoretical backing for this mode of moderation by suggesting that a company's competitive advantage and exceptional performance stem from distinctive, highly prized, imperfectly imitable, and irreplaceable assets and skillsets (Barney et al., 2021). Property, abilities, procedures, organizational structures, company characteristics, data, and expert knowledge are all examples of resources (Barney et al., 2021). According to the findings of this research, an entrepreneurial mindset is an intangible asset that can help a company gain an edge in the marketplace and improve its overall performance. Findings suggest that an organization's entrepreneurial approach, which incorporates tactics for expanding its share of the market through innovation, is a significant intangible asset (Lumpkin and Dess, 2022).

### Firm Performance

Performance is the output measure of how successfully the resources of an enterprise have been harnessed in the development of value for the various stakeholders. The balanced score card is a

measure of organizational performance that was developed by Kaplan and Norton (1995). This measure takes into account both financial and non-financial aspects of the business. It is considered a potent method that can assist in translating an organization's mission and vision into a tool that can successfully communicate the strategic purpose of the organization (Kaplan and Norton, 1996). Because of the one-of-a-kind characteristics of the sector that is being investigated, this study employed three different ways to measure the performance of organizations. These included: market share, Return on Assets (ROA), and customer satisfaction.

What constitutes a firm's market share is the proportion of the market that it controls. It is a measure of the accuracy with which a company has forecast the shifting dynamics of the market as well as the specific requirements of the clients it intends to serve. In most cases, it is evaluated based on the extent to which customers prioritize the offerings of the company's competitors. This is mostly determined by looking at an organization's overall sales and expressing those sales as a percentage of the total sales that occur within that industry. This can be simply determined using the data that is published by the authorities who regulate the industry (Khantimirov, 2024).

Customer satisfaction can be defined as the degree to which a customer believes that a particular individual, business, or organization has effectively supplied a product or service that satisfies the customer's demands in the context in which the customer is aware of and using the product or service. Satisfaction is not something that is inherently present in either the human or the product; rather, it is a response that is socially produced in response to the relationship that exists between a customer, a product, and the supplier of the product. To the extent that a provider is able to exert some control on the various aspects of the relationship, that provider has some say over the level of satisfaction experienced by the customer (Cengiz, 2020). The Return on Assets (ROA) metric was also utilized in this study. Profitability is measured by how well a company is able to turn its diverse assets into cash (Dzisi and Ofosu, 2024).

### **Empirical Literature**

Gupta and Batra (2022) found in their study on the relationship between business orientation and the performance of small and medium-sized enterprises in India that having a strong entrepreneurial orientation confers a number of benefits on a company, one of which is the ability to determine ways in which new products can satisfy the requirements of customers that have not yet been satisfied. They can also be in a better position to demonstrate ways in which freshly produced items can be diverse in the eyes of its customers by displaying its fair contribution to its customers' needs. This can help them demonstrate that they are able to meet the needs of their customers. It was further demonstrated that entrepreneurial approach has an overall beneficial effect on the functioning of an enterprise. These findings supported those of earlier studies that

had been carried out, which had discovered a remarkable and direct link between the entrepreneurial orientation of a company and its degree of performance.

Studying the relationship between an entrepreneurial mindset and organizational success in the nonprofit sector, Chen and Chun-Hui (2024) focused on the moderating role played by a focus on the market. They arrived at this conclusion after doing research that revealed an inverted U-shaped association between an entrepreneurial mindset and business performance. They clarified that the association with the upside-down U depended on how market-oriented the association was. Each aspect of entrepreneurial orientation and performance were found to have an inverted U-shaped relationship in the study. The researchers employed a moderated hierarchical regression to ascertain the type of association among the 307 nonprofit-oriented businesses that made up the study's sample. The results also showed that there was not necessarily a U-shaped interaction between different aspects of market orientation and performance. When there was a substantial level of market knowledge and reaction generation, the relationship between performance and inventiveness was linear. Performance standards are high when there is a high level of reaction in the competitive intelligence.

According to Hartsfield (2024), businesses with an entrepreneurial attitude are more likely to take risks, innovate, and shun traditional, hierarchical organizational structures that get in the way of collaborative learning across companies. Businesses that are run by entrepreneurs promote a flexible work environment and provide their employees the freedom to be creative and contribute novel ideas (Lumpkin and Dess, 2022). Employees at such companies are extremely committed to learning and are provided with enough opportunities to do so. In addition, an entrepreneurial approach requires that management in the organization encourage innovative thinking, recognize their own flaws, and provide incentives to employees for coming up with ideas that improve the organization's performance (Miller and Shamsie, 2024). Because of this, people do not feel constrained to carry out activities in a particular manner, which in turn encourages them to have an open mind.

Gupta and Gupta (2025) conducted a study to determine if there is a correlation between an organization's entrepreneurial culture and its long-term financial success. The purpose of this study is to learn more about the link between an entrepreneurial mindset and a company's success over time. The authors acquired objective performance measurements from archival sources and constructed 10-year panel data from big, publicly listed German enterprises using letters to shareholders in order to derive information regarding entrepreneurial orientation (EO). In contrast to the previous research, the variables of interest in this study are measured annually throughout the sample period. According to the findings of numerous studies, an entrepreneurial orientation has a considerable impact on the performance of a company right from the start, but this impact gradually decreases throughout the course of its existence. Both in the short term and in the long

term, the effect of an entrepreneurial orientation on performance is influenced by the level of competitive intensity as well as the volatility of demand.

### **Research Methodology**

This study was grounded in a positivist research philosophy to enable objective measurement and statistical testing of hypothesized relationships among firm-level constructs. Positivism is appropriate where constructs are operationalized quantitatively and analyzed using inferential statistical techniques to establish empirical associations (Creswell & Creswell, 2018).

A cross-sectional correlational research design was adopted to examine the relationship between entrepreneurial orientation and firm performance among hospitality firms in Nairobi County. The design was appropriate because entrepreneurial orientation is an embedded organizational posture that cannot be experimentally manipulated. Correlational designs are suitable for estimating the strength and direction of relationships between naturally occurring variables using regression-based approaches (Field, 2018).

The target population comprised hotels, travel agencies, and tour operators registered with the Tourism Regulatory Authority in Nairobi County. Stratified random sampling was employed to ensure proportional representation of each subsector, followed by simple random selection within strata. One senior manager from each sampled firm was selected as the key informant, given their oversight role in strategic decision-making and performance monitoring.

Primary data were collected using a structured questionnaire with five-point Likert-scale items measuring entrepreneurial orientation dimensions, namely innovativeness, proactiveness, and risk-taking. Firm performance was measured using both perceptual indicators and available objective secondary data to enhance robustness and reduce common method bias. Reliability was assessed using Cronbach's alpha to confirm internal consistency. Construct validity was examined through established procedures assessing convergent and discriminant validity (Fornell & Larcker, 1981; Hair et al., 2022).

Data were analyzed using SPSS (version 28). Descriptive statistics summarized the distribution of entrepreneurial orientation and performance variables. The study then applied simple linear regression to test the direct effect of entrepreneurial orientation on firm performance:

$$Y = \beta_0 + \beta_1(\text{EO}) + \varepsilon$$

Where Y represents firm performance and EO represents entrepreneurial orientation. Statistical significance of  $\beta_1$  was used to determine whether entrepreneurial orientation significantly predicts firm performance. Diagnostic tests were conducted to assess regression assumptions including linearity, multicollinearity, normality of residuals, and homoscedasticity to ensure unbiased estimation (Field, 2018).

---

## **Research Findings and Discussion**

Out of the 293 questionnaires, 29 were used for pilot testing, leaving 264 questionnaires for the main study. From these, 240 completed questionnaires were returned and deemed usable, resulting in an overall response rate of 90.9%. This high response rate exceeds the widely accepted minimum of 60% for survey-based studies (Mugenda & Mugenda, 2003), reinforcing the validity and representativeness of the data collected. The returned questionnaires were reviewed for completeness, and all 240 were deemed suitable for quantitative and qualitative analysis.

### **Descriptive Analysis of Study Variables**

#### **Entrepreneurial Orientation**

This section examined how entrepreneurial orientation is practiced by firms in enhancing their performance. Eight items were used to assess the extent to which respondents agreed with specific entrepreneurial practices, including innovativeness, proactiveness, and risk-taking. Respondents evaluated each statement on a 5-point Likert scale where:

1 = No extent, 2 = Little extent, 3 = Moderate extent, 4 = Great extent, 5 = Very great extent. Table 1 presents the summary of the findings obtained.

**Table 1: Descriptive Statistics on Entrepreneurial Orientation**

Statement	1 f(%)	2 f(%)	3 f(%)	4 f(%)	5 f(%)	Mean	SD
Several new services have recently been introduced by the firm	4 (1.7%)	8 (3.3%)	32 (13.3%)	120 (50.0%)	76 (31.7%)	4.077	0.859
The transition of services is typically very important in the firm	6 (2.5%)	14 (5.8%)	36 (15.0%)	116 (48.3%)	68 (28.3%)	3.950	0.928
The company demonstrates strong innovativeness by consistently developing cutting-edge services and products that exceed expectations compared to its competitors.	5 (2.1%)	11 (4.6%)	40 (16.7%)	119 (49.6%)	65 (27.1%)	3.950	0.899
The company typically adopts an aggressive stance towards competitors	7 (2.9%)	16 (6.7%)	38 (15.8%)	121 (50.4%)	58 (24.2%)	3.865	0.954
The company exhibits a clear risk-taking direction, especially in profitable-related decisions often venturing into uncertain but potentially rewarding opportunities.	6 (2.5%)	12 (5.0%)	44 (18.3%)	112 (46.7%)	66 (27.5%)	3.927	0.928
The firm displays strong proactiveness by pursuing emerging opportunities during periods of high uncertainty.	5 (2.1%)	10 (4.2%)	39 (16.3%)	124 (51.7%)	62 (25.8%)	3.950	0.888
Products and services are periodically evaluated to ensure they match customer needs.	3 (1.3%)	11 (4.6%)	35 (14.6%)	118 (49.2%)	73 (30.4%)	4.022	0.872
The firm has developed a technological mindset to develop new products.						3.965	0.894
<b>Aggregate Mean</b>						<b>3.964</b>	<b>0.903</b>

The descriptive results indicate that entrepreneurial orientation is practiced to a generally high extent. The introduction of new services recorded the highest mean ( $M = 4.077$ ), which corresponds to a great extent on the measurement scale. The accompanying standard deviation ( $SD = 0.859$ ), interpreted relative to a mean close to 4.0 on a 1–5 scale, indicates low-to-moderate dispersion, implying that most firms reported similar levels of service innovation, although some variation exists across respondents. This pattern is consistent with the sector's need for agility and differentiation in a competitive service environment.

Service transition importance ( $M = 3.950$ ,  $SD = 0.928$ ) and the development of cutting-edge services and products ( $M = 3.950$ ,  $SD = 0.899$ ) were both rated to a great extent. In both cases, the standard deviations are below 1.0 and close to the mean position near 4.0, suggesting that responses were concentrated around agreement, reflecting relatively consistent entrepreneurial practices across firms. By contrast, adopting an aggressive stance toward competitors recorded the lowest mean ( $M = 3.865$ ), although it still reflects a great extent on the scale. The standard deviation ( $SD = 0.954$ ), when considered alongside the mean, suggests moderate variability, indicating that competitive aggressiveness is not uniformly practiced, with some firms reporting stronger competitor-driven postures than others.

Risk-taking in profitability-related decisions ( $M = 3.927$ ,  $SD = 0.928$ ) and proactiveness during uncertainty ( $M = 3.950$ ,  $SD = 0.888$ ) were also rated to a great extent. The mean values near 4.0 show that, on average, firms adopt risk-taking and proactive behaviors, while the standard deviations, interpreted relative to the mean, indicate that the majority of responses cluster around agreement, with only modest dispersion across firms. Periodic evaluation of products and services to match customer needs recorded a strong mean ( $M = 4.022$ ) and a relatively low  $SD$  (0.872). Given the high mean and comparatively lower dispersion, this suggests a broadly shared practice of continuous improvement among firms.

Overall, the aggregate mean for entrepreneurial orientation was 3.964, indicating that entrepreneurial orientation is adopted to a great extent. The aggregate standard deviation of 0.903 should not be described as “high agreement” in absolute terms. Interpreted relative to a mean near 4.0 on a 1–5 scale, it reflects low-to-moderate variability, suggesting that firms generally report similar entrepreneurial practices, though differences in intensity exist.

These results align with existing literature emphasizing that entrepreneurial orientation, encompassing innovativeness, risk-taking, and proactiveness, serves as a catalyst for enhanced firm performance in dynamic and uncertain environments. Scholars such as Lumpkin and Dess (2021) and Keh et al. (2022) assert that firms with strong entrepreneurial intensity are more agile in responding to market changes and securing competitive advantages. The present findings, therefore, reinforce the theoretical position that entrepreneurial orientation is a key strategic driver of success in Nairobi’s hospitality industry.

In addition to the Likert scale statements analyzed quantitatively, respondents were asked an open-ended question to explain how entrepreneurial orientation has influenced performance in their organization. The aim was to obtain deeper insights into the real-world impact of entrepreneurial behaviors beyond numeric scores. Thematic analysis of these responses revealed three dominant themes: innovation-driven competitiveness, market responsiveness, and risk-based growth strategies.

Many respondents described how continuous innovation has become a core strategy for staying competitive. For instance, one respondent shared that *We regularly introduce new safari packages based on trends and feedback, which keeps us ahead*. This reflects how innovativeness enables firms to differentiate their offerings and attract new customer segments. This finding echoes insights from Kraus et al. (2020), who emphasized that innovation is central to entrepreneurial orientation and directly supports performance enhancement in dynamic service industries.

Another commonly expressed theme was proactive market responsiveness. Several managers highlighted their ability to adapt swiftly to changing customer preferences and market conditions. One noted, *During COVID, we quickly repackaged our services for local tourists, that saved our business*. This aligns with the concept of strategic agility, a key attribute of entrepreneurial orientation as identified by Wales et al. (2021). It demonstrates how proactiveness and flexibility allow firms to seize emerging opportunities and mitigate risks.

Risk-taking also emerged as a significant theme. A number of respondents cited their firm's willingness to invest in new technologies or market ventures even in the face of uncertainty. For example, one stated, *Risk-taking helped us venture into digital booking systems before others did, and that boosted our reach*. This proactive risk posture aligns with Tang et al. (2021), who argued that such behavior is instrumental in sustaining long-term growth in competitive industries like hospitality.

Additionally, several respondents linked entrepreneurial practices to enhanced internal processes, such as increased employee engagement and service quality. One manager remarked, *Staff are encouraged to pitch new ideas, which has boosted both morale and service quality*. This supports the view that fostering an entrepreneurial culture contributes to both operational efficiency and customer satisfaction, critical aspects of firm performance.

Therefore, the qualitative findings complement the quantitative results, which showed a high aggregate mean score of 3.964, suggesting that entrepreneurial orientation is perceived as being applied to a great extent. The open-ended feedback strengthens this conclusion by offering practical illustrations of how entrepreneurial practices translate into tangible performance gains. Together, these findings reinforce the view presented in the literature that entrepreneurial orientation is a key strategic asset in driving firm performance within the hospitality sector.

### **Performance of Firms**

This section analyzes the perceived performance levels of hospitality firms in Nairobi County based on key indicator being market share, returns on assets and customer satisfaction. Respondents were asked to rate eight performance-related statements on a 5-point Likert scale: 1 = No extent, 2 = Little extent, 3 = Moderate extent, 4 = Great extent, 5 = Very great extent. The responses of 240 participants were analyzed.

**Table 2: Descriptive Statistics on Firm Performance**

Statement	1 f(%)	2 f(%)	3 f(%)	4 f(%)	5 f(%)	Mean	SD
Annually, the firm has demonstrated strong financial performance, with a steady increase in its return on assets.	4 (1.7)	10 (4.2)	40 (16.7)	115 (47.9)	71 (29.6)	3.963	0.919
The firm's annual sales have been rising.	3 (1.3)	8 (3.3)	31 (12.9)	120 (50.0)	78 (32.5)	4.077	0.871
The firm's market share has grown over time.	5 (2.1)	12 (5.0)	39 (16.3)	110 (45.8)	74 (30.8)	3.928	0.931
A portion of the company's budget is set aside for advertising and performance measures.	4 (1.7)	9 (3.8)	36 (15.0)	108 (45.0)	83 (34.6)	3.944	0.929
The company prioritizes customer satisfaction by prioritising feedback and responding promptly to client concerns and suggestions.	2 (0.8)	6 (2.5)	28 (11.7)	118 (49.2)	86 (35.8)	4.147	0.854
The number of negative feedbacks to the firm has been minimized.	6 (2.5)	13 (5.4)	38 (15.8)	107 (44.6)	76 (31.7)	3.922	0.967
The company has focused on ensuring internal customer (staff) satisfaction.	4 (1.7)	11 (4.6)	35 (14.6)	106 (44.2)	84 (35.0)	4.000	0.942
The firm is able to adjust effectively to changing market dynamics.	3 (1.3)	9 (3.8)	34 (14.2)	116 (48.3)	78 (32.5)	4.021	0.889
<b>Aggregate Score</b>						<b>4.000</b>	<b>0.913</b>

The findings indicate that respondents generally perceive firm performance to be strong across financial, customer, and strategic dimensions. The rise in annual sales recorded a mean of 4.077 (SD = 0.871), which reflects performance to a great extent on the five-point scale. The relatively low standard deviation, interpreted alongside a mean above 4.0, indicates limited dispersion, suggesting that most firms cluster around agreement that sales performance has improved, with only moderate variation across respondents. Similarly, prioritization of customer feedback recorded the highest mean (M = 4.147, SD = 0.854), demonstrating strong agreement that customer responsiveness is embedded in firm operations. The combination of a high mean and comparatively lower dispersion indicates consistent emphasis on customer-centered performance practices across firms.

Return on assets (M = 3.963, SD = 0.919) also reflects positive performance, falling within the “great extent” range. The standard deviation, being below 1.0, suggests low-to-moderate variability, indicating that most firms report stable financial efficiency, though differences in asset returns exist. Growth in market share (M = 3.928, SD = 0.931) and allocation of budgets toward

advertising and performance measures ( $M = 3.944$ ,  $SD = 0.929$ ) similarly indicate adoption to a great extent. In both cases, standard deviations approaching 1.0 imply moderate dispersion, suggesting that while expansion and structured performance investment are common, the intensity of these practices varies across firms.

Efforts to reduce negative feedback ( $M = 3.922$ ,  $SD = 0.967$ ) and ensure internal staff satisfaction ( $M = 4.000$ ,  $SD = 0.942$ ) further reinforce the perception of positive organizational outcomes. Although the means reflect general agreement, the standard deviations indicate moderate variability, implying that improvements in service quality and internal culture are not uniformly experienced across all firms. Adaptability to changing market conditions ( $M = 4.021$ ,  $SD = 0.889$ ) was also rated to a great extent, and the relatively lower dispersion suggests that most firms perceive themselves as responsive to environmental shifts.

The aggregate mean of 4.000 confirms that, overall, firms perceive their performance to be strong. The aggregate standard deviation of 0.913, interpreted relative to a mean at the “great extent” level on a five-point scale, reflects low-to-moderate variability rather than complete uniformity. This indicates that while positive performance perceptions are widely shared across the hospitality sector, meaningful differences remain in the magnitude of financial outcomes, market gains, and internal performance practices among firms.

These results align with studies for instance, Mwikali and Kimathi (2022) emphasized that customer responsiveness and employee satisfaction significantly predict firm performance in service industries. Likewise, Odhiambo and Wekesa (2021) found that adaptability and investment in customer-centered practices are critical success factors for Kenyan hospitality firms. The high performance scores across multiple indicators in this study reinforce those observations, demonstrating that strategic orientations positively translate into performance outcomes when operationalized effectively.

### **Simple Linear Regression Analysis**

The objective of this study was to examine the influence of entrepreneurial orientation on the performance of hospitality firms in Nairobi County, Kenya. Entrepreneurial orientation (EO) sums up the firm’s ability to innovate, take risks, and act proactively in uncertain and competitive environments. In the context of hospitality, where customer demands and industry dynamics are in constant flux, EO serves as a strategic compass enabling firms to rapidly adapt and seize new market opportunities.

To evaluate this relationship, a simple linear regression analysis was conducted using firm performance as the dependent variable and entrepreneurial orientation as the independent variable. The statistical significance of the model was assessed at a 95% confidence level, with a p-value threshold of 0.05. For the model fit and explanatory power, the results are summarized in Table 3.

**Table 3: Model Summary – Entrepreneurial Orientation and Firm Performance**

Model	R	R Square	Adjusted R Square	Std. Error of Estimate
1	0.680 <sup>a</sup>	0.462	0.459	0.312

a. Predictors: (Constant), Entrepreneurial Orientation

b. Dependent Variable: Firm Performance

The model yielded an R-value of 0.680, indicating a strong positive linear correlation between entrepreneurial orientation and firm performance. The R Square value of 0.462 suggests that entrepreneurial orientation explains 46.2% of the variance in firm performance. The Adjusted R Square of 0.459 confirms that the model retains its explanatory power even when generalized to the broader population. This level of explanatory strength is substantial, indicating that nearly half of the performance outcomes among hospitality firms can be statistically linked to their entrepreneurial posture. These results echo the findings of Gupta and Gupta (2025), who noted that entrepreneurial orientation is a key antecedent of strategic agility and sustainable performance in dynamic industries.

To test the overall significance of the model, the study employed ANOVA (Analysis of Variance), as shown in Table 4.29.

**Table 4. 1: ANOVA – Entrepreneurial Orientation and Firm Performance**

Source	Sum of Squares	df	Mean Square	F	Sig.
Regression	24.753	1	24.753	204.570	.000 <sup>b</sup>
Residual	28.848	238	0.121		
Total	53.601	239			

a. Predictors: (Constant), Entrepreneurial Orientation

b. Dependent Variable: Firm Performance

The F-statistic is 204.570 with a p-value < 0.05, which is significantly below the 0.05 threshold. This confirms that the regression model is statistically significant, and that the variation in firm performance accounted for by entrepreneurial orientation is not due to random chance. According to Barney et al. (2021), a strong F-statistic indicates a robust model fit, especially in strategic behavior studies. These results reinforce the conceptual argument that entrepreneurial behavior is not only desirable but vital for survival and growth in dynamic sectors such as hospitality.

For the strength and direction of influence, the regression coefficients are detailed in Table 4.

**Table 4: Coefficients Output – Entrepreneurial Orientation and Firm Performance**

Model	Unstandardized Coefficients (B)	Std. Error	Standardized Coefficients (Beta)	t-value	Sig.
(Constant)	0.475	0.083	,	5.723	0.000
Entrepreneurial Orientation	0.680	0.048	0.680	14.292	0.000

The coefficient output indicates that the unstandardized beta (B) for entrepreneurial orientation is 0.680, with a t-value of 14.292 and a p-value of less than 0.05, indicating a strong and statistically significant positive effect on firm performance. The standardized beta coefficient ( $\beta = 0.680$ ) matches the Pearson correlation coefficient ( $R = 0.680$ ) reported earlier in the model summary, which is expected in a simple linear regression model involving only one predictor variable. This unstandardized beta implies that a one unit increase in entrepreneurial orientation leads to a 0.680 increase in firm performance. These findings are consistent with prior empirical studies such as those by Miller and Shamsie (2024), who emphasized that entrepreneurial behavior, especially innovation and calculated risk-taking, enhances firm adaptability and long-term performance.

Based on the regression output, the fitted regression equation is:

$$\text{Firm Performance} = 0.475 + 0.680 (\text{Entrepreneurial Orientation})$$

This equation shows that when entrepreneurial orientation is zero, the predicted baseline level of firm performance is 0.475. For every one-unit increase in entrepreneurial orientation, the performance score is expected to increase by 0.680 units, assuming other factors remain constant. This reinforces the strategic value of entrepreneurial behavior in boosting firm performance, particularly within the dynamic and competitive hospitality sector in Nairobi County.

The regression findings provide compelling evidence to reject the null hypothesis ( $H_0$ ), confirming that entrepreneurial orientation has a statistically significant and positive influence on the performance of hospitality firms in Nairobi County. The strong coefficient and the model's explanatory power ( $R^2 = 46.2\%$ ) suggest that firms that embrace entrepreneurial strategies, such as innovation, risk-taking, and proactiveness, are more likely to achieve superior performance outcomes. This supports the conceptual perspective of contingency theory, which emphasizes alignment between organizational strategy and external environmental conditions as a driver of performance.

### Discussion of Findings

The findings revealed that entrepreneurial orientation had the strongest positive and statistically significant influence on firm performance. This finding agrees with Lumpkin and Dess (2021), who argue that innovativeness, proactiveness, and risk-taking are primary drivers of competitive

advantage in dynamic environments. Their work suggests that entrepreneurial orientation enhances performance particularly when firms operate in uncertain markets, a condition that closely characterizes Nairobi's hospitality sector.

The results further align with Gupta and Batra (2022), who found that entrepreneurial orientation significantly improves firm performance in service-based industries when firms are exposed to environmental turbulence. The hospitality industry in Nairobi has experienced fluctuating tourist demand, digital disruption, and post-pandemic restructuring, which likely increased the relevance of entrepreneurial behaviors. In this context, firms that proactively introduced new services, explored new customer segments, and embraced calculated risk-taking appear to have realized stronger performance outcomes.

The findings also support the Dynamic Capabilities perspective advanced by Teece (2020), which emphasizes that firms must continuously reconfigure resources to respond to environmental shifts. Entrepreneurial orientation facilitates such reconfiguration by encouraging opportunity recognition and innovation. Therefore, the strong influence observed in this study is theoretically coherent.

However, the dominance of entrepreneurial orientation over market orientation slightly diverges from studies that position market orientation as the primary predictor of performance in service industries (Laukkanen et al., 2023). While Laukkanen et al. emphasize responsiveness to customer intelligence as central to performance, the present study suggests that in Nairobi's hospitality sector, proactive innovation and risk-taking may be more decisive than market sensing alone. This divergence may be explained by contextual differences, where rapid environmental change makes proactive opportunity exploitation more critical than reactive adaptation.

## **Conclusions**

Entrepreneurial orientation emerges as the most influential strategic dimension. The evidence indicates that innovativeness, proactiveness, and calculated risk-taking provide firms with a decisive competitive edge in a dynamic and uncertain environment. The hospitality sector in Nairobi operates within fluctuating demand patterns, intense competition, and ongoing digital transformation. Under such conditions, firms that actively introduce new services, anticipate market shifts, and pursue opportunity-driven strategies achieve superior performance. The dominance of entrepreneurial orientation suggests that proactive strategic behavior is more powerful than reactive adaptation in driving performance outcomes within this context.

---

## **Recommendations**

### **Policy Implications**

Regulatory bodies such as the Tourism Regulatory Authority and county-level economic planning units should establish structured innovation support frameworks within the hospitality sector. Since entrepreneurial orientation demonstrated a strong positive influence on firm performance, policy instruments such as innovation grants, tax incentives for new service development, and structured incubation programs would enhance sector-wide competitiveness. Targeted financial support mechanisms can stimulate calculated risk-taking and service innovation, particularly among growth-oriented hospitality firms.

Government agencies should also institutionalize entrepreneurial capacity-building programs within the tourism ecosystem. Structured executive development programs focusing on opportunity recognition, innovation management, and strategic risk assessment would strengthen managerial capability and enhance firm-level performance resilience.

In addition, policies that reduce bureaucratic barriers to new service introduction and business model innovation would encourage proactive strategic behavior across the industry.

### **Managerial Implications**

Managers should embed entrepreneurial orientation as a central performance strategy. Firms must institutionalize innovation processes through structured idea-generation systems, dedicated budgets for new service development, and formal evaluation mechanisms for emerging opportunities. Proactiveness should be translated into systematic market scanning rather than reactive decision-making.

Risk-taking should be managed strategically rather than informally. Firms should adopt portfolio-based innovation investment approaches to balance exploratory initiatives with operational stability. Entrepreneurial culture must also be reinforced through incentive systems that reward calculated experimentation and strategic initiative.

Hospitality firms should further align entrepreneurial initiatives with measurable performance targets to ensure that innovation activities directly contribute to sales growth, asset utilization, and customer acquisition outcomes.

### **Directions for Future Research**

Future studies should examine entrepreneurial orientation using longitudinal designs to assess how innovation-driven strategies influence performance over extended periods. Additionally, comparative studies across counties or tourism segments may reveal contextual variations in the strength of the entrepreneurial orientation–performance relationship. Qualitative case-based

investigations could further explore how hospitality firms operationalize innovativeness, proactiveness, and risk-taking in practice.

### **Contribution of the Study**

This study contributes to strategic management theory by strengthening the empirical foundation of Entrepreneurial Orientation within service-sector environments, particularly in emerging economies. While entrepreneurial orientation has been widely studied in manufacturing and SME contexts, limited evidence exists within African hospitality markets. By empirically demonstrating that innovativeness, proactiveness, and risk-taking significantly predict firm performance in Nairobi's hospitality sector, the study reinforces the applicability of Entrepreneurial Orientation theory in volatile, service-intensive industries.

The findings extend Dynamic Capabilities Theory by illustrating that entrepreneurial orientation functions as a sensing and opportunity-seizing mechanism in environments characterized by environmental turbulence and demand volatility. In hospitality contexts where performance is highly sensitive to external shocks, entrepreneurial posture emerges as a strategic capability that enhances adaptability and competitive positioning.

Empirically, the study enriches the geographic scope of entrepreneurial research by providing robust evidence from Kenya, a developing economy where strategic management scholarship remains underrepresented. This contributes to contextual diversification of the literature and addresses calls for greater inclusion of emerging markets in strategic orientation research.

Methodologically, the study enhances rigor by combining perceptual performance measures with objective secondary performance indicators, reducing common method bias and strengthening internal validity. The validated multi-item measurement scale further supports replicability in future hospitality-based research.

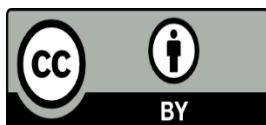
Practically, the findings provide actionable guidance for hospitality managers by identifying entrepreneurial behavior as a primary driver of firm performance. This offers a strategic roadmap emphasizing innovation systems, opportunity recognition mechanisms, and structured risk management practices as central to competitive success.

## References

- Aiken, L. S., & West, S. G. (1991). *Multiple regression: Testing and interpreting interactions*. SAGE Publications.
- Baker, W. E., & Sinkula, J. M. (1999). The synergistic effect of market orientation and learning orientation on organizational performance. *Journal of the Academy of Marketing Science*, 27(4), 411–427.
- Balodi, K. C. (2024). Strategic orientation and organizational forms: An integrative framework. *European Business Review*.
- Barney, J. B. (1991). Firm resources and sustained competitive advantage. *Journal of Management*, 17(1), 99–120.
- Barney, J. B., Ketchen, D. J., Jr., & Wright, M. (2021). The future of resource-based theory: Revitalization or decline? *Journal of Management*, 47(7), 1677–1690.
- Cengiz, E. (2020). Measuring customer satisfaction: Must or not. *Journal of Naval Science and Engineering*, 6(2), 76–88.
- Chen, H.-L., & Hsu, C.-H. (2024). Entrepreneurial orientation and firm performance in nonprofit service organizations: Contingent effect of market orientation. *The Service Industries Journal*.
- Cohen, W. M., & Levinthal, D. A. (1990). Absorptive capacity: A new perspective on learning and innovation. *Administrative Science Quarterly*, 35(1), 128–152.
- Covin, J. G., & Slevin, D. P. (1989). Strategic management of small firms in hostile and benign environments. *Strategic Management Journal*, 10(1), 75–87.
- Creswell, J. W., & Creswell, J. D. (2018). *Research design: Qualitative, quantitative, and mixed methods approaches* (5th ed.). SAGE Publications.
- Dźwigoł, H. (2020). Scientific research methodology in management sciences. *Financial and Credit Activity: Problems of Theory and Practice*, (2), 424–437.
- Dzisi, S., & Ofosu, D. (2024). Marketing strategies and the performance of SMEs in Ghana. *Marketing*, 6(5), 102–111.
- Field, A. (2018). *Discovering statistics using IBM SPSS statistics* (5th ed.). SAGE Publications.
- Fiedler, F. E. (1964). A contingency model of leadership effectiveness. In L. Berkowitz (Ed.), *Advances in experimental social psychology* (Vol. 1, pp. 149–190). Academic Press.
- Fornell, C., & Larcker, D. F. (1981). Evaluating structural equation models with unobservable variables and measurement error. *Journal of Marketing Research*, 18(1), 39–50.
- Frank, H., Kessler, A., & Fink, M. (2020). Entrepreneurial orientation and business performance. *Academy of Management Perspectives*.

- Gupta, V., & Batra, S. (2022). Entrepreneurial orientation and firm performance: Evidence from SMEs. *International Entrepreneurship and Management Journal*.
- Gursoy, D., & Swanger, N. (2020). The future of hospitality research: The critical role of hospitality leaders. *International Journal of Hospitality Management*.
- Hair, J. F., Jr., Hult, G. T. M., Ringle, C. M., & Sarstedt, M. (2022). *A primer on partial least squares structural equation modeling (PLS-SEM)* (3rd ed.). SAGE Publications.
- Hakala, H. (2021). Strategic orientations in management literature: Three approaches to understanding the interaction between market, technology, entrepreneurial and learning orientations. *International Journal of Management Reviews*.
- Hartsfield, S., Johansen, D., & Knight, G. (2024). Entrepreneurial orientation, strategy, and marketing capabilities in the performance of born global firms. *International Business: Research, Teaching, and Practice*, 12(1), 112–138.
- Kaplan, R. S., & Norton, D. P. (1992). The balanced scorecard: Measures that drive performance. *Harvard Business Review*, 70(1), 71–79.
- Kaplan, R. S., & Norton, D. P. (1996). *The balanced scorecard: Translating strategy into action*. Harvard Business School Press.
- Kenya National Bureau of Statistics. (2022). *Economic survey 2022*. KNBS.
- Khantimirov, D. (2024). Market share as a measure of performance: Conceptual issues and financial accountability for marketing activities within a firm. *Journal of Research in Marketing*, 17(3), 587–592.
- Kraus, S., Breier, M., & Dasí-Rodríguez, S. (2020). The art of crafting a systematic literature review in entrepreneurship research. *International Entrepreneurship and Management Journal*, 16, 1023–1042.
- Laukkanen, T., Nagy, G., Hirvonen, S., Reijonen, H., & Pasanen, M. (2023). The effect of strategic orientations on business performance in SMEs: A multigroup analysis comparing Hungary and Finland. *International Marketing Review*.
- Lumpkin, G. T., & Dess, G. G. (1996). Clarifying the entrepreneurial orientation construct and linking it to performance. *Academy of Management Review*, 21(1), 135–172.
- Miller, D., & Shamsie, J. (1996). The resource-based view of the firm in two environments: The Hollywood film studios from 1936 to 1965. *Academy of Management Journal*, 39(3), 519–543.
- Morgan, G. (1993). *Imaginization: New mindsets for seeing, organizing and managing*. SAGE Publications.
- Mugenda, O. M., & Mugenda, A. G. (2003). *Research methods: Quantitative and qualitative approaches*. Acts Press.

- Narver, J. C., & Slater, S. F. (1990). The effect of a market orientation on business profitability. *Journal of Marketing*, 54(4), 20–35.
- Ncube, F., & Jerie, S. (2022). Leveraging employee engagement for competitive advantage in the hospitality industry: A comparative study of hotels A and B in Zimbabwe. *Journal of Emerging Trends in Economics and Management Sciences*, 3(4), 380–388.
- Ondieki, C., & Kung'u, K. (2023). Challenges facing the hospitality industry in Kenya. *African Journal of Hospitality, Tourism and Leisure*.
- Sekaran, U., & Bougie, R. (2021). *Research methods for business: A skill-building approach* (9th ed.). Wiley.
- Sigala, M. (2020). Tourism and COVID-19: Impacts and implications for advancing and resetting industry and research. *Journal of Business Research*, 117, 312–321.
- Spanjol, J., Tam, L., Qualls, W. J., & Bohlmann, J. D. (2021). New product team decision making: Regulatory focus effects on number, type, and timing decisions. *Journal of Product Innovation Management*, 38(5), 623–640.
- Teece, D. J. (2007). Explicating dynamic capabilities: The nature and microfoundations of (sustainable) enterprise performance. *Strategic Management Journal*, 28(13), 1319–1350.
- Tourism Research Institute. (2021). *Tourism sector performance report 2020/2021*. Tourism Research Institute, Kenya.
- Tourism Research Institute. (2023). *Tourism sector performance report 2023*. Tourism Research Institute, Kenya.
- World Travel & Tourism Council. (2019). *Economic impact report 2019*. WTTC.
- World Travel & Tourism Council. (2021). *Economic impact report 2021*. WTTC.
- Zhou, K. Z., Brown, J. R., & Dev, C. S. (2019). Market orientation, competitive advantage, and performance. *Journal of Business Research*.



©2026 by the Authors. This Article is an open access article distributed under the terms and conditions of the Creative Commons Attribution (CC BY) license (<http://creativecommons.org/licenses/by/4.0/>)