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**ENTREPRENEURIAL DETERMINANTS AFFECTING THE GROWTH OF SMALL  
AND MEDIUM ENTERPRISES IN THE MOTOR VEHICLE INDUSTRY IN NAIROBI  
COUNTY, KENYA**

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**ENTREPRENEURIAL DETERMINANTS AFFECTING THE GROWTH OF SMALL AND MEDIUM ENTERPRISES IN THE MOTOR VEHICLE INDUSTRY IN NAIROBI COUNTY, KENYA**

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**Abstract**

**Purpose:** The current study sought to establish the entrepreneurial determinants affecting the growth of small and medium enterprises in the motor vehicle industry in Nairobi county, Kenya. The study specifically aimed at assessing how entrepreneurial innovativeness, Service Quality, Entrepreneurial Competency and business operational policies determines the growth of SMEs in motor vehicle industry in Nairobi County, Kenya.

**Methodology:** The study was anchored on Schumpeter's Innovation Theory, Commitment Trust Theory, Competency Theory and Policy Theory. A descriptive research design was adopted and the target population comprised of SMEs operating within Central Business District in Nairobi County. A total of 245 SMEs were targeted and the unit of observation comprised of owners, managers and supervisors of the enterprises. A census approach was adopted where all the targeted enterprises were involved in the study. Questionnaires were used for collecting data both qualitative and quantitative data. The study conducted a pilot on 12 small enterprises in Kiambu County before collecting data for the main study to assess the reliability and validity of the questionnaires. Data was analyzed using both Microsoft excel and SPSS tools. Both descriptive and inferential statistics were used. The study findings were presented in form of tables and figures for easier interpretation.

**Findings:** The study concludes that the entrepreneurial innovativeness level has a positive and significant influence on the growth of SMEs in motor vehicle industry in Nairobi County, Kenya. In addition, the study concludes that the service quality has a positive and significant influence on the growth of SMEs in motor vehicle industry in Nairobi County, Kenya. Further, the study concludes that the entrepreneurial competency has a positive and significant influence on the growth of SMEs in motor vehicle industry in Nairobi County, Kenya. The study also concludes that the business operational policies have a positive and significant influence on the growth of SMEs in motor vehicle industry in Nairobi County, Kenya.

**Unique Contribution to Theory, Practice and Policy:** From the results, the study recommends that the management of SMEs in the motor vehicle industry should enhance their ability to introduce new product, new services and ability to capture market niche of products and services. In addition, that the management of SMEs in the motor vehicle industry should be more focused on ensuring quality services are provided to their customers.

**Key Words:** *Entrepreneurial Innovativeness, Service Quality, Entrepreneurial Competency Business Operational Policies and Growth of SMEs*

## INTRODUCTION

SMEs are defined as businesses or firms which are small and have medium sizes. Additionally, they are firms that come up as a result of an individual entrepreneurial activity (Nummela, 2011). However, there exist various definitions of the term SMEs due to their characteristics and global diversity. This has been acknowledged by Amonn (2010) who noted that having a universal definition of an SMEs has been difficult since different nations have different modalities of defining SMEs. Additionally, many countries have defined SMEs in respect to manpower, size of capital invested, type of business engaged and the management structure. SMEs play a key role in the development of the economy as they constitute about 99% of all enterprises worldwide. In developing countries, SMEs have long been recognized as drivers for realizing economic growth. A KNBS Report (2016) noted that SMEs contribute about 80% of Kenya's employment and more than 40% of the country's GDP. Additionally, the sector contributes to the economy of the country through conservation and utilization of locally available resources, taxes, provision of services and goods, conserving and earning foreign exchange amongst other benefits. Various nations around the world have widely recognized that the unemployment issue faced by citizens can be eradicated through job creations by promoting and enhancing the various activities under the execution of SMEs (Yang & Young, 2018). This has called for the need to sustain and grow enterprises through enhancing entrepreneurial activities and providing encouragement to prospective entrepreneurs to explore their business ideas, pursue their dreams and translate them into appropriate commercial activities. This is due to the fact that business skill development especially in SMEs has been on the increase which has necessitated managers operating in the retail industry to advocate for the important need of addressing the needed skills amongst when running SMEs (Yang & Young, 2018).

However, despite the significant roles played by SMEs in social economic development of countries, the sector faces numerous challenges that act as inhibitors to the growth. According to Shoshaand and Kalemi (2016), an SME is considered to be growing if it is generating significant earnings of cash flows which continues to increase in a faster rate than the overall growth of the economy. Koech (2017) noted that the amount of sales made and the amount of profits generated from the sales majorly constitute to the growth of the SME. Another indicator of growth as Moreno and Casillas (2017) notes is the expansion of branches of the same line of product or service in various regions which calls for increase in the number of employees. These indicators of growth are rarely witnessed amongst majority of SMEs as many of them fail to live to see their second birthday. A study by the Capital Market Authority of Kenya (2016) revealed that Kenyan SMEs are exposed to constraints that lower their capability of risking which inhibits them from attaining targeted levels of growth. Challenges such as credit unworthiness, lack of entrepreneurial skills, unfavorable legal environment and inadequate capital amongst others have been identified as major causes of failure of SMEs.

### Global Perspective of Determinants of SMEs Growth

SMEs play a key role in the economic development of different countries globally through creation of employment and utilization of available resources. This role has prompted governments to adopt supportive measures that create a conducive thriving environment for the SMEs. Govori (2013) noted that support in areas such as technology accessibility contributes significantly to the growth of the firms in the sector. Countries such as Japan initiated a process aimed at promoting the growth of SMEs by creating a technology accessible environment for all

small businesses. This enabling environment enabled the country to witness a significant growth in the number of small businesses. Biswafit and Deebdeep(2014) notes that the realization of the need to adopt relevant and cost effective technology amongst SMEs contributes to increased market reachability and production of quality goods and services and competes effectively in the markets. There is a high growth and survival rates of SMEs in Austria. Remarkably, the businesses majorly comprising of less than 50 employees contribute more than 98% of all enterprises operating in the country. These businesses further constitute to more than 56% of all employment. According to Dana (2015), there was an increase of 11.6% in the growth of the number of SMEs between 1995 and 2003 which was attributed to the adoption of various initiatives that created an enabling environment for the establishment, development and expansion of new small businesses in the country. Initiatives such as entrepreneurial training, mentorship programs, and financial support by the government enabled the country to witness a high survival rate of newly established small enterprises. According to OECD Report (2010), approximately 83% of new enterprises still operates after 3 years of establishment while more than 72% still exist and operate after 5 years.

In the United States, small enterprises constitute of 99.3% of all businesses in the country while the medium sized constitute of 0.6%. Consequently, more than 500,000 small enterprise are established every year in the country where more than 66% lasts for two years while 50% survives for more than 4 years (Ou, 2016). The high number of small businesses in the country has been contributed by the existence of supportive programs by the government that instills entrepreneurial training to prospective entrepreneurs. The knowledge acquired from the trainings instills confidence on the prospective entrepreneurs that enables them run the enterprises towards the set direction. In India, micro, small and medium enterprises play a key role in the development of the country's industrial sector. The enterprises accounts for the production of more than 33% of the country's total exports. Additionally, the sector has registered consistently high growth rates on comparison with other economic sectors. The SME sector in the country is made up 12.8 million enterprises that has employed approximately 31 million citizens. According to Simple Business Ideas (2016), the successful nature of the SMEs in the country is attributed to the establishment of various financing options that extend loans to prospective and prevailing entrepreneurs. Of more important is the fact that the Indian government have simplified the registration processes for establishing an enterprise which has enabled majority of the citizens to establish small enterprises.

### **Regional Perspective of Determinants of SMEs Growth**

Nigerian economy attach a high value on SMEs in the country especially in the manufacturing sector due to the significant contributions the sector make to the country's economy. According to Eniola and Ektebang (2014), SMEs sector is made up of between 70% and 90% of all business established in the manufacturing sector. Tsokar(2011) established that MSME in the country accounts for 25% of all employment and contribute up to 45% of the nation's GDP. The significance of the sector has prompted the stakeholders to establish innovative venues where existing and aspiring entrepreneurs can present their ideas and be guided on means of transforming the ideas to profitable businesses. This is coupled by mentoring activities from experienced and successful business individuals who instills confidence on the entrepreneurs (Obiwuruet *et al.*, 2011).

The growth of SMEs in Chad has been limited by the prevailing government policies that guide establishment and running of enterprises. According to Kara, Chu and Benzing (2010), a damaging and a serious problem that threatens entrepreneurship establishment in Chad is the absence of the government interest and lack of support for SMEs. This is coupled by existence of the taxation policy that acts as a limiting factor to growth due to the high taxes levied on profits from small enterprises. In fact in 2012, a World Bank Report on Doing Business listed the country as one of the most difficult country to establish and run a business. South Africa hosts more than 2.8 million small and medium sized enterprises which contributes to approximately 36% of the country's GDP and creates for than 60% of all jobs in the country annually (Ministry of Trade and Industry, 2020). However, majority of the firms in the sector faces survival challenges due to prevailing harsh operational environment in the country. A report from Small Business Projects (2015) on the country's SME Growth Index established that 2 in every five small firms faces stagnation which culminates to their collapse. According to the report, the cause of collapse and stagnation is attributed to stringent regulations, unfavorable economic conditions, entrepreneurial incapability and high costs of labor.

### **Statement of the Problem**

SMEs play a critical role in Kenyan economic development since the sector accounts for a significant portion of the country's economic activities both in rural and urban areas. According to Bwisa and Ngugi (2015), the sector accounts for more than 70% of all annual jobs created thus regarded as major driver for employment creation and economic growth. SMEs further contributes up to 80% of Kenyan total employment in addition to contributing to about 40% of the country's Gross Domestic Product (GDP) (KNBS Report, 2016). Despite the significance of the sector in the country's economic development, majority of SMEs face high failure rates. According to KNBS Survey Report (2017), more than 60% of SMEs fail each year with a survival rate of 7.9 years for the ones that survive. Additionally, the report revealed that more than 400,000 SMEs do not live to see their second birthday. Others still survive by experience stagnated growth which eventually culminates to the collapse of the enterprise. The success, survival and failure of SMEs have been a subject of interest amongst many researchers for many years. Majority of the researchers have been attempting to reveal the primary causes of growth or failure of SMEs operating in different areas of the economy. Studies such as Garwe and Olawale (2016) sought to establish the obstacles associated with the growth of SMEs found in South Africa and identified both internal and external factors as majorly contributing to growth failures of the SMEs.

Another study by Nkonoki (2017) sought to establish the factors that limited growth of SMEs in Tanzania and identified factors such as corruption, government policies, inappropriate record keeping and lack of appropriate business plan. These two studies were conducted in different countries. A study by Mwobobia (2016) focused on establishing challenges faced by women initiated SMEs and identify measures undertaken to curb the challenges. The study identified challenges such as inadequate financing, discrimination, lack of managerial skills and unfriendly legal framework. Another study by Koech (2017) focused on examining financial factors impeding SMES growth in Kenya with a focus in Kamukunji District. These studies were undertaken in different contexts. The current study was conducted in the context of SMEs specifically dealing with motor vehicles. The current study sought fill the existing knowledge gaps by establishing the entrepreneurial determinants affecting the growth of small and medium enterprises in the motor vehicle industry in Nairobi county, Kenya.

## **Objectives of the Study**

- i. To assess how entrepreneurial innovativeness levels determines the growth of SMEs in motor vehicle industry in Nairobi County, Kenya
- ii. To assess how service quality determine the growth of SMEs in motor vehicle industry in Nairobi County, Kenya
- iii. To examine how entrepreneurial competency determines the growth of SMEs in motor vehicle industry in Nairobi County, Kenya
- iv. To evaluate how business operational policies determines the growth of SMEs in motor vehicle industry in Nairobi County, Kenya

## **LITERATURE REVIEW**

### **Theoretical Review**

#### **Schumpeter's Innovation Theory**

The theory was proposed by Schumpeter in 1934 when outlining the role played by innovation in the process of entrepreneurship. Schumpeter offered a description of “creative destruction” where creation of wealth results from disruption of prevailing structures of the markets by bringing in new services and goods which forces resources shift from prevailing firms to new and upcoming ones thus paving a way of growth in the new firms. Remarkably, the scholar referred innovation as the entrepreneur’s specific and main tool for development, the line through which prospective entrepreneurs can exploit changes as an avenue for identifying distinct products or services. Schumpeter (1942) emphasized on the entrepreneur roles as the primary agents for executing the role of constructive destruction and laid an emphasis on the need for entrepreneurs to continuously search for innovativeness sources, the symptoms and changes that projects opportunities for innovation success. According to Dess and Lumpkin (2002), the creative destruction process initiated by the entrepreneur makes innovation a crucial factor in the growth and development of businesses. Consequently, levels of innovativeness and entrepreneurial relationship has been previously supported by Shane *et al.*, (1991), who established that innovation forms one of the key motive in initiating and successfully running a business. The theory contributes to the current study by informing on the level of innovativeness variable of the study. Innovation according to the theory is one of the entrepreneurs’ crucial tool through which opportunities in the markets can be identified and exploited. For the purposes of maintaining growth, entrepreneurs in the SMEs sector need to be innovative in areas of product and services development in order to remain competitively in the market.

#### **Commitment Trust Theory**

The Commitment-Trust Theory was proposed by Morgan and Hunt in 1994 and suggests that two crucial factors i.e commitment and trust must prevail in the operations of firms in order to create and enhance good customer relationships. According to Morgan and Hunt (1994), an outstanding relationship between the firm and its customers builds a firm bond amongst customers by fulfilling their needs as well as cherishing their commitments. The theory further adds that rather than businesses focus on profits on short terms, there is a need to be concerned with customer retention through provision of quality services and products that satisfies their needs. The theory defines trust as the level of confidence amongst parties involved in a relationship. Business organizations create trust through developing a level of confidence with

their existing customers. This is however based on several factors including consistence, reliability, and satisfaction. Stone *et al.*, (2007) posits that customers create a confidence perspective on a firm from past different relationships and interactions. This plays a role in enabling the firm attract prospective customers, enhance performance of organization and increases the volume of sales. On the other hand, the theory defines commitment as the long-term urge to retain and maintain a good association. This urge is deemed crucial in enhancing the firm maintain and develop its customers' relationship. This matches with the theorist hypothesis that good relationships between firms and customers can be assessed in terms of the firms' level of continuity in the provision of quality goods and services to customers which improves the customers' level of confidence and loyalty. The theory emphasizes on the need of enhancing the level of service quality that aims at retaining the existing customers while at the same time attracting new ones. When a customer is guaranteed of quality services and products, he/she ends up committing his/her purchases to the firm thus making the firm grow. For SMEs in the motor vehicle sector to perform well and expand their business, there is a need to adopt the right customer relationship and management skills aiming at enhancing the quality of service in order to retain existing ones while attracting other.

### **Competency Theory**

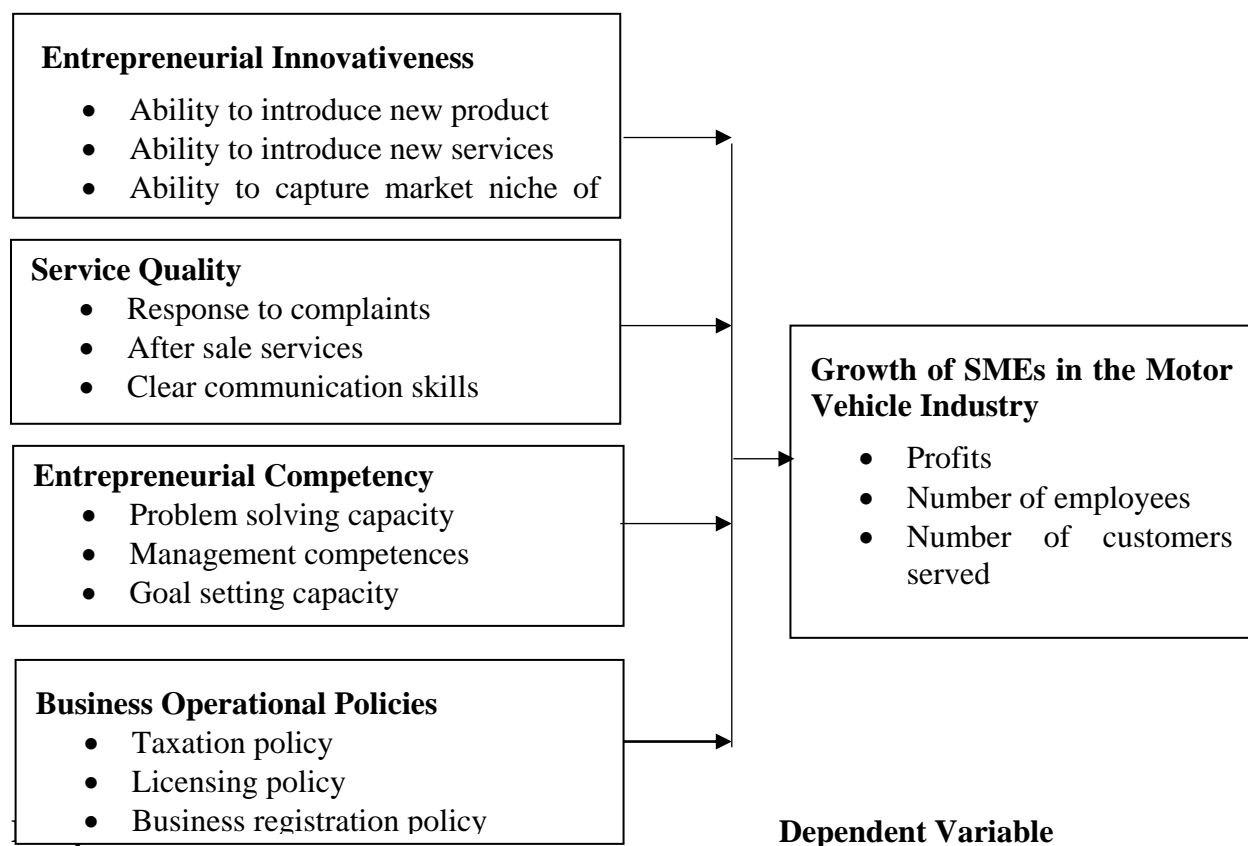
The theory was proposed by McClelland and McBer in 1980 and suggests that competency comprises of individual's key characteristics that relates casually to superior performance in a specific task or job. The theory is underpinned in the premises of management skills which comprise of technical, interpersonal and conceptual skills. The theory further posits that the ability of managers to communicate, their responsive behaviors and negotiation strategy makes up. According to the theory, leader's ability to communicate, negotiation tactics and responsive behavior adds up to the degree of competencies which acts as a determinant on how an enterprise is governed and managed. Competency theory contributes to the current study as it lays an emphasis on the crucial need of running an enterprise guided by managers who possess key managerial skills. The level of competencies endowed by managers determines the path through which a firm takes since its through their decisions that shapes the execution of activities in the within the enterprise. The theory states that managers abilities of solving problems and setting goals determines the level of performance of the firm. Growth can only be achieved in a firm when there is good management that take care of the needs of the customers as well as for the employees. It is therefore important for SMEs operating in the motor vehicle sector to adopt appropriate business management skills in order to attain set growth and performances objectives.

### **Policy Theory**

The theory was proposed by Colebatch in 2002 and aims at providing a space where parties formulate and design governing policies that guides execution of set activities. The formulation of policies is closely followed by signing of documents which acts as reference points. Colebatch (2002) asserts that policies governing implementation and formulation of policies provides an avenue for assessing the implication of set policies in the execution of activities by the subjects. Smith (2004) extends the association between power, which is primarily exercised by the government, and policy where he noted that established and formulated policies form a process for meditating social relations. Smith (2004) further established that the aim of policies is to organize relations socially through governing current and future social practices. The theory is

further advanced by Ball (2012) who disclosed that emergent discourses identifies the position of participants, set boundaries and relevant precaution actions for a policy. The theory is of relevance to the current study as it seeks to inform on how policies formulated by the governments have the possibility of positively or negatively contributing to growth of enterprises in the country. The establishment of enterprises is guided by set rules and regulations formulated by the government and the more stringent the regulations, the lesser effective they become in contributing to the success of the enterprise. For realization of performance and growth amongst SMEs, there is a need for the government to establish favorable regulations that guide their establishment and their operations.

### Conceptual Framework



**Figure 1: Conceptual Framework**

#### Entrepreneurial Innovativeness

Konsti, Pihkala, Kraus(2012) defines innovativeness as the extent to which an entity adopts new ideas earlier than its counterparts in the system. The prevailing competitive nature in business operations exposes firms to risks of poor performance resulting to the exit from the market unless they become innovative in all areas of operations. To stand competitively in the markets, Mahemba and Bruijn (2013) notes that there is a need to adopt new ways of doing business in areas such as production, provision of services, marketing and in managing customers. A high rate of innovativeness in areas such product development and marketing can place a firm in a better position to explore undiscovered opportunities. According to Mahemba and Bruijn (2013),



the level of innovativeness in a firm determines to a great extent the level of performance which then determines how a firm grows. For the firms that need to stand competitively in the markets and attain set development goals, innovativeness in operations of the business is a key component that need to be encouraged in all levels of management. The simplicity nature of SMEs characterized by low risks, flexibility, simplified organization structure, and receptivity places them in a better position to capitalize on innovation and exploring new ways of doing business.

### **Service Quality**

Agbim and Oriarewo (2013) defines service quality as the set of skill that enables a firm in the identification, attracting and increasing the number of profitable customers through managing their relationship with the firm. The term further entail development and maintenance of long-term mutually and beneficial relationships between a firm and its strategic customers. The quality of services enables a business to connect well with customers which creates a room for understanding their needs well and addressing them sufficiently. Agbim and Oriarewo (2013)notes that understanding customers in a better way enables a firm formulate effective ways of addressing customers' needs. This reduces the levels of complaints as well as product return rates thus boosting the satisfaction levels of customers. Additionally, a firm stands at a better position for attracting prospective customers while at the same time retaining the existing ones. According to Mohammed and Rashid(2012), service quality plays a role in the management customers where service staffs are in a position to cope with the issues and concerns raised by the customers. To effectively manage customer relations, a firm needs to collect data about customers and use the collected data in facilitating the levels of customer services by availing the information required in solving the concerns and issues available for the purpose of dealing with the customers. This according to the scholar, contributes to increased customer satisfaction which culminates to improved performances. The ability to handle customers effectively lays a basis for deciding the future direction of a firm. Nabi(2012) notes that service quality comprises of a concepts that a firm uses to enhance its capability of retaining its prevailing customers, attracting new ones and gaining strategic competitive advantage over other firms. The main purpose of the attribute is to create and manage customer relationships effectively through accurate and detailed analysis of data associated with customers. Additionally, the relationships helps a firm in achieving its development goals and in improving customer experience in the firm.

### **Entrepreneurial Competency**

Operational activities within SMEs are bestowed on individuals who have been assigned the managerial responsibilities to guide the rest of the team towards achieving set performance and growth goals. Absence of relevant managerial skills on the team exposes the SME to managerial problems that culminates to poor performances. According to Baylie and Singh (2019), entrepreneurial competency comprises of the ability of a leader to execute different managerial duties in a firm with the aim of leading the firm towards achievement of set performance goals. A good entrepreneurial competency is acquired from doing one thing for a long time and interacting with different people in different levels in the firms managerial hierarchy. Leaders in an SME need to have various set of attributes associated with managerial capacity such as the right skills, ability to set achievable goals, problem solving capacity, ability to communicate well with other employees among others. Rasmulia (2016) posited that a person running an enterprise

need to have technical capacities that comprise of the techniques and knowledge required to skilfully use tools in performing various activities in the business. Additionally, being in acquainted with human related skills which entails capability of working well with others in a group or individual set up creates an avenue for understanding the problems being faced and formulating ways of addressing the problems.

### **Business Operational Policies**

Policies refers to specific procedures, guidelines, methods, rules or administrative practices that have been established to support and encourage carrying out of activities geared towards realizing set performance goals (Eniola & Entebang, 2015). According to Edmore (2017), policies provide a guideline on the procedures to be followed when executing certain activities and further provides an outline on the results expected. In the operation of business, policies formulated and implemented by the government outlines the reasons as to why activities should be conducted in a specific certain way and the reason as to why they should be conducted in that way. In running a business in Kenya, government policies formulated in terms of laws and regulations guides the procedures that need to be followed in establishing a business as well as the conditions that need to be fulfilled in the course of running the business. Eniola and Entebang (2015) notes that government policies set constraints, limits, and boundaries that guide on the administrative actions that should be taken in the course of running a business and sets clarifications on the do's and don'ts that an entrepreneur should keep off. The violation of the set policies by the business call for tough consequences that negatively affects the business operations. Policies allows a business owner know and understand what the law expects and the consequences that follows the violation. Irrespective of the scope and form of the policies, they act as the guiding principles for establishing and running a business.

### **Growth of SMEs**

According to Magambo(2015),despite the existence of numerous SMEs in various economic sectors which have diversified in various activities, one common aspect appears in all the SMEs; the desire to grow and become more successful. Many businesses view success from various perspectives but the most common one is defined by the levels of profits gained in a specific period. However, there exist other success definitions depending on the activities being carried out by the business and the goals set. For example, some business view success and growth when they develop new products, increase the number of employees and open more branches. This is supported by Government Press Publishers (2014) who noted that performance and growth indicators cannot be assessed only through the level of profits only. According to Mathu and Gichira (2016), the level of customer satisfaction, quality of services/products, market share and innovation characterize growth and performances of majority of SMEs and they are not reported in terms of earnings. The extent to which customers are satisfied is depicted by the number of times that particular customer visits the business premises for services or products. Additionally, a satisfied customer acts as a referral to other prospective customers which increases the customer base for the business thus promoting its growth. In the motor vehicle industry, existence of unscrupulous businesses exposes clients to poor quality services and products leaving them unsatisfied. This in the long run chases the prevailing and potential clients away thus exposing the business to the risks of failing. Another measurement of growth of SMEs in the motor vehicle sector is assessed in the number of employees working at certain periods in the business. According to Magambo(2015),a business that have a high number of employees is said

to be growing since high number of employees is an indicator of existence of various activities in the business. Remarkably, a high number of employees ensures execution of activities is done in the shortest time possible thus saving the client more time. This increases the levels of satisfaction which promotes the growth of the business.

## RESEARCH METHODOLOGY

The study adopted a descriptive design and targeted SMEs in the motor vehicle industry operating in Nairobi County and operating within Central Business District. According to Nairobi County, Trade and Licensing Department (2018), there are 245 SMEs in motor vehicles sector operating in the central business district. These SMEs form the unit of analysis. The SMEs according to the licensing department are categorized into Mechanical repair, Electrical repair, Welding, Spray painting and upholstery. The study used structured questionnaires to collect quantitative data captured through a 5-point likert scale. Inferential and descriptive statistics was used to analyze data. Results of the analysis were presented by use of tables and figures. Inferential statistics was used to establish the association between independent variables and dependent variable. The study used the following regression model:

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \varepsilon$$

Y = Growth of SMEs,  $X_1$  = Entrepreneurial innovativeness,  $X_2$  = Service Quality,  $X_3$  = Entrepreneurial Competency,  $X_4$  = Business Operational Policies,  $\alpha$ =regression coefficient,  $\beta_1, \beta_2, \beta_3$  and  $\beta_4$ = coefficients of various independent variables and  $\varepsilon$  =error term

## RESULTS

A total of 245 questionnaires were distributed by the researcher during the process of data collection and 236 questionnaires were fully filled and returned back to the research thus giving a response rate of 96.3%. Kothari (2012) indicates that a response rate that is above 50% is adequate for data analysis.

### Descriptive Statistics

Descriptive statistics were adopted in the study as the statistics enabled the researcher to describe the distribution of measures on the items contained in the variables. Both means and standard deviation were adopted as the descriptive statistics in the current study. In developing the descriptive statistics, the researcher first rated the responses using a scale of 1-5 and then presenting the average means and standard deviation per each of the statement. In the questionnaire, respondents were presented with statements on each variable and were requested to rate the statements in a scale of 1-5 where 5= Strongly Agree, 4= Agree, 3= Neutral, 2= Disagree and 1= Strongly Disagree.

### Entrepreneurial Innovativeness Levels and the Growth of SMEs

The first specific objective of the study was to assess the influence of entrepreneurial innovativeness levels on the growth of SMEs in motor vehicle industry in Nairobi County, Kenya. The respondents were requested to rate various statements relating to the entrepreneurial innovativeness levels and the growth of SMEs. The results in Table 1 shows that the respondents agreed that they have the capability of identifying markets for our products and services. This is

shown by a mean of 4.407 (std. dv = 0.684). Further, the participants also agreed that their business is able to identify market gap in the market. This is supported by a mean of 4.259 (std. dv = 0.931). As shown by a mean of 4.148 (std. dv = 0.759), the participants agreed that develop products in respect to the needs of their customers. As shown in the results, the respondents agreed that their business is able to develop new products. This is shown by a mean of 4.019 (std. dv = 0.710). In addition, the respondents agreed that their business focuses on satisfying the needs of customers through innovating in products and services. This is shown by a mean of 3.937 (std. dv = 1.293). The participants also agreed that they are innovative in upgrading the levels of services in our business. This is shown by a mean of 3.800 (std. dv = 0.797). In addition, the respondents agreed that their business is able to customize the products to fit the need of our customer. This is shown by a mean of 3.752 (std. dv = 0.653).

**Table 1: Entrepreneurial Innovativeness Levels and the Growth of SMEs**

	Mean	Std. Deviation
Our business is able to develop new products	4.019	0.710
Our business is able to customize the products to fit the need of our customers	3.752	0.653
We develop products in respect to the needs of our customers	4.148	0.759
We are innovative in upgrading the levels of services in our business	3.800	0.797
Our business focuses on satisfying the needs of customers through innovating in products and services	3.937	1.293
We have the capability of identifying markets for our products and services	4.407	0.684
our business is able to identify market gap in the market	4.259	0.931

### Service Quality and the Growth of SMEs

The second specific objective of the study was to assess the influence of service quality on the growth of SMEs in motor vehicle industry in Nairobi County, Kenya. The respondents were requested to rate various statements relating to service quality and the growth of SMEs. The results shown Table 2 revealed that the respondents agreed that their level of customer skills have increased the number of clients. This is shown by a mean of 4.463 (std. dv = 0.106). Further, the participants also agreed that there are established communication means in the business. This is supported by a mean of 4.370 (std. dv = 0.882). As shown by a mean of 4.315 (std. dv = 0.590), the participants agreed that their team has excellent communication skills for handling customers.

As shown in the results, the respondents agreed that the business provides after sale services to their customers. This is shown by a mean of 4.259 (std. dv = 0.931). In addition, the respondents agreed that all complaints are dealt with on timely basis. This is shown by a mean of 4.241 (std. dv = 0.110). The participants also agreed that they have established various communication channels in the business. This is shown by a mean of 4.148 (std. dv = 0.873). In addition, the respondents agreed that the businesses have established means of addressing customers complains. This is shown by a mean of 3.722 (std. dv = 0.874).

**Table 2: Service Quality and the Growth of SMEs**

	Mean	Std. Dev
The business have established means of addressing customers complains	3.722	0.874
All complaints are dealt with on timely basis	4.241	0.110
The business provides after sale services to our customers	4.259	0.931
There are established communication means in the business	4.370	0.882
We have established various communication channels in the business	4.148	0.873
Our team have excellent communication skills for handling customers	4.315	0.590
Our level of customer skills have increased the number of clients	4.463	0.106

**Entrepreneurial Competency and the Growth of SMEs**

The third specific objective of the study was to assess the influence of entrepreneurial competency on the growth of SMEs in motor vehicle industry in Nairobi County, Kenya. The respondents were requested to rate various statements relating to entrepreneurial competency and the growth of SMEs. The results in Table 3 shows that the respondents agreed that the management team has the relevant skills for running the business. This is shown by a mean of 4.407 (std. dv = 0.711). Further, the participants also agreed that there is emphasis on team work from the management. This is supported by a mean of 4.259 (std. dv = 0.931). As shown by a mean of 4.278 (std. dv = 0.561), the participants agreed that the management team is experienced running the business. As shown in the results, the respondents agreed that the management has the capacity to handle employees related problems. This is shown by a mean of 4.185 (std. dv = 0.775). In addition, the respondents agreed that the team has the capacity of setting realistic goals. This is shown by a mean of 3.944 (std. dv = 0.214). The participants also agreed that the team has the capacity of setting achievable goals. This is shown by a mean of 3.907 (std. dv = 0.301). In addition, the respondents agreed that the management has the capacity to handle customer related problems. This is shown by a mean of 3.822 (std. dv = 1.088).

**Table 3: Entrepreneurial Competency and the Growth of SMEs**

	Mean	Std. Dev
The management has the capacity to handle employees related problems	4.185	0.775
The management has the capacity to handle customer related problems	3.822	1.088
The management team has the relevant skills for running the business	4.407	0.711
The management team is experienced running the business	4.278	0.561
The team has the capacity of setting realistic goals	3.944	0.214
The team has the capacity of setting achievable goals	3.907	0.301
There is emphasis on team work from the management	4.259	0.931

### Business Operational policies and the Growth of SMEs

The fourth specific objective of the study was to evaluate the influence of business operational policies on the growth of SMEs in motor vehicle industry in Nairobi County, Kenya. The respondents were requested to rate various statements relating to business operational policies and the growth of SMEs. The results in Table 4 shows that the respondents agreed that are high licensing charges for the business. This is shown by a mean of 3.917 (std. dv = 0.136). Further, the participants also agreed that there is a tiring business registration process. This is supported by a mean of 3.911 (std. dv = 0.219). As shown by a mean of 3.866 (std. dv = 1.091), the participants agreed that the registration process demands availability of documents that are expensive to acquire. As shown in the results, the respondents agreed that the taxes negatively affect the performances of the business. This is shown by a mean of 3.837 (std. dv = 0.148). In addition, the respondents agreed that business registration process is complicated and length. This is shown by a mean of 3.822 (std. dv = 1.088). The participants also agreed that the licensing charges are increased periodically. This is shown by a mean of 3.806 (std. dv = 0.203). In addition, the respondents agreed that the government levies high taxes on the business. This is shown by a mean of 3.740 (std. dv = 0.218).

**Table 4: Business Operational policies and the Growth of SMEs**

	Mean	Std. Devi
The government levies high taxes on the business	3.740	0.218
The taxes negatively affects the performances of the business	3.837	0.148
There are high licensing charges for the business	3.917	0.136
The licensing charges are increased periodically	3.806	0.203
There is a tiring business registration process	3.911	0.219
The registration process demands availability of documents that are expensive to acquire	3.866	1.091
Business registration process is complicated and lengthy	3.822	1.088
<b>Aggregate</b>	<b>3.871</b>	<b>0.201</b>

### Inferential Statistics

#### Correlation Analysis

The present study used Pearson correlation analysis to determine the strength of association between independent variables (entrepreneurial innovativeness levels, service quality, entrepreneurial competency and business operational policies) and the dependent variable (the growth of SMEs in motor vehicle industry in Nairobi County, Kenya) dependent variable. Pearson correlation coefficient range between zero and one, where by the strength of association increase with increase in the value of the correlation coefficients. The current study employed Taylor (2018) correlation coefficient ratings where by 0.80 to 1.00 depicts a very strong relationship, 0.60 to 0.79 depicts strong, 0.40 to 0.59 depicts moderate, 0.20 to 0.39 depicts weak.

**Table 5: Correlation Coefficients**

		SME growth	Entrepreneurial Innovativeness Levels	Service Quality	Entrepreneurial Competency	Business Operational Policies
SME growth	Pearson Correlation	1				
	Sig. (2-tailed)					
Entrepreneurial innovativeness levels	Pearson Correlation	.849**	1			
	Sig. (2-tailed)	.002				
Service quality	Pearson Correlation	.857**	.289	1		
	Sig. (2-tailed)	.001	.061			
Entrepreneurial competency	Pearson Correlation	.899**	.172	.193	1	
	Sig. (2-tailed)	.000	.079	.084		
Business operational policies	Pearson Correlation	.915**	.185	.189	.279	1
	Sig. (2-tailed)	.000	.078	.081	.074	
	N	236	236	236	236	236

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

From the results, there was a very strong relationship between entrepreneurial innovativeness levels and the growth of SMEs in motor vehicle industry in Nairobi County, Kenya ( $r = 0.849$ ,  $p$  value =0.002). The relationship was significant since the  $p$  value 0.002 was less than 0.05 (significant level). The findings are in line with the findings of Muhammad and Khan (2016) who indicated that there is a very strong relationship between entrepreneurial innovativeness levels and SME growth. Moreover, the results revealed that there is a very strong relationship between service quality and the growth of SMEs in motor vehicle industry in Nairobi County, Kenya ( $r = 0.857$ ,  $p$  value =0.001). The relationship was significant since the  $p$  value 0.001 was less than 0.05 (significant level). The findings conform to the findings of Boamah (2014) that there is a very strong relationship between service quality and SME growth. Further, the results revealed that there is a very strong relationship between entrepreneurial competency and the growth of SMEs in motor vehicle industry in Nairobi County, Kenya ( $r = 0.899$ ,  $p$  value =0.000). The relationship was significant since the  $p$  value 0.000 was less than 0.05 (significant level). The findings are in line with the findings of Naatu, Anafo and Nsubugah (2016) that there is a very strong relationship between entrepreneurial competency and SME growth. The results also revealed that there was a very strong relationship between business operational policies and the growth of SMEs in motor vehicle industry in Nairobi County, Kenya ( $r = 0.915$ ,  $p$  value =0.000). The relationship was significant since the  $p$  value 0.000 was less than 0.05 (significant level). The findings are in line with the results of Baylie and Singh (2019) who revealed that there is a very strong relationship between business operational policies and SME growth.

### Regression Analysis

Multivariate regression analysis was adopted to establish the relationship between the independent variables (entrepreneurial innovativeness levels, service quality, entrepreneurial competency and business operational policies) and the dependent variable (the growth of SMEs in motor vehicle industry in Nairobi County, Kenya).

The multivariate regression model was as follows:

$$Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \varepsilon$$

Where; Y = is the dependent variable (The growth of SMEs),  $\beta_0$  = Constant Term;  $\beta_1$ - $\beta_3$  = regression coefficients;  $X_1$ = Entrepreneurial innovativeness levels;  $X_2$ =Service quality;  $X_3$ = Entrepreneurial competency,  $X_4$ = Business operational policies and  $\varepsilon$  = error term. The research used R-squared to show the variation in dependent variable (The growth of SMEs in motor vehicle industry in Nairobi County, Kenya) that could be explained by (entrepreneurial innovativeness levels, service quality, entrepreneurial competency and business operational policies). The R squared was 0.734 and this implied that 73.4% of the dependent variable (the growth of SMEs in motor vehicle industry in Nairobi County, Kenya) could be explained by independent variables (entrepreneurial innovativeness levels, service quality, entrepreneurial competency and business operational policies).

**Table 6: Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.857 <sup>a</sup>	.734	.735	.17693

a. Predictors: (Constant), Entrepreneurial innovativeness levels, service quality, entrepreneurial competency and business operational policies

The research used analysis of variance to determine if the model was good fit for the data. As depicted in Table 7, the F calculated was 573.820 which is higher than the F critical value 2.411. Besides, the p value was 0.000 which is less than the significant level of 0.05. This implies that the model was a good fit for the data hence can be used to show the influence of independent variables (entrepreneurial innovativeness levels, service quality, entrepreneurial competency and business operational policies) on the dependent variable (the growth of SMEs in motor vehicle industry in Nairobi County, Kenya).

**Table 7: Analysis of Variance**

Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	97.321	4	24.330	573.820	.000 <sup>b</sup>
1 Residual	9.786	231	.0424		
Total	107.058	235			

a. Dependent Variable: The growth of SMEs

b. Predictors: (Constant), Entrepreneurial innovativeness levels, service quality, entrepreneurial competency and business operational policies

The regression model was as follows:

$$Y = 0.134 + 0.387X_1 + 0.486X_2 + 0.379X_3 + 0.454X_4$$



According to the results, entrepreneurial innovativeness levels has a significant effect on the growth of SMEs in motor vehicle industry in Nairobi County, Kenya  $\beta_1=0.387$ , p value= 0.000). The relationship was considered significant since the p value 0.000 was less than the significant level of 0.05. The findings are in line with the findings of Muhammad and Khan (2016) who indicated that there is a very strong relationship between entrepreneurial innovativeness levels and SME growth. The results also revealed that service quality has significant effect on the growth of SMEs in motor vehicle industry in Nairobi County, Kenya,  $\beta_1=0.486$ , p value= 0.001). The relationship was considered significant since the p value 0.001 was less than the significant level of 0.05. The findings conform to the findings of Boamah (2014) that there is a very strong relationship between service quality and SME growth.

Furthermore, the results revealed that entrepreneurial competency has significant effect on the growth of SMEs in motor vehicle industry in Nairobi County, Kenya  $\beta_1=0.379$ , p value= 0.002). The relationship was considered significant since the p value 0.002 was less than the significant level of 0.05. The findings are in line with the findings of Naatu, Anafo and Nsubugah (2016) that there is a very strong relationship between entrepreneurial competency and SME growth. In addition, the results revealed that business operational policies has significant effect on the growth of SMEs in motor vehicle industry in Nairobi County, Kenya  $\beta_1=0.454$ , p value= 0.000). The relationship was considered significant since the p value 0.000 was less than the significant level of 0.05. The findings are in line with the results of Baylie and Singh (2019) who revealed that there is a very strong relationship between business operational policies and SME growth.

**Table 8: Regression Coefficients**

Model		Unstandardized Coefficients		Standardized Coefficients Beta	t	Sig.
		B	Std. Error			
1	(Constant)	0.134	0.039		0.872	0.001
	Business Operational Policies	0.454	0.088	0.452	5.159	0.000
	Service Quality	0.486	0.107	0.482	4.542	0.001
	Entrepreneurial Competency	0.379	0.104	0.380	3.644	0.002
	Entrepreneurial Innovativeness	0.387	0.112	0.384	3.455	0.000

a Dependent Variable: The growth of SMEs

### Conclusion

The study concludes that the entrepreneurial innovativeness level has a positive and significant influence on the growth of SMEs in motor vehicle industry in Nairobi County, Kenya. The study established that ability to introduce new product, ability to introduce new services and ability to capture market niche of products and services influence the growth of SMEs in motor vehicle industry in Nairobi County, Kenya. In addition, the study concludes that the service quality has a positive and significant influence on the growth of SMEs in motor vehicle industry in Nairobi County, Kenya. The study established that response to complaints, after sale services and clear communication skills influence the growth of SMEs in motor vehicle industry in Nairobi County, Kenya.

Further, the study concludes that the entrepreneurial competency has a positive and significant influence on the growth of SMEs in motor vehicle industry in Nairobi County, Kenya. The study established that problem solving capacity, management competences and goal setting capacity influence the growth of SMEs in motor vehicle industry in Nairobi County, Kenya. The study also concludes that the business operational policies have a positive and significant influence on the growth of SMEs in motor vehicle industry in Nairobi County, Kenya. The study established that taxation policy, licensing policy and business registration policy influence the growth of SMEs in motor vehicle industry in Nairobi County, Kenya.

### **Recommendations**

The study found that the entrepreneurial innovativeness level has a positive and significant influence on the growth of SMEs in motor vehicle industry in Nairobi County, Kenya. This study therefore recommends that the management of SMEs in the motor vehicle industry should enhance their ability to introduce new product, new services and ability to capture market niche of products and services. In addition, the study found that the service quality has a positive and significant influence on the growth of SMEs in motor vehicle industry in Nairobi County, Kenya. This study therefore recommends that the management of SMEs in the motor vehicle industry should be more focused on ensuring quality services are provided to their customers. Further, the study found that entrepreneurial competency has a positive and significant influence on the growth of SMEs in motor vehicle industry in Nairobi County, Kenya. This study therefore recommends that the management of SMEs in the motor vehicle industry should be more alert when it comes to problem solving capacity, management competences and goal setting capacity. The study also found that business operational policies have a positive and significant influence on the growth of SMEs in motor vehicle industry in Nairobi County, Kenya. This study therefore recommends that the management of SMEs in the motor vehicle industry should adhere to taxation policy, licensing policy and business registration policy.

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