Moderating Role Of Entrepreneurial Training On The Relationship Between Government Regulations And Entrepreneurial Orientation Of Small And Medium Enterprises In Kenya

Lawrence .N. Kimando
Entrepreneurship and Procurement Department,
School Of Human Resource Development, JKUAT,
Nairobi, Kenya

Dr. Kenneth Lawrence Wanjau
Karatina University, Kenya.

Dr. Maurice Sakwa
JKUAT, Kenya

Prof. John M. Kihoro
Cooperative University College, Kenya
ABSTRACT

Small and Medium Enterprises in Kenya, play a key role in the economic development, being the source of income generation through the provision of new job opportunities, industrial change and innovation, stimulating competition and wealth creation. In the present economy, SMEs are facing tremendous challenges and threats to survive in environment that is very competitive hence the need to improve on their technological advancement and innovation and the understanding of regulations set by the government in order to stay in a competitive environment. The government of Kenya has introduced many regulations that have influenced the entrepreneurial orientation of SMEs both in the service and manufacturing sectors. The Alcohol Act 2010 seeks to regulate the alcohol production and sales. The aim of this study was to establish moderating role of entrepreneurial training on the relationship between government regulations and entrepreneurial orientation of small and medium enterprises in Kenya. The study targeted 115 owners/managers of alcohol retailing SMEs who have been in business for the last five years and are members of Pub, Entertainment and Restaurant Association of Kenya (PERAK). Qualitative and quantitative techniques were used to analyze both descriptive and inferential statistics.

Keywords: Entrepreneurial training, orientation, small and medium enterprise

Acronyms

- ACA: Alcohol control Act
- AIDS: Acquired Immunodeficiency Syndrome
- BAT: British American Tobacco
- CDC: Centre for Disease Control & Prevention
- EABL: East African Breweries Limited
- EO: Entrepreneur Orientation
- GDP: Gross Domestic Product
- HIV: Human Immunodeficiency Virus
- ISO: International Organizational of Standardization
- JKUAT: Jomo Kenyatta university of Agriculture and Technology
- KIPPRA: Kenya Institutes for Public Policy Research and Analysis
- R&D: Research and Development
- ROK: Republic of Kenya
- RTA: Traffic road accident

1. INTRODUCTION

1.1 BACKGROUND OF THE STUDY

In several hemispheres of this globe, the common problem faced by Small and Medium Enterprises as well as Cooperative is lack of financial capital, shortage in human resources, weak business network and market penetration ability, less-supporting business atmosphere, lack of business media and infrastructures, short product lifetime, and limited market access. To create favorable business atmosphere which is able to improve
micro, small, medium and medium enterprises (MSME) as well as cooperative, government takes pivotal role to guarantee and protect the MSMEs and cooperative’s to be able to compete (Chowdury, 2007).

Small and Medium Enterprises (SMEs) are important to almost all economies in the world, but especially to those in developing countries and, within that broad category, especially to those with major employment and income distribution challenges. Hisrich & Peter, (1990) posit that SMEs play an integral role in industrial change and innovation, and important vehicles of employment creation and economic growth. SMEs have turned round world economies, Kenya included. In 2005, SMEs in Kenya created 414,000 new jobs out of the total 458,900 jobs created that year representing almost 90% jobs creation. In the year 2006, out of the 469,000 new jobs created, 418,000 were from the SMEs sector (Republic of Kenya [RoK], 2008).

The Government of Kenya has recognized the pivotal role played by SMEs and in its Finance Bill 2007, abolished 379 licenses out of the existing 1325 licenses for trading in the country (RoK, 2007) to promote SMEs sector as licensing system had been a great impediment towards the growth of this sector. The number of SMEs in Kenya is high but mortality rate is also high as very few survive after the third anniversary (ROK, 2005). SMEs are supposed to follow government rules and regulations in their operations.

1.2 PUB, ENTERTAINMENT AND RESTAURANT ASSOCIATION OF KENYA (PERAK)
PERAK is an Association that was founded and registered in the interest of Pub, Entertainment and Restaurant operations with a view of coming together to resolve common problems in the industry and to develop a strict code of conduct for its members.

PERAK is a non political organization consisting of law abiding citizens as stressed in its Constitution. One of PERAK’S functions is to ensure compliance to regulations governing the hospitality industry as well as social responsibility. With their strict code of conduct and their professionalism, PERAK members ensure that their guests / patrons enjoy the best standards in quality, cleanliness and security during a visit of any of their establishments.

1.3 STATEMENT OF THE PROBLEM
To date, the research on entrepreneur’s orientation is fragmented and ad hoc (Bird & Schjoedt, 2009). Since the alcohol regulation was effected in 2010, there are very few SMEs dealing with alcohol retailing that have started business or a few have grown or expanded in Kenya. The restrictions are opined in the Alcohol Drinks Control Act 2010. In Kenya, SMEs dealing with alcohol retailing and are registered members of Pub, Entertainment and Restaurant Association of Kenya (PERAK) have declined, that is, from 287 in 2010 to 162 (43.6%) in 2012 (RoK, 2012) thus reducing the entrepreneurial orientation of the entrepreneurs dealing in this sector of SMEs.

Kenya receive lot of revenue from alcohol and increasing strict regulations will lead to decline in the growth of SMEs considering the reduction of operating time in hours that will affect the entrepreneur’s
income and Government revenue (RoK, 2011). Government will lack funds to build capacity in institutes that assist in the development of SMEs in Kenya like Ministry of Industrialisation. Infrastructure, both physical and telecommunication will suffer a great deal because the government will concentrate more on providing services that it consider mandatory like health and recurrent expenditures which may not add value to the growth of SMEs (Nyamu & Machuhi, 2000).

Although these studies focused on government regulations, they did not address the moderating role of entrepreneurial training on the relationship between government regulations and entrepreneurial orientation of small and medium enterprises in Kenya directly. The purpose of this study was therefore to explore the moderating role of entrepreneurial training on the relationship between government regulations and entrepreneurial orientation of small and medium enterprises in Kenya.

1.4 SPECIFIC OBJECTIVE
The study was guided by the following specific objective

- To determine the influence of marketing activities on entrepreneurial orientation amongst SME operators in Kenya.

2. LITERATURE REVIEW

2.1 ENTREPRENEURIAL ORIENTATION CONCEPT
Entrepreneurial orientations (EO) refer to the strategy making processes that provide organizations with a basis for entrepreneurial decisions and actions (Lumpkin & Dess, 1996; Wiklund & Shepherd, 2003).

2.2 ALCOHOL ACT
Regulatory requirements can define the changes that would be necessary to remain in the market. On the demand side, three factors could push firms towards technological change. These are opportunities for cost savings or expansion of sales, public demand for more environmentally-sound, eco-efficient, and safer industry, products, and services, and worker demands and pressures arising from industrial relations concerns (Keter, 2004).

The Alcoholic Drinks Control Act (ADCA) 2009 came into effect on 22nd November 2010, after being gazetted by the Minister for Internal Security. The Act was signed into law by the President on August 10, 2010. The object and purpose of this Act is to provide for the control of the production, sale and consumption of alcoholic drinks in order to protect the health of the individuals, protect consumers from misleading inducement, inform and educate the public on the harmful health, economic and social consequences of the consumption of alcoholic drinks, adopts and implement measures to eliminate illicit trade and promote research and dissemination of information on the effects of alcoholic drinks consumption in particular health risks that may arise there from.
Section 24 prohibit access of alcohol by persons under age of 18. No person holding a license to manufacture, store or consume alcoholic drinks under this Act shall allow a person under the age of eighteen years to enter or gain access to the area in which the alcoholic drink is manufactured, stored or consumed (RoK, 2010).

Part III focuses on licensing, the law in section 12 states that premises should not be located less than 300 meters from a learning institution. Tourism industry is concerned that there lies very little difference between bar that is situated 290 meters away and one that is situated 320 meters from an educational institution (RoK, 2010).

Part IV section 43(1) ban on the promotion of alcoholic drinks. While many factors may influence an underage person's drinking decisions, including among other things parents, peers and the media, there is reason to believe that advertising also plays a role (Gentile & Walsh, 2002). On Malaysian television, alcohol advertising is not shown before 10:00 pm and during Malay-language programs.

2.3 THEORETICAL ORIENTATION

Theoretical orientation is a collection of existing theories from literature which underpin conceptual framework and subsequently inform the problem statement (Mugenda, 2008).

2.3.1 MARKET ORIENTATION THEORY

This challenge of the need to anticipate the future in dealing with innovation is really encompassed in the market orientation theory. Kohli & Jaworski, (1990) acknowledge that intelligence generation involves anticipating customers’ future needs, but do not develop this thought. Indeed in a later paper, Kohli & Jaworski, (1996) argue that innovation is an outcome of market orientation. The relationship between market orientation and innovation is not clear. On the one hand there is an argument (Hayes & Abernathy, 1980) that a market-oriented focus could be detrimental to innovation, based on the idea that market orientation seduces the business to being narrowly interested in short-term customer needs.

Other studies of market orientation (Slater & Narver, 1990, 1993 & 1994) took the position that the existence of a customer and competitor orientation in creating customer value will be sufficient to give a business a competitive advantage in all circumstances. Latterly Slater & Narver, (1998) seem to have modified this view by adding that a market-oriented organization develops long-term thinking and tries to satisfy latent customer needs. However the mechanics of market sensing in this way still seems to be very vague and it is not clear how it fits into the original market orientation models. Slater & Narver, (1999) admit that the understanding of market orientation continues to evolve and much is still unknown.

2.3.2 SCHUMPETER THEORY OF INNOVATION

Schumpeter (1934) used the concept of equilibrium as a theoretical construct. He coined a phrase to describe this equilibrium state: "the circular flow of economic life." Its chief characteristic is that economic life proceeds routinely on the basis of past experience; there are no forces evident for any change of the status quo
Schumpeter, 1934). He first spelled out the kinds of new combinations that underlie economic development. They encompass the creation of a new good or new quality of good; creation of a new method of production; the opening of a new market; the capture of a new source of supply, and; a new organization of industry. Schumpeter observes that people act as entrepreneurs only when they actually carry out new combinations, and lose the character of entrepreneurs as soon as they have built up their business, after which they settle down to running it as other people run their businesses (Schumpeter, 1939).

2.4 CONCEPTUAL FRAMEWORK

A conceptual framework is a graphical or diagrammatic representation of the relationship between variables in a study. This study has adopted a conceptual framework with the following as independent variable that is marketing activities and entrepreneurial orientation will be the dependent variable for the study. Entrepreneurial training will be considered as a moderating factor (Figure 2.1).

**Independent Variables**

**Government Regulations**

**Marketing Activities**
- Customer relationship marketing
- Branding
- number of promotions by firms

**Dependent Variable**
- Entrepreneurial orientation
  - Innovation
  - Risk taking
  - Proactiveness

**Entrepreneurial Training**

**Moderating Variable**

Figure 2: Conceptual Framework
Source: Author (2014)

2.4.1 ENTREPRENEURIAL TRAINING

Training of an ongoing nature is needed to assist the SME owner to manage the constant changing environment (Ladzani, 2002), and being able to respond to it with initiative and innovation. The entrepreneur’s level of education increases the probability of established firms and more jobs per firm. The higher the entrepreneur’s level of education, the greater the involvement with the firm and therefore the greater the ability to grow the firm.

Training of entrepreneurs will moderate the relationship between government regulations and entrepreneurial orientation because it is about preparing them or business person for entrepreneurship and it is about enhancing the abilities of the individual (Nieman, 2000), in order that the business can be more successful.
Entrepreneurship training is a suitable way for individuals who suffer from lack of efficiency and skills, to deal with unemployment and changes of global economy and at the same time understand who the government policies are and need to be implemented (Amiri, 2005).

Entrepreneurial and business skills can be acquired through learning on the job or training (Perrin & Grant, 2000). Training of entrepreneurs, involves equipping them with both entrepreneurial as well as business skills to secure competitive businesses. Business and entrepreneurial skills are vital to the sustainability of the business and should, therefore, be taught to the aspiring entrepreneurs (Botha, 2006).

2.4.2 MARKETING ACTIVITIES
Kohli & Jaworski, (1990) described market-activities as a set of behaviours and processes or an aspect of culture to create a superior customer value, understanding of the availability of the product and the uses. Narver & Slater, (1990) asserts that, by adapting a process approach, use the term market-activities to mean the implementation of a marketing concept via market intelligence generation, intelligence dissemination, and responsiveness (implementing a marketing strategy).

Doole, (2000) asserts that, small firm owner-managers do engage in marketing, even if the form this marketing takes is not fully understood. The marketing function in SMEs is hindered by constraints such as government regulations on marketing activities of SMEs, poor cash flow, lack of marketing expertise, business size, tactical customer-related problems, and strategic customer-related problems (Chaston & Sadler, 1998). Baker & Sinkula, (1999) argue that market-activities, representing the degree to which firms acquire, distribute, and use the market information, as an input for the innovation process. Government regulations breed the rigidity and stickiness of the existing customer intelligence and plans; it may also hinder firm innovativeness. Hurley & Hult, (1998) suggest that the concept of marketing orientation and the philosophy to set a priority to satisfy customers’ needs, although important, is insufficient and requires revising.

3. RESEARCH METHODOLOGY

3.1 INTRODUCTION
This chapter presents a description of research design that was used to conduct the study. It describes both the target and study population, sample size, research instruments, data collection procedures, pilot test, data analysis measurement of variables and the model estimation.

3.2 RESEARCH DESIGN
The study adopted exploratory approach and used a descriptive survey design. Exploratory studies and descriptive survey designs were used to allow for the gathering of information, summarize, present and interpret it for the purpose of clarification (Creswell, (2003). It also involves large numbers and describes population characteristics by the selection of unbiased sample Kothari, (2007).
3.3 DATA COLLECTION INSTRUMENTS
The study used semi-structured interview guide for the collection of primary data. In the use of semi-structured interview guide, personal interviews were conducted where questions were generally in a face-to-face contact to the other person. The study adopted the direct personal investigation interview guide rather than the indirect oral interview guide. The method is suitable for extensive investigations as more information and in greater depth can be obtained (Kothari, 2007).

3.4 PILOT TEST
To ascertain the validity and reliability of questionnaire, interview and observation schedules, a pre-test and pilot survey was conducted. Pilot test assists in determining if there are flaws, limitations, or other weaknesses within the interview design and allows for necessary revisions prior to the implementation of the study (Kvale, 2008).

3.5 VALIDITY OF DATA COLLECTION INSTRUMENTS
Validity refers to the extent to which the measures used in the questionnaire are truthfully measuring the intended concept and not something else (Sekaran & Bougie, 2009). There are two ways of establishing the validity of a research instrument, that is, logic and statistical evidence. Logic evidence implies justification of each question in relation to the objectives of the study, whereas statistical procedures provide hard evidence by way of calculating the coefficient of correlations between the questions and the outcome variables (Kumar, 2005). This study adopted content validity.

3.6 DATA ANALYSIS AND PROCESSING
The study employed descriptive statistics in the form of percentages, means and measures of dispersion which allows for presentation of data in a more meaningful way and thus simpler interpretation of data. Chi-square test of independence was done to establish existence of relationship Factor analysis was conducted on all constructs to determine the ones to be regressed against the dependent variable, with the principle axis factoring with varimax rotation being employed. Two statistical measures were generated by IBM Statistical Package for Social Sciences (SPSS) and the Kaiser-Meyer Olkin (KMO) measure of sampling adequacy (Kaiser 1970, 1974).

4. RESEARCH FINDINGS AND DISCUSSIONS
The purpose of the study was to analyze the moderating role of entrepreneurial training on the relationship between government regulations and entrepreneurial for inferential statistics.

4.1 SAMPLING ADEQUACY
Two tests namely Kaiser-Meyer-Olkin (KMO) measures of sampling adequacy and Bartlett test of sphericity were performed to assess the appropriateness of using factor analysis and to test whether the relationship among the variables has been significant or not as shown in the table 4.2 below.
4.2 DESCRIPTIVE ANALYSIS FOR CONSTRUCT INNOVATION
Six survey statements on a likert scale were used to evaluate Innovation in Entrepreneurial Orientation. Respondents were observed to agree with the statements that “Our firm encourages development of employees ideas for the purpose of business improvement”, “Often our firm is the first to introduce new products, services, administrative techniques, etc” and “Our firm actively introduce improvements and innovations in our business”. On the other hand respondents disagreed with the statement that “Innovation strategies are aligned with our firm's core mission and values” at 42% mention.

4.3 FACTOR ANALYSIS FOR CONSTRUCT INNOVATION
The results show that the factor loading was more than 0.5 for all the items measuring the construct innovation in the first component. The factor loadings of the items ranged from 0.684 to 0.888 suggesting high convergent validity. Hence, the study combined all the six items for innovation as one construct.

Table 4.2 Component Matrix for Construct Innovation

<table>
<thead>
<tr>
<th></th>
<th>Component</th>
</tr>
</thead>
<tbody>
<tr>
<td>In our industry we are often the first to take initiative in</td>
<td>0.684</td>
</tr>
<tr>
<td>every situation to which our competitors then respond</td>
<td></td>
</tr>
<tr>
<td>Often our firm is the first to introduce new products, services,</td>
<td>0.804</td>
</tr>
<tr>
<td>administrative techniques, etc</td>
<td></td>
</tr>
<tr>
<td>Our firm actively introduce improvements and innovations in</td>
<td>0.860</td>
</tr>
<tr>
<td>our business</td>
<td></td>
</tr>
<tr>
<td>Our firm encourages development of employees ideas for the</td>
<td>0.743</td>
</tr>
<tr>
<td>purpose of business improvement</td>
<td></td>
</tr>
<tr>
<td>Innovation strategies are aligned with our firm's core</td>
<td>0.792</td>
</tr>
<tr>
<td>mission and values</td>
<td></td>
</tr>
<tr>
<td>Our firm usually develops creative solution to difficult</td>
<td>0.888</td>
</tr>
<tr>
<td>problems</td>
<td></td>
</tr>
</tbody>
</table>

Extraction Method: Principal Component Analysis.

4.4 RELIABILITY TEST: CONSTRUCT INNOVATION
Table 4.12 Reliability Statistics for the construct Innovation shows a Cronbach's Alpha value of 0.883 for the 6 survey items measuring innovation indicating reliability of the measure used as depicted by table 4.3

Table 4.12 Reliability Statistics for the construct Innovation

<table>
<thead>
<tr>
<th>Cronbach's Alpha</th>
<th>No of Items</th>
</tr>
</thead>
<tbody>
<tr>
<td>0.883</td>
<td>6</td>
</tr>
</tbody>
</table>
4.4.1 CONSTRUCT PROACTIVENESS

Descriptive Analysis for Construct Proactiveness

Eleven survey statements on a Likert scale were used to evaluate proactiveness in Entrepreneurial Orientation. Most of the respondents were observed to agree with most of the survey statements. Respondents unanimously agreed that their firms harnesses the strong research and development capabilities in making future decisions with 81% mention (Strongly agree + Agree) and that their firms adopts creative methods of running business ahead of their competitors at 75% mention. On the contrary, identifying needs of current and potential customers posed a challenge to most of the firms as reported by 47% of the respondents.

Factor Analysis for the Construct Proactiveness

Table 4.3 Component Matrix for Proactiveness

<table>
<thead>
<tr>
<th>Components</th>
<th>Components</th>
</tr>
</thead>
<tbody>
<tr>
<td>Our firm is involved in new opportunity identification and evaluation</td>
<td>0.873</td>
</tr>
<tr>
<td>Our firm identifies and monitor market trends to predict future trends</td>
<td>0.941</td>
</tr>
<tr>
<td>Our firm harnesses the strong research and development capabilities in making future decisions</td>
<td>0.874</td>
</tr>
<tr>
<td>The firm adopts creative methods of running business ahead of its competitors</td>
<td>0.905</td>
</tr>
<tr>
<td>Our firm initiate improvement projects designed to capitalize on new opportunities</td>
<td>0.892</td>
</tr>
<tr>
<td>Our firm is able to anticipate and respond to the latent and emerging needs of customers</td>
<td>0.833</td>
</tr>
<tr>
<td>The firm continually seeks opportunities, new market and new customers, related to the present operations</td>
<td>0.850</td>
</tr>
</tbody>
</table>

Extraction Method: Principal Component Analysis.

Reliability Test for construct Proactiveness

Table 4.4 Reliability Statistics for Proactiveness shows Cronbach's Alpha value of 0.950 for the 7 survey items measuring proactiveness indicating reliability of the measure used after 4 items were expunged. Table 4.4 shows the reliability statistics for Proactiveness.

Table 4.4 Reliability Statistics for Proactiveness

<table>
<thead>
<tr>
<th>Cronbach’s Alpha</th>
<th>No of Items</th>
</tr>
</thead>
<tbody>
<tr>
<td>0.950</td>
<td>7</td>
</tr>
</tbody>
</table>

4.4.2 CONSTRUCT RISK TAKING

Factor Analysis

Table 4.5 Component Matrix for Risk Taking
The firm ventures into unknown, first mover, new markets

<table>
<thead>
<tr>
<th>The firm ventures into unknown, first mover, new markets</th>
<th>0.810</th>
</tr>
</thead>
<tbody>
<tr>
<td>I readily sell alcohol to any person who visits my premises without considering the age brackets</td>
<td>0.894</td>
</tr>
<tr>
<td>Our firm has a strong tendency for risk-taking in technology adoption</td>
<td>0.867</td>
</tr>
</tbody>
</table>

Extraction Method: Principal Component Analysis.

Table 4.12 Reliability Statistics for the construct Innovation

Reliability statistics of reduced factors for risk taking shows Cronbach's Alpha value of 0.818 for the 3 survey items measuring risk taking indicating reliability of the measure used as depicted by Table 4.6

Table 4.6 Reliability Statistics for Risk Taking

<table>
<thead>
<tr>
<th>Cronbach's Alpha</th>
<th>No of Items</th>
</tr>
</thead>
<tbody>
<tr>
<td>0.818</td>
<td>3</td>
</tr>
</tbody>
</table>

4.5 MARKETING ACTIVITIES

Table 4.20 Component Matrix for Marketing Activities

<table>
<thead>
<tr>
<th>Component</th>
<th>Component</th>
</tr>
</thead>
<tbody>
<tr>
<td>Branding of buildings in order to advertise our products has led to the increase of the number of customers</td>
<td>0.823</td>
</tr>
<tr>
<td>The level of competition in our market produces intense rivalry between competitors</td>
<td>0.742</td>
</tr>
<tr>
<td>We operate in a market where it is relatively easy for new competitors to emerge</td>
<td>0.738</td>
</tr>
<tr>
<td>Our suppliers have few customers and rely heavily upon our business</td>
<td>0.884</td>
</tr>
<tr>
<td>All employees of the organization understand their role in achieving an integrated effort to achieve a marketing orientation</td>
<td>0.823</td>
</tr>
<tr>
<td>Marketing is important for expansion and growth of the company</td>
<td>0.801</td>
</tr>
</tbody>
</table>

Extraction Method: Principal Component Analysis.

4.5.1 RELIABILITY STATISTICS FOR MARKETING ACTIVITIES

Reliability statistics of reduced factors for marketing activities shows Cronbach's Alpha value of 0.883 for the 6 survey items measuring marketing activities indicating reliability of the measure used as depicted by Table 4.7

Table 4.7 Reliability Statistics for Marketing Activities

<table>
<thead>
<tr>
<th>Cronbach's Alpha</th>
<th>No of Items</th>
</tr>
</thead>
<tbody>
<tr>
<td>0.883</td>
<td>6</td>
</tr>
</tbody>
</table>

4.6 THE INFLUENCE OF MARKETING ACTIVITIES ON ENTREPRENEURIAL ORIENTATION AMONGST SME OPERATORS IN KENYA
Correlation refers to the strength of a relationship between two variables. A strong or high correlation means that two or more variables have a strong relationship with each other while a weak or low correlation means that the variables are hardly related. Correlation coefficient can range from -1.00 to +1.00. Pearson Correlation coefficient was used to test for the linear association of marketing activities and entrepreneurial orientation.

<table>
<thead>
<tr>
<th>Table 4.8 Correlations analysis between Entrepreneurial Orientation and Marketing Activities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Entrepreneurial Orientation</td>
</tr>
<tr>
<td><strong>Sig. (2-tailed)</strong></td>
</tr>
<tr>
<td><strong>N</strong></td>
</tr>
</tbody>
</table>

### 4.6.1 REGRESSION ANALYSIS OF ENTREPRENEURIAL ORIENTATION ON MARKETING ACTIVITIES

From Table 4.34 Model Summary: Marketing Activities, the model shows \( R^2 = 57.5\% \). This indicates that 57.5\% of the variation in Entrepreneur Orientation can be explained by the model. Hence Marketing activities can explain 57.5\% of the variation in Entrepreneur Orientation while other factors outside the model can explain 42.5\%.

\[
Y = b_0 + b_1X_1 + e
\]

Where \( Y \) is the Entrepreneur Orientation, \( b_0 \) is the \( Y \) intercept, \( b_1 \) is the gradient of the regression line, \( X_1 \) is Marketing Activities and \( e \) is the error term.

<table>
<thead>
<tr>
<th>Table 4. 9 Model Summary :Marketing Activities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Model</td>
</tr>
<tr>
<td>-------</td>
</tr>
<tr>
<td>1</td>
</tr>
<tr>
<td>a. Predictors: (Constant), marketing activities</td>
</tr>
<tr>
<td>b. Dependent Variable: entrepreneurial orientation</td>
</tr>
</tbody>
</table>

To determine how best the regression model fits the data, Analysis of Variance on the coefficient of determination \( (R^2) \) was calculated. An F value of 150.466 (df=1, 111 and \( P=0.000 \)) shows that the model is suitable at 95\% confidence level as it is depicted on table 4.10 ANOVA for Marketing Activities on Significance of Regression mode.

<table>
<thead>
<tr>
<th>Table 4. 10 ANOVA for Marketing Activities on Significance of Regression model</th>
</tr>
</thead>
<tbody>
<tr>
<td>Model</td>
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<tr>
<td>-------</td>
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<tr>
<td>1</td>
</tr>
</tbody>
</table>
Table 4.11 Coefficients for Marketing Activities displays the coefficient of the regression model of Entrepreneurial Orientation on Marketing Activities. From the table, both the coefficients of the model were significant at 5% level of significance. Therefore, Entrepreneurial Orientation can be predicted using Marketing Activities in the following equation.

\[ Y = b_0 + b_1 X + e \]  

equation 5

\[ Y = 0.301 + 0.510X \]

Where;

\( Y \) = Entrepreneurial Orientation

\( X \) = Marketing Activities

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
<th>Collinearity Statistics</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
<td>Tolerance</td>
</tr>
<tr>
<td>1</td>
<td>(Constant)</td>
<td>.301</td>
<td>.162</td>
<td>1.853</td>
<td>.067</td>
</tr>
<tr>
<td></td>
<td>MA</td>
<td>.510</td>
<td>.042</td>
<td>.759</td>
<td>12.266</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>1.000</td>
</tr>
<tr>
<td></td>
<td>a. Dependent Variable:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Entrepreneurial Orientation</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

4.7 THE MODEL

Confirmatory factor analysis, was done using promax rotation method with Kaiser Normalization and Maximum likelihood extraction method 23 were and principal axis factoring, the extracted factor had the following reliability indicators with the overall Cronbach’s Alpha of 0.936 as in.

To assess some of AMOS’s critical tools such as bootstrapping, modification indices, and tests for normality, the data must not contain any missing values in the variables of interest (Kenny, 1998). The data had no missing variables. Several fit measures indicated that the overall fit of the model to the data was good. AMOS outputs a wide array of fit measures. There is a wide disagreement among researchers on just what fit statistics to report and their levels of significance. This study, following many other studies, reported the model chi-square, RMSEA, and the baseline measures (GFI, IFI, TLI, NFI and CFI).

The final path diagram is shown in the figure 4.18 below.
In this study, confirmatory factor analysis (CFA) was employed to test the construct validity of the measures used, using AMOS Version 22. As shown, six fit measures were used to evaluate the overall model fit (Table 4.74): Chi-square $\chi^2$, Chi-square/degree of freedom ($\chi^2$/d.f.), Root Mean Square Error of Approximation (RMSEA), goodness-of-fit index (GFI), Normed Fit Index (NFI), Comparative fit index (CFI) and Incremental Fit Index (IFI). To evaluate overall model fit, the Chi-Square value which is the traditional measure was applied. There is no consensus regarding an agreeable standard of measure to be used as Chi-square/degree of freedom ($\chi^2$/d.f) ratio but recommendations range from as high as 5.0 (Wheaton, 1977) to as low as 2.0 (Tabachnick & Fidell, 2007).

The Root Mean Square Error of Approximation (RMSEA) was below the cut-off level of 0.08 recommended by (Browne & Cudeck, 1993). RMSEA for this model was 0.062 and its confidence interval was LO90 = 0.058 and HI90 = 0.060. Browne & Cudeck, (1993) recommend the use of RMSEA should be accepted in the range of 0.05 to 1.00, in particular, the lower value is said to be a good level in their study on “Alternative ways of assessing model fit”.

The Adjusted Goodness-of-Fit Index (AGFI=0.800) was within the recommended cut-off level of 0.8. The result is in agreement with those of Chau, & Hu, (2001) in their study “Information technology acceptance by individual professionals: a model comparison approach”. In addition, other statistical structural indices such
as Bentler Comparative Fit Index (CFI = 0.900), Bollen Incremental Fit Index (IFI = 0.859), Tucker and Lewis Index (TLI = 0.806) and Normed Fit index (NFI = 0.780) further suggest that the model has a satisfactory fit (Table 4.70). Since the probability value and structural modelling indices are well above the recommended level, the model is considered to be a reasonable representation of the data (Hair et al., 1998; Arawati & Agus 2001). The combination of these results suggested that measurement model exhibited a good level of model fit.

5. SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

The main purpose of the study was to explore the moderating role of entrepreneurial training on the relationship between government regulations and entrepreneurial orientation of SMEs in Kenya.

To test the first objective, exploratory factor analysis (EFA) was carried and six out of the eight factors were found to have a factor loading of more than 0.5 thus they were considered for further statistical analysis. EFA findings showed that six factors were extracted as key drivers of marketing activities. Study findings indicated that there is a significant strong positive relationship (rho=0.761, p-value =.000. However, the knowledge generated by market-activities has little benefit if not appreciated and implemented for firm innovation. Baker & Sinkula, (1999)

5.1 CONCLUSION AND RECOMMENDATION FOR FURTHER STUDIES

Innovation

Lack of learning, knowledge and creativity were not listed among the obstacles. During the research we did not perceive that any of the SMEs had taken considerable interest in deliberate knowledge creation.

Open innovation

Open innovation is rarely known and almost entirely a missing practice. If there is any R&D, or other type of innovation it comes from inside, and if it is not worth implementing, then it will get lost.

Learning and learning culture

Although SME owners and leaders – if asked – agree in general with the importance of learning and knowledge, there are very few among them who systematically and consciously encourage learning and act upon building a learning culture.

5.1.1 RECOMMENDATIONS

Kenyan SMEs could be a very important force for creating jobs, especially “good,” “innovative” ones, and – by doing so – contribute to the development and growth of the Kenyan economy which is currently lagging behind and internationally peripheral. However, they could only play this significant role, if they were more
innovative, open minded and conscious about the importance of learning and learning cultures in supporting innovation in every area of the business.

- Learning and learning culture are important for innovation;
- Kenyan SMEs are underperforming in innovation partially because they in majority do not focus strongly enough on creating learning practices and learning culture;

6. REFERENCES


