

**EFFECTS OF INTRAPRENEURIAL PRACTICES ON COMPETITIVENESS OF
MEDIUM SIZED ENTERPRISES IN NAKURU MUNICIPALITY**

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**A Research Project submitted to the Graduate School in Partial Fulfilment for the
Requirements for the award of Master's Degree in Business Administration of Egerton
University**

EGERTON UNIVERSITY




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DECLARATION AND RECOMMENDATION

This research project is my original work and has not been presented to this or any other Institution of higher learning.


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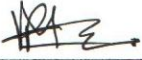
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RECOMMENDATION

This research project has been submitted for examination with our approval as Egerton University supervisors.


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12/10/2012

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DEDICATION

To my wife Leah Wanjiku and sons Wayne and Salem Amboye with whose inspiration, unrelenting moral support and persistent encouragement, the completion of this research project became possible. May God's countenance forever shine upon you.

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ABSTRACT

Managers of medium-sized enterprises (MSEs) are faced with the daunting task of crafting strategies that will enable their businesses thrive in a competitive business environment. Research has shown that intrapreneurial practices indeed give grounds for organizational competitiveness. The main objective of the study was to examine the effects of intrapreneurial practices on competitiveness of MSEs in Nakuru Municipality. The specific objectives of the study included: to identify the intrapreneurial practices employed by MSEs in Nakuru Municipality and determine the extent of their application; to determine if the intrapreneurial practices employed by MSEs depend on MSE industry; and to establish the influence of intrapreneurial practices employed on MSE competitiveness. A survey was conducted targeting the managers of MSEs found in the Municipality. Data was collected using questionnaires and analysed using SPSS computer software. Both descriptive and inferential statistics were computed and specifically, Chi-Square test and multiple regression analysis were used to test the research hypotheses. The study established that: majority of MSEs in the Municipality employed intrapreneurial practices in pursuit of competitiveness; the extent of application of these practices was large; there was no relationship between MSE industry and intrapreneurial practices employed (exception for self-renewal practice) and finally, MSE competitiveness was found to be a function of innovativeness, risk-taking and competitive aggressiveness. It was therefore concluded that: most MSEs in the Municipality employed intrapreneurial practices in pursuit of competitiveness; MSE industry has no influence on intrapreneurial practices to be employed by the enterprise (except for self-renewal); and finally, the competitiveness of MSEs is influenced by the application of innovativeness, proactiveness, and competitive aggressiveness. Following these findings, the study recommended that: the management of MSEs should employ intrapreneurial practices in pursuit of competitiveness; MSEs irrespective of their industry should strive to employ all the intrapreneurial practices identified in the literature in pursuit of competitiveness and finally, the management of MSEs should seek ways of improving the application of the practices of pro-activeness and self-renewal in order enhance their contribution towards the overall competitiveness of the enterprise. It is believed that the results of this research will provide guidelines to help policy makers, investors, entrepreneurs, managers, and also academicians to comprehend the importance of intrapreneurial practices in creating and sustaining competitiveness in business enterprises in developing countries.

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LIST OF ABBREVIATIONS AND ACRONYMS

MSE	Medium Sized-Enterprise
OECD	Organization for Economic Cooperation and Development
SPSS	Statistical Package for Social Sciences
RBV	Resource-Based View
CE	Corporate Entrepreneurship

CHAPTER ONE

INTRODUCTION

1.1 Background to the Study

In a business environment characterized by intensified global competition, dynamic change and increasing uncertainty, the need for organizations to become more innovative in order to survive and grow is increasing rapidly. Fast-changing business environments, changing business structures and rules of competition are becoming part of the operations of most organizations, as these are pre-requisites for staying in business (Karina, 2004). The real challenge for an organization to remain a going concern is to attain a competitive position. It is evident in research that intrapreneurial practices can give grounds for competitive advantage of an existing organization. The manifestations of such competitive advantage include; differentiation or cost leadership in the markets, quick response to any changes, new strategic direction or new ways of working or learning within the organisation (Covin and Miles, 1999).

In some ways, intrapreneurship can operate in the area of organizational innovation which implies the creation of new combinations in production and support activities (Antoncic and Hisrich, 2003). To be more precise, the use of innovation as a mechanism to redefine or rejuvenate the organization, its position within markets and industries, or the competitive arena in which the organization competes, seems to form the core of intrapreneurship (Covin and Miles, 1999). Developing intrapreneurship in organizations results in several benefits including, the development in the size and/or the diversity of the product and service range, and helping the organization achieve and sustain growth (Markovska, 2008).

Intrapreneurship research has evolved into three focal areas. The first area of focus is on the individual intrapreneur and it mainly emphasizes on the intrapreneur's individual characteristics. The second area of focus has been on the formation of new corporate ventures while the third area of focus is on the entrepreneurial organization which mainly emphasizes the characteristics of such organization (Antoncic and Hisrich, 2003).

There is a consensus among policy makers, economists, and business experts at the local, regional and national levels in both developed and developing countries of the world, that medium-sized enterprises are drivers of economic growth. A healthy medium-enterprise sector

contributes prominently to the economy through creating more employment opportunities, wealth creation, increasing exports and introducing innovation and entrepreneurship skills (Nieman, 2003). Nevertheless, there are considerable doubts about the quality of management in this sector, with policy-makers suggesting that there are particular weaknesses in innovation, lack of financial acumen, marketing, entrepreneurial flair, practical knowledge, and human resources management (Kuratko et al., 1990). As a result many firms do not reach their full potential and fail to grow, resulting in the loss of jobs and wealth for the region in which they are based.

The increasing role of the micro, small and medium size enterprises sector is confirmed by the Kenya economic survey report (2003). According to the findings of the report, total employment recorded in the informal sector increased from 3.7 million employees in 1999 to 5.1 million in 2002, while the formal sector increased only from 1.74 to 1.76 million employees during the same period. However, as in other countries, medium-sized enterprises in Kenya are also faced with almost the same challenges that have greatly affected their competitiveness. The challenges thrown to medium-sized enterprises call for their managers/administrators to employ competitive strategies that will effectively align the changing business environment with firm's strategies in order to outmanoeuvre rivals and become competitive (Anu, 2004). In light of this, the present study set out to examine the effect of intrapreneurial practices on MSE's competitiveness in Nakuru Municipality, Kenya.

1.2 Statement of the Problem

Intrapreneurship focuses on the creation of new business ventures, development of new products, services and technologies, administrative techniques, strategies and competitive postures within an organization. Intrapreneurship is important for organizational competitiveness characterised by organizational survival, growth, profitability, and renewal (Laddawan and Selvarajah, 2008). Intrapreneurial research efforts have been limited to large organizations (Laddawan and Selvarajah, 2008; Heinonen and Korvela, 2005; Stull, 2005). However, by virtue of their growth stage, large organizations deal with dynamics e.g. technology, management capacity, etc, that are different from those experienced by medium-sized firms. Therefore, conclusions drawn from such research, may not apply to MSEs. In addition, little is known so far, regarding the extent of

application of intrapreneurial practices by MSEs found in Kenya. Furthermore, the effect of adopting these practices on MSEs' competitiveness in Kenya is also yet to be documented. In light of this, the current study sought to examine the effects of intrapreneurial practices on competitiveness of medium-sized enterprises in Nakuru Municipality.

1.3 Objectives of the Study

1.3.1 General objective

The main objective of the study was to investigate the effects of intrapreneurial practices on the competitiveness of medium-sized enterprises in Nakuru Municipality.

1.3.2 Specific objectives

Specifically, the study aimed at achieving the following objectives:

1. To identify the intrapreneurial practices employed by MSEs in Nakuru Municipality.
2. To establish the extent of application of intrapreneurial practices by MSEs in Nakuru Municipality.
3. To determine the relationship between intrapreneurial practices employed and MSE industry.
4. To establish the influence of intrapreneurial practices on the competitiveness of MSEs in Nakuru Municipality.

1.4 Research Hypotheses

The supporting hypothesis for the study included the following:

1. Intrapreneurial practices employed by MSE are independent of MSE industry.
2. Intrapreneurial practices employed have no significant effect on MSE competitiveness.

1.5 Significance of the Study

The study has yielded findings that will enlighten the local, regional and international policy formulators, investors, entrepreneurs, academicians, managers, and other stakeholders in the MSE sector on how to foster a thriving sector that will result to the creation of more wealth and employment opportunities and subsequent growth of an individual country's economy. With reference to Kenya, it is expected that the findings will be incorporated by policy makers in

relevant ministries in designing strategies that will help enhance the competitiveness of medium-sized enterprises and consequently contribute significantly in the realisation of vision 2030.

It is also hoped that the findings will go a long way in guiding managers and administrators of MSEs in the re-evaluation and subsequent realignment of their strategies in order to enable their entities achieve and sustain competitiveness in an ever changing business environment. Moreover, the findings have yielded vital information to these managers and administrators that will act as a basis for improving the internal efficiency of their organizations not to mention the triggering of a paradigm shift in strategy formulation, execution and implementation.

Furthermore, the study has made a scholarly contribution to the already existing body of knowledge on strategies businesses can implement in order to enhance their competitiveness, by incorporating its findings with what previous studies both theoretical and empirical have achieved. Specifically, the current research has made a positive contribution to the existing body of knowledge by facilitating the comprehension of the importance of embracing intrapreneurial practices as means of crafting and sustaining the competitiveness of medium-sized enterprises. It is indeed an eye opener study and it is hoped that it will be used as a reference material for research in the future and thereby lead to the generation of new ideas for effective and more efficient management of not only medium-sized enterprises but also other organizations in Kenya and the rest of the world.

1.6 Scope and Limitations of the Study

1.6.1 Scope of the study

The study was concerned with the effects of intrapreneurial practices on organizational competitiveness within the context of medium-sized firms in Nakuru Municipality Municipality. It was conducted between the months of June and August, 2011 using a survey design. The target population included the managers or administrators of medium-sized enterprises within the Municipality. Data was collected using researcher-administered questionnaires.

1.6.2 Limitations of the Study

Some respondents were suspicious of the actual purpose of the study and were therefore very economical with information regarding their enterprises. Some on the other hand did not fully

comprehend some aspects of the study thus forcing the researcher to spend more time than expected in providing clarifications to such issues. Furthermore, some respondents declined to participate in the exercise citing organizational policy which bars outsiders from accessing any information relating to the activities of their businesses. There was also the challenge of accessing information from secondary sources especially the Internet due to subscription requirements or copyright acts by concerned authors/institutions. Lastly, given that the researcher is currently on full-time employment, time constraints were experienced since juggling between undertaking the research and attending to urgent job matters has always been a tricky affair.

In order to clear any suspicions regarding the purpose of the study, the researcher provided a comprehensive explanation to the respondents including showing them the letter of authorization from the University as well as the District Commissioner. Whenever necessary, the researcher provided thorough explanation with regards to the subject matter of the study to enable the respondents provide correct and reliable information while filling the questionnaires. The researcher concentrated on sources that did not require subscription in order to collect secondary data. Finally, the researcher mostly made use of weekends and holidays in order to overcome time-constraints related to the study.

1.7 Assumptions of the Study

For the purpose of the current study the following assumptions were made: that there was cooperation and goodwill from the respondents; that the respondents provided accurate information which enabled the researcher come up with reliable and concrete conclusions and subsequent recommendations with regards to the study; that the respondents were well versed on matters pertaining to the application of intrapreneurial practices as well as their organizations' competitiveness; the minimum number of employees required of an enterprise to be an MSE was maintained at the time of data collection.

1.8 Definition of Terms

Firm Competitiveness

Is the ability of a firm to gain an edge over its rivals in attracting customers and defending against competitive forces. In the context of this study, firm competitiveness means the ability of a firm to register the following; increased revenue; low cost of operations; increased profits; large client base and low turnover of skilled employees.

Intrapreneur

A person within an organization who takes direct responsibility for turning an idea into a profitable finished product through assertive risk-taking and innovation. In this study, an intrapreneur is an individual who is innovative, proactive, risk-taker, flexible and aggressive.

Intrapreneurship

the introduction and implementation of a significant innovation for the firm by one or more employees working within an established organization. In this study, intrapreneurship refers to the creation of new business ventures, development of new products, services, technologies, administrative techniques, strategies and competitive postures.

Intrapreneurial Practices

includes a set of activities required to move a concept or idea right through to implementation. In this study, intrapreneurial practices entail product/service/process innovation, risk-taking, self-renewal, proactiveness and competitive aggressiveness geared towards achieving organizational competitiveness.

Medium-Sized Enterprise is an enterprise characterised by the following aspects: a staff headcount of between 50 – 99 employees; has an annual sales threshold of \$ 1.4 Million; has an asset threshold of \$ 1.4 Million; its total credit facilities falls between \$ 28,000 and \$ 710,000; is a limited liability, joint or individual company; the managers and owners have a minimum of one-year experience. In the context of this study, an MSE is an enterprise whose staff headcount is between 50 and 100 employees.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This section provides information relating to the history of intrapreneurship, the major intrapreneurial practices as identified by different scholars, aspects of organizational competitiveness and the role of intrapreneurship on organizational growth, profitability and survival. The literature in this section also sought to relate the theories and practices implemented with reference to the study area.

2.2 Historical Background of Intrapreneurship

Intrapreneurship research has evolved into three focal areas. The first area of focus is on the individual intrapreneur and it mainly emphasizes on the intrapreneur's individual characteristics. The second area of focus has been on the formation of new corporate ventures while the third area of focus is on the characteristics of intrapreneurial organizations (Antoncic and Hisrich, 2003).

Gifford and Elizabeth (1985) developed the concept of intra-corporate entrepreneur. They coined the term *intrapreneur*. Under their model a person wishing to develop an intrapreneurial project would initially have to risk something of value to themselves for example a portion of their salary. The intrapreneur could then sell the completed project for both cash bonuses and intra-capital which could be used to develop future projects. Based on the success of some of the early trials of their methods in Sweden they began a school for intrapreneurs and in 1985 they published their first book, *Intrapreneuring*, combining the findings from their research and practical applications. Naisbett (1986) cited intrapreneurship as a way for established businesses to find new markets and new products. The concept was established enough that Rosabeth (1983) pointed out that intrapreneurial development is a key factor in ensuring the survival of the company.

2.3 Intrapreneurship Practices

Intrapreneurship can be more precisely understood through its content and characteristic practices. Two approaches to the classification of intrapreneurship can be identified. The first

classification is the *entrepreneurial orientation approach* that is based on Miller and Friesen's (1982) categorization of innovative strategy making. They identified three characteristic practices of intrapreneurship including; new products, risk taking, and proactiveness.

Covin and Slevin (1991) expanding on the work of Miller and Friesen (1982), replaced the label 'innovative strategy making' with entrepreneurial posture. They identified three widely accepted characteristics of intrapreneurship: innovativeness, proactiveness and risk taking. Lumpkin and Dess (1996) have named the concept the entrepreneurial orientation and further extended the concept by identifying two additional dimensions to those already identified by Covin and Slevin: autonomy and competitive aggressiveness. Therefore, they consider intrapreneurship as a multi-dimensional concept.

The second classification is the *corporate entrepreneurship approach* as that is evident in the works of Guth and Ginsberg (1995) and Zahra et al. (1999), which is in contrast to the entrepreneurial orientation approach. This classification identifies two important characteristics of intrapreneurship: firstly, corporate venturing activities or creation of new businesses by established organizations and secondly, strategic renewal. Therefore, the corporate entrepreneurship approach complements the entrepreneurship orientation approach by adding venturing and strategy considerations.

Given this background literature, the current study will adopt intrapreneurship practices advanced by Antoncic and Hisrich (2003), which include: new ventures, new businesses, product, service and process innovativeness, self-renewal, proactiveness and competitive aggressiveness. By adopting this frame, the current study seeks to establish whether through careful analysis, nurturing and advancing these dimensions, organizational competitiveness can be effectively realised and sustained. These dimensions are described in the proceeding section.

2.3.1 Product, service and process innovativeness

This practice entails new product development, product improvements, and new production methods and procedures. Researchers of strategic innovation and change (Tushman, 1997) have long distinguished between product-related innovation (product innovation) and technology-

related innovation (process innovation). The introduction of new products can be distinguished from the introduction of new elements into the organization's production process. Product/service innovativeness practice emphasizes the creation of new products and services, while process innovativeness dimension refers to innovations in production procedures and techniques (Antoncic and Hisrich, 2003).

2.3.2 Proactiveness

The concept of proactiveness refers to the extent to which organizations attempt to lead rather than follow competitors in such key business areas as the introduction of new products or services, operating technologies, and administrative techniques (Covin and Slevin, 1991). The future orientation of proactiveness is expressed in anticipation of, and action taken, on the basis of future needs (Lumpkin and Dess, 1996). This practice is seen as the response of the organization towards the opportunities provided by the environment.

2.3.3 Risk-Taking

It refers to the quick pursuit of opportunities, fast commitment of resources and bold actions (Lumpkin and Dess, 1996; Dess et al., 2008). Indeed, boldness in pursuing opportunities and experimentation are considered characteristics of intrapreneurial firm (Covin and Slevin, 1991; Stopford and Baden, 1994). Mintzberg (1973) views risk taking and decisive action catalyzed by a strong leader as elements of intrapreneurship, where strategy-making is characterised by dramatic forward leaps, in terms of making large, bold decisions in the face of uncertainty.

2.3.4 Self-Renewal

This practice reflects the transformation of organizations through the renewal of the key ideas on which the organizations are built (Dess et al., 2008). It has strategic and organizational change connotations and includes a redefinition of the business concept, reorganization, and the introduction of system-wide changes for innovation (Zahra, 1991). Vesper (1994) views new strategic direction as being a part of intrapreneurship. Muzyka et al (1995) believe the organizational imperative to continual renewal of its businesses and achieving adaptability and flexibility as crucial characteristics of an entrepreneurial corporation.

2.3.5 Competitive aggressiveness

This practice involves a firm's intense effort to outperform industry rivals characterised by a combative posture or an aggressive response aimed at improving position or overcoming a threat in a competitive marketplace. Companies with an aggressive orientation are willing to "do battle" with competitors. They might slash prices and sacrifice profitability to gain market share or spend aggressively to obtain manufacturing capacity. Sometimes firms need to be forceful in defending the competitive position that has made them an industry leader (Dess et al., 2008).

2.4 Organizational Competitiveness

Organizational competitiveness is an attractive concept across different levels of studies (Nelson, 1992). A review by Waheeduzzaman and Ryans (1996) pointed out that the competitiveness concept involves different disciplines like comparative advantage and/or price competitiveness perspective, strategy and management perspective, as well as historical and socio-cultural perspective. Moreover, competitiveness can be treated as a dependent, independent, or an intermediary variable, depending on the perspectives from which we approach the issue. Such a variety of levels and approaches of studies actually reflect the wide applications of this concept (Thomas, 2004).

Large, medium and small firms differ from each other in terms of their organizational structures, responses to the environment, managerial styles, and more importantly, the ways they compete against each other. According to Home *et al* (1992), one of the key aspects that can be identified with an MSEs' competitiveness is the degree of access to capital or resource base, which represents the internal aspect of MSEs' competitiveness. On the other hand, Slevin and Covin (1995) have applied a 12-factor instrument measuring the "total competitiveness" of MSEs, which include the firm's structure, culture, human resources, product/service development etc. Pratten (1991) used the following attributes to conceptualize a firm's degree of competitiveness: product development, quality of services for customers, efficiency of production, marketing expertise, and low overhead cost.

To summarize, these studies have highlighted a number of firm specific factors like financial, human and technological resources, organizational structure and system, productivity,

innovation, quality, image and reputation, culture, product/service variety and flexibility, as well as customer services. However, for the purposes of the current study, MSE competitiveness will be conceptualized using the following dimensions: sales/revenue, cost of operations, profitability, number of clients served, and turnover of skilled workers.

2.5 Intrapreneurship and Organizational Performance

There have been citations in the literature on the importance of an organization being intrapreneurial. The relevance of Intrapreneurship as a mechanism for organizational growth has been a widely accepted concept (Drucker, 1985; Slevin and Covin, 1995; Pinchot and Pellman, 1999; Kanter, 2006). Covin and Slevin (1991) write that Intrapreneurship is studied for a variety of reasons but the overriding reason for the current interest in the topic is the widespread belief that intrapreneurial activity stimulates general economic development as well as economic performance of individual firms.

From macro social considerations (promotion of economic growth in the developed and developing countries) and organizational level considerations (improvement of organizational performance), a further study of vigorous modes of management may have high social relevance. Schollhammer (1982) contends that intrapreneurship is the key element for gaining competitive advantage and consequently greater financial rewards.

In a competitive environment, intrapreneurship is an essential element in the long range success of every business organisation, small or large, new or long established. Firms adopt intrapreneurial postures in the hope and under the assumption that the associated behaviours will help to create or sustain a higher level of performance (Cornwall and Perlam, 1990). Peters and Waterman (1982) identifies the following effects of engaging in intrapreneurship: increased employee motivation and task involvement; keeping the firms best and most talented people who might have left for the lack of opportunities; and creating a positive organizational culture that encourages the integration of employee and organizational needs.

On the other hand, Kuratko et al (2001) identified the following reasons for the pursuit of intrapreneurial activity: required changes, innovations and improvements in the market place to

avoid stagnation and decline; perceived weakness in the traditional methods of corporate management; and turnover of innovative minded employees who are disenchanted with the bureaucratic organizations.

Adetayo (2002) in his study sought to establish whether the adoption of intrapreneuring strategy by small firms could enhance their survival in a globalized economy. The findings revealed that the unprecedented shrinking and wiping out of small firms in the economic arena due to lack of competitiveness could be prevented by the adoption of intrapreneurship innovation strategies. These strategies included benchmarking, total quality management, product and service innovation, market niche opportunity, intra-capital strategy, and community development among others.

Heinonen and Korvela (2005) in their study found that the pre-requisites and outcomes of intrapreneurship have a positive dependency relation. Their study pointed out that the prerequisites and outcomes of intrapreneurship have a positive dependency relation. It found out that the higher the levels of the prerequisites of intrapreneurship both in quantity and quality, the more the outcomes of intrapreneurship are observed.

Fox (2005) in her study found that a positive relationship exists between organizational entrepreneurship and performance within the Cooperative Extension System, a national educational network extending the research-based knowledge of land-grant colleges and universities. The study measured both entrepreneurial orientation, based on Covin and Slevin's scale and entrepreneurial management, based on a scale developed by Brown, Davidson, and Wiklund that operationalised Stevenson's conceptualization of entrepreneurship as a set of opportunity-based management practices. Extension directors in the United States and territories were invited to respond to a questionnaire, reporting on organizational entrepreneurship and organizational performance based on both financial and non-financial indicators. The study measured organizational performance based on a five year funding trend, as well as on non-financial indicators through a Performance Satisfaction Index. Results from multivariate data analysis indicated risk taking and tenure accounted for the highest relative contribution to the

dependent variable performance satisfaction. Strategic orientation and risk taking accounted for the highest relative contribution to the dependent variable, percent change in total funding.

Lekmat and Selvarajah (2008) in their study found that intrapreneurship is a good direct predictor of firm performance, particularly financial aspects. Corporate entrepreneurship and its consequences were measured through scales previously validated by and used by more than once by researchers. The seven-point Likert-type scales were used in the research. The respondents were asked to indicate on a Likert-type scale 23 items that measure corporate entrepreneurship in an organization, in terms of new business venturing, self-renewal, proactiveness, and innovativeness. Regarding firm performance, the respondents were asked to indicate on a Likert-type scale 4 items that measure financial performance i.e., profitability, cash flow, sales growth, and market share. Confirmatory Factor Analysis (CFA) was used to refine the corporate intrapreneurship scale thereby providing convergent and discriminant validity for the selected measures. Cronbach's alpha was used to test the scale reliability. Structural Equation Modelling (SEM) was then employed to assess the relationship between CE and firm performance. The research established that innovativeness had the most effect on superior firm performance in the Thai context.

Aktan and Bulut (2008) in their study found that corporate entrepreneurship has positive effects on the firm's financial performance. Corporate entrepreneurship was conceptualized within the combinations of proactiveness, risk-taking, innovativeness, and competitive aggressiveness. The financial performance dimensions included return on sales, return on assets and market share growth. Four hypotheses were developed by considering the effect of each corporate entrepreneurship dimension on overall financial performance of the firm. Correlation analyses and multiple regression were undertaken to determine the relationship between the dependent and independent variables. The findings of the analyses demonstrated that all the dimensions of corporate entrepreneurship have positive and significant effects on financial performance.

2.6 Existing Gaps Relating to Previous Intrapreneurship Studies

Despite the growing interest in and use of intrapreneurship, insufficient empirical research has been conducted on the outcomes of intrapreneurship in different kinds of organisations and contexts. Several models have been built, but the relationships depicted in, or proposed by these models still need to be tested (Zahra, 1991). The current study attempted to contribute to bridging the above-mentioned gap by seeking to establish the association between adoption of intrapreneurial practices and firm competitiveness using the intrapreneurship model conceptualized by Antoncic and Hisrich (2003) in medium sized firms in Kenya.

In addition, most studies on intrapreneurship have been undertaken in large corporations in developed countries (Heinonen and Korvela, 2005; Anu, 2004; Fox, 2005; Lekmat and Selvarajah, 2008; Aktan and Bulut, 2008). Therefore, the current study sought to find out the extent of application of the intrapreneurship phenomena in medium sized businesses as a strategy to achieve firm competitiveness in the developing countries, specifically within the Kenyan context.

Furthermore, from the literature so far reviewed, most researchers have tended to focus on either, the effect of intrapreneurship on financial performance (Fox, 2005; Lekmat and Selvarajah, 2008; Aktan and Bulut, 2008) or potential elements/prerequisites for intrapreneurship (e.g. Slevin and Covin, 1989; Zahra, 1991; Antoncic and Hisrich, 2003). Hence, the current study sought to address the effect of adopting intrapreneurial practices on organizational competitiveness.

2.7 Conceptual Framework

In this study, the dependent variable was MSE competitiveness and the independent variable was intrapreneurial practices. The variables and their relationship is as shown in figure 2.1.

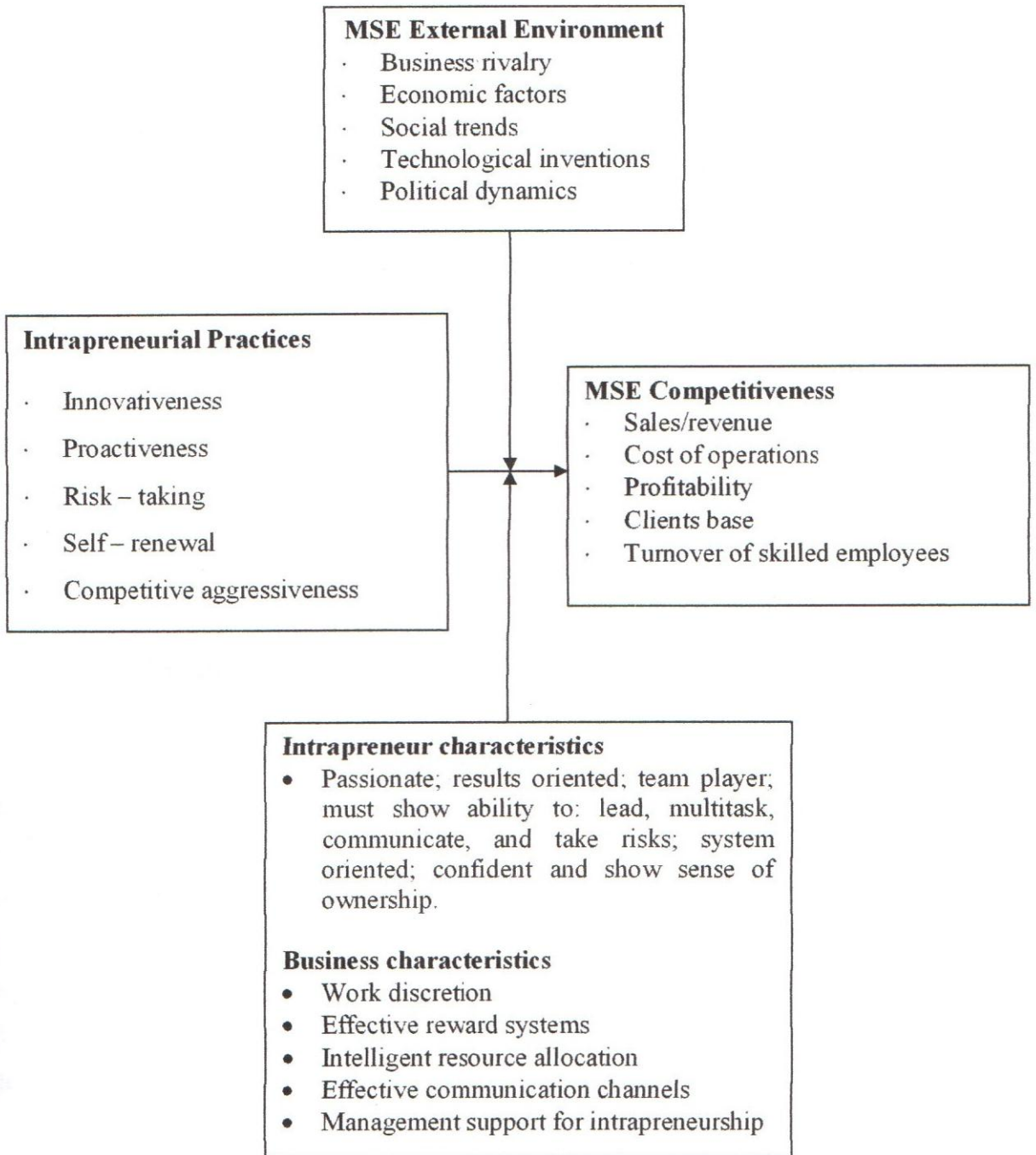


Figure 2.1: Relationship between Intrapreneurial Practices and MSE competitiveness

Source: Own conceptualization (2011)

The relationship between the dependent, independent and the intervening variables is addressed in the following discussion. Innovation is at the heart of intrapreneurship (Drucker, 1985). Organizations that support the idea of exploration and allow employees to express themselves creatively enhance innovation outcomes. The latest technologies often provide sources of new competitive advantage. To extract value from a new technology, companies must invest in it. *Innovativeness* requires that firms depart from existing technologies and practices and venture beyond the current state of the art. Inventions and new ideas need to be nurtured even when their benefits are unclear. However, in today's climate of rapid change, effectively producing, assimilating, and exploiting innovations can be an important avenue for achieving competitive advantages (Dess et al., 2008). An organization-wide intrapreneurial spirit to cope with and benefit from rapidly changing marketplace conditions would be possible only if suitable innovative undertakings are established. When these organizational initiatives are supported and coordinated within the organization, the outcomes will be gained as sustainable competitive advantage through innovation in the form of new products, services, and processes, or in a combination of these (Kuratko et al., 2001; Aktan and Bulut, 2008).

Proactive organizations monitor trends, identify the future needs of existing customers, and anticipate changes in demand and or emerging problems that can lead to new venture opportunities. Proactiveness is especially effective at creating competitive advantages, because it puts competitors in the position of having to respond to successful initiatives (Dess et al., 2008). Due to shortened product life cycles and sensitive demand for new products, a firm's ability to deal and survive within this new economic environment will depend on its ability to make the first-move to realise competitiveness (Barringer and Bluedorn, 1999). Particularly, in emerging and transition economies, being the leader is more beneficial than 'wait and see' strategies (Aktan and Bulut, 2008). Being a first mover provides firms with an ability to capture unusually high profits because there are no competitors to drive prices down. It also enables a firm to establish brand recognition that helps retain their image and hold on to the market share gains they earned by being first.

Intrapreneurial risk taking is conceptualized as the organizational orientations to go for new initiatives for the purpose of corporate profit and growth by tolerating the possible calculated

loses (Sitkin and Pablo, 1992; Keh et al., 2002). Conservative and risk-averse attitudes of firms will cause a decrease in market share and even a loss of competitive position (Kanter, 2006). On the other hand, globalization of the competition has been forcing firms to take new positions to stay competitive (Porter, 1980). Successful firms either identify new markets or introduce new services/products to the existing markets or the combinations of two by taking risks to fulfil the market opportunities. Therefore, to be outperformed and stayed competitive is directly related to a firm's intensity to take calculated risks (Aktan and Bulut, 2008).

Self-renewal is the transformation of organizations through the renewal of the key ideas on which organizations are built (Guth and Ginsberg, 1995; Zahra, 1991; Sharma and Chrisman, 1999). According to Zahra (1993), strategic renewal by a firm entails the redefinition of the business concept, reorganization, and the introduction of system-wide changes for innovation.

Competitive aggressiveness involves spending large amount of investment in marketing strategy to combat industry trends that threaten its survival or market position. Smith et al. (2001) noted that firms with aggressive orientation are willing to combat competitors by slashing prices and sacrificing profit in order to dominate market share or spend aggressively to acquire manufacturing capacity. Dess and Lumpkin (2005) contend that aggressive firms may be very assertive in leveraging the results of other entrepreneurial activities such as innovativeness and proactiveness for firm development and growth.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter describes the methodology and the procedure that was used to carry out the study. It outlines the research design, target population, sampling design and procedures, data collection instruments and procedures, reliability and validity of research instruments, data analysis and presentation.

3.2 Research Design

This study adopted a correlational survey design. This is because the study sought to establish the linear relationship between the dependent and independent variables. The design was chosen for the current study because it was economical, facilitated rapid data collection, enabled optimum understanding of a population from a part of it, and finally, it was deemed suitable for undertaking extensive research (Mugenda and Mugenda, 1999).

3.3 Area of Study

Nakuru town is located 160km North West of Nairobi and is the fourth largest urban centre in Kenya after Nairobi, Mombasa and Kisumu. There are numerous business organizations operating within the Municipality including hotels, healthcare centres, educational institutions, trading companies, etc that are both local, regional and even international levels.

3.4 Target Population

The target population was the 75 medium-sized enterprises in Nakuru Municipality, where 30 were product oriented while 45 were service oriented. Therefore, the managers of MSEs were used to field questions asked by the researcher, since they were the most knowledgeable persons regarding their organization's strategies and overall business situations. Therefore, the researcher believed that they would provide reliable and accurate information that would enable successful realisation of the objectives of the study.

3.5 Sample

According to the records obtained from Nakuru Business Association (2011) and the Municipal Council of Nakuru (business licensing section), there are about 75 registered MSEs in Nakuru Municipality and thus all the managers of MSEs found in the target area constituted respondents for the study.

3.6 Data Collection

Both primary and secondary data were collected in this study. Researcher administered questionnaires were the main instrument of collecting data from the respondents. The main advantage of using questionnaires was that the researcher was able to collect all the completed responses within a short period of time. In addition, the researcher was afforded the opportunity to clarify issues that were not clear to the respondents on the spot.

The extent of application of intrapreneurial practices in an organization was measured using a Likert type of scale. Intrapreneurial practices in an enterprise captured in the questionnaire were adopted and modified from Antoncic and Hisrich, (2003); and Dess and Lumpkin (2008). The respondents were required to indicate on a 5-point scale the extent to which the following practices had been employed in their enterprises: innovativeness, proactiveness, risk-taking, self-renewal, and competitive aggressiveness.

Organizational competitiveness was measured using 5 items that were adopted and modified from Pratten (1991) and Covin & Slevin (1995) constructs. These items included revenue, cost of production, profits, client's base and the turnover of skilled employees. The respondents were required to rate the average level of competitiveness the enterprise has realised in the past 5 years.

3.7 Reliability and Validity of Research Instruments

In order to ensure the validity of the measurement instrument used in this study, it was subjected to experts in the field of statistics. In addition, to further validate the research instruments, the researcher scrutinized the contents of the questionnaire in order to ascertain that everything presented was closely aligned to the research objectives of the study. Reliability of the

measurement instrument was conducted and the Cronbach's alpha was found to be 0.76. Therefore, the instrument was found to be reliable.

3.8 Data Analysis and Presentation

The collected data was analysed using both descriptive and inferential statistics. The researcher used of Statistical Package for Social Sciences (SPSS) to aid data analysis process. The first and second objectives of the study were analysed using descriptive statistics. The Chi-square test of independence ($\chi^2 = \left[\frac{(O-E)^2}{E} \right]$) was used to analyse the second objective given that the variables were measured on a nominal scale and that the researcher sought to determine the relationship between the dependent (intrapreneurial practices) and independent (MSE industry) variables. Multiple regression analysis $E(y) = \alpha + \beta_1 X_1 + \beta_2 X_2 + \dots + \beta_k X_k$ (where y =MSE competitiveness while $X_1 - X_k$, represented intrapreneurial practices) was used to analyse the third objective. This is because the researcher had sought to explore the linear relationship between the independent variables (intrapreneurial practices) and dependent variable (MSE competitiveness). In addition, the independent variables had been measured on a continuous scale while the dependent variable had been measured on an ordinal scale.

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CHAPTER FOUR

RESULTS AND DISCUSSIONS

4.1 Introduction

This chapter deals with the presentation of the research findings and the interpretations. Questionnaires were the main instrument of data collection. Frequency tables and pie charts were used to capture the results from the research findings.

4.2 General Characteristics of the Enterprise

To facilitate the understanding of the effects of intrapreneurial characteristics on MSE's competitiveness, respondents were asked to provide information about their enterprises. The responses obtained are presented in the following sections.

4.2.1 MSE classification by sector

The respondents were asked to indicate the sector in which their enterprises operated. The results are shown in figure 4.2.

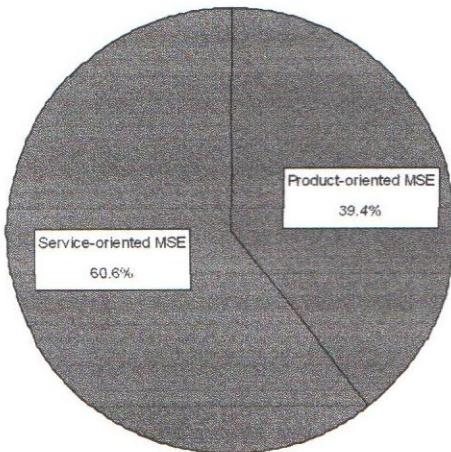


Figure 4.1 MSE Classification by sector

Source: research data

The findings revealed that 60.6% of the MSEs were service-oriented while 39.4% were product oriented. This is an indication that the business of most MSEs found in Nakuru Municipality is service delivery.

4.2.2 Year MSE was established

The respondents were also asked to indicate the year in which their enterprises were established. The results are given in Table 4.1. Outcome of this process is portrayed in the following.

Table 4.1 Year MSE was established

Year of MSE establishment	Frequency	Percent (%)
<=1972	9	13.6
1973 – 1981	8	12.1
1982 – 1990	18	27.3
1991 – 1999	15	22.7
2000 – 2007	16	24.2
Total	66	100.0

Source: Research data

The findings revealed that 27.3% of MSEs were established during the period of 1982-1990; 24.2% during the period of 2000-2007; 22.7% during the period of 1991-1999; 13.6% before or in 1972, while 12.1% were set up during the period of 1973-1981. This means that a majority (64.2%) of MSEs in Nakuru Municipality have been in existence for a period of more than seven years. This outcome shows that most of them (about 50.0%) have reached the maturity stage in their growth cycle.

4.2.3 Form of business ownership

The study also sought to establish the form of business ownership to which MSEs in Nakuru Municipality belonged. The results are shown in Figure 4.2

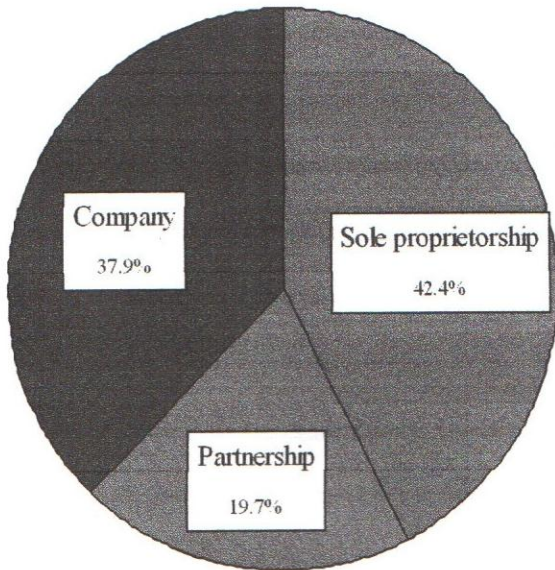


Figure 4.2 Form of business ownership

Source: Research data

The findings revealed that 42.4% of MSEs in Nakuru Municipality are sole proprietorships, 37.9% fall in the category of companies, while 19.7% were partnerships. No MSE was found to fall in the category of cooperatives. This means that most MSEs in Nakuru Municipality are owned by single individuals.

4.2.4 Management Levels in MSEs

The respondents were also asked to indicate the number of management levels present in their enterprises. The findings are shown in Table 4.2.

Table 4.2 Management Levels in MSEs

MSE Management Levels	Frequency	Percent (%)
2	3	4.5
3	22	33.3
4	19	28.8
5	13	19.7
6	4	6.1
7	4	6.1
8	1	1.5
Total	66	100.0

Source: Research data

The findings revealed that 33.3% of MSEs in Nakuru Municipality had three levels of management; 28.8% had four; 19.7% had five; 6.1% had six; another 6.1% had seven; while only 1.5% of the MSEs had eight levels. Thus, the findings reveal that most MSEs had three levels of management, quite a number had four levels and another significant number had five levels of management. Few MSEs had more than five levels of management.

4.3 Application of intrapreneurial practices by MSEs in Nakuru Municipality

The researcher sought to determine application of intrapreneurial practices by MSEs in Nakuru Municipality. The findings are as shown in Table 4.3.

Table 4.3 Application of intrapreneurial practices by MSEs in Nakuru Municipality

Intrapreneurial practice	Application of intrapreneurial practice			
		Employed	Not employ	Total
Innovativeness	F	43	23	66
	%	65.2	34.8	100.0
Proactiveness	F	33	33	66
	%	50	50	100.0
Risk-taking	F	46	20	66
	%	69.7	30.3	100.0
Self-renewal	F	38	28	66
	%	57.6	42.4	100.0
Competitive aggressiveness	F	40	26	66
	%	60.6	39.4	100.0
Mean	F	40	26	
	%	60.62	39.38	

Source: Research data

In order to determine the application of the practice of innovativeness by an enterprise, respondents were asked to indicate whether or not their enterprises had introduced any new product/service within the past five years. The results showed that 65.2% of MSEs in Nakuru Municipality had introduced new products/services within the past five years in pursuit of competitiveness while 34.8% had not. This means that most MSEs in Nakuru Municipality employed the practice of innovativeness in pursuit of competitiveness.

Knight (1997) indicates that today, many firms can gain competitive superiority by producing even very ordinary and standard products in very high innovative processes. These innovative

processes provide the advantage of low cost, rapid production, faster distribution, more quality and better customer services. Dess et al.(1997) classify innovations as product-market innovativeness and technological innovations. They state that the product-market innovativeness includes an emphasis on product design, market research, advertisement and promotion. Technologic innovativeness, according to Dess et al. (1997), focuses on primarily product and process development, engineering, research and development, technical expertise and industry knowledge.

To find out whether an enterprise employed the practice of proactiveness to achieve competitiveness, respondents were asked to indicate whether or not their business had pioneered any product or service within the past five years. The findings revealed that 50.0% of the MSEs in Nakuru Municipality had pioneered new products/services in the past five years while the other 50.0% had not. This outcome means that half of the MSEs found in Nakuru Municipality employed the practice of proactiveness in pursuit of competitiveness.

According to Lumpkin and Dess (1996) academicians in the field of economy and entrepreneurship have frequently emphasized the importance of being first-mover or being pioneer. The firm moving first can gain extraordinary benefits and become a pioneer in forming brand image by profiting these opportunities. In today's increasing global competitive environment, proactiveness is seen as important vehicles for survival of firms and for higher performance (Knight, 1997). Therefore, being a first mover, pursuing new opportunities and participating in developing markets is very closely related with organizational intrapreneurship. Entrepreneurial firms are active rather than reactive to their environment. Proactiveness is the opposite of reactiveness and it is associated with competitive aggressiveness; and a proactive firm is a leader rather than a follower (Lumpkin and Dess, 1996).

To establish whether or not the practice of risk-taking had been employed by an enterprise, respondents were asked to indicate the number of times the business had financed its operations using credit. The findings revealed that 69.7% of MSEs in Nakuru Municipality had used credit to finance their operations in the past five years while 30.3% had not. This outcome shows that

majority of MSEs in Nakuru Municipality employed the practice of risk-taking in their pursuit for competitiveness.

Risk taking behaviors of individuals or firms range from low risky actions, for example, depositing at a bank, investing in public funds or making stock of goods, to high risky actions for instance, huge borrowing, investing heavily in unexplored technologies or putting new products onto new markets (Lumpkin and Dess, 1996). Generally, intrapreneurial firms display risky behaviors by borrowing heavily or by allocating very huge resources to the opportunities in the market in order to get high yields. This can be viewed as the indicator or the measure of their risk taking tendency. Firm-level risk taking requires acting quickly for seizing and valuing the market opportunities, making fast resource combinations and displaying bold actions. Intrapreneurial firms are seen to manage the risks better by focusing on lower-risk market endeavors with developing various new product and service alternatives targeted to the different market segments or niches (Morris and Kuratko, 2002).

In order to determine whether an enterprise employed the practice of self-renewal, respondents were asked to indicate whether the business had been reorganized in terms of its units/departments or processes in pursuit of competitiveness. The findings revealed that 57.6% of MSEs in Nakuru Municipality had their units/departments or processes reorganized within the past five years while 42.4% of them had not. This indicates that majority of MSEs found in Nakuru Municipality had employed the practice of self renewal within the past five years.

Leonard-Barton (1995) investigated how organizations are able to renew themselves continuously. She portrays such organizations as constantly evolving, organic learning systems, which are in a state of continuous flux and self-regeneration. Brown and Eisenhardt (1998) argue that the main performance driver for organizations in industries of rapid, unpredictable changes is their *ability to change* (rather than, for example, unique firm competencies), and their success is demonstrated by the continual reinvention of the organization (rather than e.g. profits or long-term dominance). According to them, organizations aiming to master continuous change should, first of all, adopt a “semicoherent strategic direction”, characterized by unpredictability,

uncontrollability, inefficiency (in the short term), proactiveness, continuous processing and diversity.

Finally, to find out whether an enterprise employed the practice of competitive aggressiveness, the number of products/services introduced by the business that were similar to those introduced or being offered by their competitors was considered. The results revealed that 60.6% of the respondents indicated that their enterprises had introduced such products/services while 39.4% had not. This implies that most MSEs in Nakuru Municipality had employed the practice of competitive aggressiveness in their pursuit for competitiveness.

Firms which could not take a new position against the increased intensity of the competition and/or became late to enter into the growing markets, compute the opportunity costs and try to make alternative strategies to survive or to remain in competition (Birkinshaw et al., 2005). Firms which decide to gain share from those markets, adopt competitive aggressive behaviors by employing marketing strategies such as competing on price, increasing promotion and/or combating for the distribution channels or imitating the competitors' actions and/or products (Dess et al., 2007). By acting aggressive via marketing tools, they force relatively stronger competitors to make entry barriers for the current markets. From the two points of view –either new entrants or existing firms- the purposes of these bold and aggressive behaviors are initially to remain in competition and then to make profit by fulfilling the opportunities of markets.

In general, since the study sought to establish the application of intrapreneurial practices by MSEs in Nakuru Municipality in pursuit of competitiveness, the mean score for the application of all the practices was computed. The results revealed that a majority (60.62%) of MSEs in Nakuru Municipality employed intrapreneurial practices while the rest (39.38%) did not.

4.3.1 Number of new products/services introduced by MSEs

The researcher also sought to determine the exact number of products/services which the enterprise had introduced within the past five years. The respondents were thus required to indicate the same and the results are captured in Table 4.4.

Table 4.4 Number of new products/services introduced by MSEs

Number of products/services Introduced	Frequency	Percent (%)
0	23	34.8
2	8	12.1
3	12	18.2
4	7	10.6
5	5	7.6
6	4	6.1
7	2	3.0
8	4	6.1
10	1	1.5
Total	66	100.0

Source: Research data

The results showed that 65.2% of MSEs in Nakuru Municipality had introduced new products/services within the past five years in pursuit of competitiveness while 34.8% had not. Thus, of the innovative MSEs, 18.2% had introduced three; 12.1% had introduced two; 10.6% had introduced four; 7.6% had introduced five; 6.1% had introduced six; another 6.1% had also introduced six; 3.0% had introduced seven while 1.5% had introduced ten products/services. From the results, it can be deduced that most of the MSEs considered to be innovative had at least introduced three products/services in the past five years. It is also worth noting that the highest number of products/services to be introduced by an enterprise during the same period was ten.

4.3.2 Number of products/services pioneered by MSEs in Nakuru Municipality

The study then sought to find out the number of products/services pioneered by MSEs in Nakuru Municipality in the past five years in pursuit of competitiveness. Respondents were therefore asked to indicate the exact number of products/services their enterprise had pioneered in their industry in the past five years. The findings are shown in Table 4.5.

Table 4.5 Number of products/services pioneered by MSEs in Nakuru Municipality

Number of products/services pioneered by MSE	Frequency	Percent (%)
0	33	50.5
1	7	10.6
2	8	12.1
3	8	12.1
4	6	9.1
5	4	6.1
Total	66	100.0

Source: Research data

The findings revealed that 50.0% of the MSEs in Nakuru Municipality had pioneered new products/services in the past five years while the other 50.0% had not. Therefore, of the proactive MSEs, 12.1% had pioneered two products/services; another 12.1% had pioneered three; 10.6% had pioneered 1; 9.1% had pioneered four; while 6.1% had pioneered five. This means that the modal number of products/services to be pioneered was two and three. The results also show that the highest number of products/services to be pioneered by MSEs in Nakuru Municipality was five.

4.3.3 Credit utilization by MSEs in Nakuru Municipality

The researcher then sought to determine the number of times the enterprise had utilized credit to finance its operations in the past five years. The respondents were thus asked to indicate the number of times their enterprises had borrowed funds from financial lenders in the past five years. The results are shown in Table 4.6.

Table 4.6 Credit utilization by MSEs in Nakuru Municipality

Credit utilization	Frequency	Percent (%)
0	20	30.3
1	2	3.0
2	17	25.8
3	11	16.7
4	15	22.7
6	1	1.5
Total	66	100.0

Source: Research data (2011)

The findings revealed that 69.7% of MSEs in Nakuru Municipality had engaged in borrowing funds from financial institutions in the past five years while 30.3% had not. Therefore, of the MSEs that had borrowed funds, 25.8% indicated they had gone for the funds twice; 22.7% for four times; 16.7% had done it thrice; 3.0% had done it only once; while another 1.5% had done it for six times. This means that the highest number of times an enterprise went for a loan was two for some enterprises and four for others.

4.3.4 Reorganization of MSE units/departments/processes

The study also sought to establish whether or not the number of times the enterprise had been reorganised within the past five years had increased. The respondents were thus asked to indicate whether the number of times their enterprises had been reorganized within the past five years had increased. The findings are captured in Table 4.7.

Table 4.7 Reorganization of MSE units/processes

Frequency of MSE reorganization	Frequency	Percent (%)
0	28	42.4
1	4	6.1
2	7	10.6
3	21	31.8
4	6	9.1
Total	66	100.0

Source: Research data

The findings revealed that 57.6% of MSEs in Nakuru Municipality had their units/departments or processes reorganized within the past five years while 42.4% of them had not. Therefore, of the enterprises that had been reorganised, 31.8% of them had been reorganized thrice; 10.6% of them twice; 9.1% of them for four times; while another 6.1% had been reorganized only once. This results show that for the MSEs that employed the practice of self-renewal, majority had been reorganised for a maximum of three times, within the past five years.

4.3.5 Number of products/services introduced by the enterprise that were similar to competitors'

The researcher sought to establish the number of products/services which a given MSE had introduced that were similar to those of their competitors. Table 4.8 shows the results obtained.

Table 4.8 Number of products/services introduced by the MSE that were similar to competitors'

Number of products/services introduced	Frequency	Percent
0	26	39.4
1	10	15.2
2	8	12.1
3	13	19.7
4	7	10.6
5	1	1.5
7	1	1.5
Total	66	100.0

Source: Research data

The findings revealed that 60.6% of the respondents indicated that their enterprises had introduced such products/services while 39.4% had not. However, of the MSEs that had employed this practice, 19.7% of them had introduced three such products/services; 15.1% had introduced only one; 12.1% had introduced two; 10.6% had introduced four; 1.5% had introduced five; while another 1.5% had introduced seven. The results thus indicate that the modal number of products that a given MSE had introduced that were similar to their competitors' was three.

4.4 Extent of application of intrapreneurial practices by MSEs

The study sought to establish the extent of application of intrapreneurial practices by MSEs in Nakuru Municipality. The results are shown in Table 4.9.

Table 4.9 Extent of application of intrapreneurial practices

Intrapreneurial practice	Extent of application of intrapreneurial practices						
		Very Low	Low	Average	High	Very High	Total
Innovativeness	F	–	3	18	10	12	43
	%	–	7.0	41.9	23.3	27.9	100.0
Proactiveness	F	1	9	9	6	7	32
	%	3.1	28.1	28.1	18.8	21.9	100.0
Risk-taking	F	6	8	10	18	4	46
	%	13.0	17.4	21.7	39.1	8.7	100.0
Self-renewal	F	–	9	22	7	–	38
	%	–	23.7	57.9	18.4	–	100.0
Competitive aggressiveness	F	6	12	4	16	2	40
	%	15.0	30.0	10.0	40.0	5.0	100.0
Mean	F	3	8	13	9	6	
	%	6.22	21.24	31.92	27.92	13.44	

Source: Research data

The findings revealed that 51.2% of respondents indicated that the practice of innovativeness had been employed to a high extent; 41.9% to an average extent; while 7.0% had done it to a low extent. This means that, the innovative MSEs in Nakuru Municipality employed this practice to a large extent and quite a number did it to an average extent. Only a few had done it to a small extent.

Regarding the extent of application of the practice of proactiveness, 40.7% of the respondents indicated that their business had employed the practice to a large extent; 31.2% to a small extent; and 28.1% to an average extent. The results thus indicate that majority of the proactive MSEs in Nakuru Municipality employed this practice of proactiveness to a large extent.

The respondents were also required to indicate the extent to which their business employed the practice of risk-taking. The results revealed that of the MSEs in Nakuru Municipality that are considered to be risk-takers, 47.8% of them employed the practice to a large extent; 30.4% to a small extent; while 21.7% to an average extent. The results thus indicate that majority of the MSEs in Nakuru Municipality employed the practice of risk-taking to a large extent.

In order to determine the extent of application of the practice of self-renewal in a given enterprise, respondents were required to indicate the extent to which the process of reorganizing their enterprises had been done. The results revealed that 57.9% of the respondents indicated that the reorganization had been effected to an average extent; 23.7% of them indicated that it had been done to a small extent; while 18.4% indicated that it had been to a large extent. This means that most of the MSEs in Nakuru Municipality had been reorganized to an average extent.

Finally, the researcher sought to find out the extent to which the practice of competitive aggressiveness had been employed by MSEs in Nakuru Municipality. The findings revealed that 45.0% of the businesses had implemented the practice to a large extent; another 45.0% indicated that it had been done to a small extent; while 10.0% of them indicated that it had been done to an average extent. The results show that majority of the MSEs in Nakuru Municipality employed the practice of competitive aggressiveness to a large extent.

Generally, since the researcher had sought to determine the extent of application of intrapreneurial practices by MSEs in Nakuru Municipality, the mean score of all the practices as employed by the enterprises was computed. The results revealed that 27.46% of the respondents indicated that they employed the practices to a small extent; 31.92% to an average extent; while 41.36% employed the practices to a large extent.

4.5 MSE Competitiveness

The competitiveness measures of the firm can be determined by profit, and growth measures. Inside resources, capabilities, and processes together form the basic competencies of the businesses that should fit to the customers' need (demand conditions) and to the competitive pressure of the firms within the industry as well as the treat of substitutes (supply conditions).

This conceptualization has its roots in the RBV theory (Grant, 1991; Lengnick, 1992; Man et al 2002; McGahan, 1999; Peteraf, 1993, Ray et al., 2004).

The study also sought to establish the variation in MSE competitiveness within the past five years as a result of the application of intrapreneurial practices. The following variables were used to measure the level of competitiveness in a given MSE; revenue, cost of operations, profits, client base, and turnover of skilled employees. All the variables were measured using an ordinal scale that had three levels i.e. increased, no change, and declined. Table 4.10 shows how the competitiveness of an enterprise was arrived at.

Table 4.10 Determination of MSE competitiveness

MSE Competitiveness Indicators	MSE competitiveness in the past five years			Total
	Increased	No change	Declined	
Revenue	√			3
Cost of operations		√		2
Profits	√			3
Client base	√			3
Turnover of skilled employees		√		2
Average				3
Decision on MSE competitiveness status				Increased

Source: Research data

Each level on the scale was assigned a specific weight as follows; increased – 3; no change – 2; while declined had the least weight, that is, 1. To determine the competitiveness of a given MSE, the average score of all the variables was obtained and an appropriate decision made accordingly. Figure 4.3 shows the results realised.

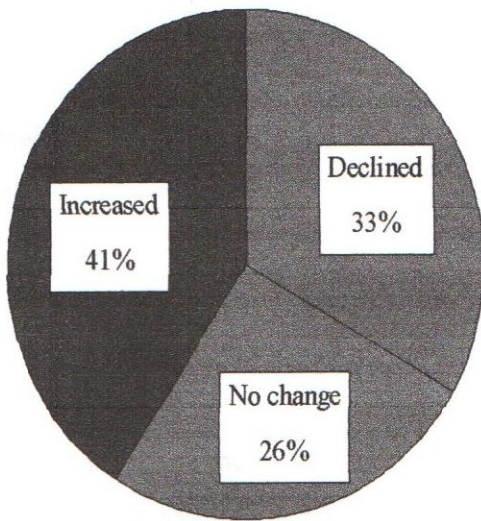


Figure 4.3 MSE Competitiveness in the past five years

Source: Research data

The findings of the study revealed that 41% of the enterprises had registered increased competitiveness; 33% had registered a decline in their enterprise competitiveness; while 26% indicated that their enterprise competitiveness had not changed within the past five years.

4.6 Relationship between Intrapreneurial Practices Employed and MSE industry

The third objective of the study was to determine the relationship between intrapreneurial practices employed and MSE industry. The independent variable was MSE industry while the dependent variables were the intrapreneurial practices; both of which were measured on a nominal scale. Thus, in order to realise the second objective the following hypothesis was formulated; intrapreneurial practices employed by MSEs are not dependent on MSE industry. The hypothesis was tested using the chi-square test of independence. The data was tested at 1 degree of freedom at a significance level of 0.05. The results are shown in Table 4.11.

Table 4.11 Relationship between intrapreneurial practices employed and MSE industry

Intrapreneurial practice	chi-square value	df	Significance (p-value)
Innovativeness	1.051	1	0.305
Proactiveness	1.015	1	0.314
Risk-taking	2.490	1	0.115
Self-renewal	6.417	1	0.011
Competitive aggressiveness	3.753	1	0.053

Source: Resource data

The results showed that the *p-value* for all the intrapreneurial practices with the exception of self-renewal were greater than the α -value of 0.05. This means that the application of the practice of innovativeness, proactiveness, risk-taking and competitive aggressiveness is MSE industry independent. On the other hand, the application of the practice of self-renewal is MSE industry dependent. This may be explained by the different dynamics e.g. nature of operations, organizational systems and structures in place, etc, which characterizes the two different MSE industries (i.e. the service sector and the product-oriented sector). Therefore, with the exception of the practice of self-renewal, the hypothesis that intrapreneurial practices employed by MSEs are not dependent on MSE industry was supported. Hence, the study concluded that the application of intrapreneurial practices by MSEs is industry independent.

4.7 Effects of Intrapreneurial Practices on MSE Competitiveness

The third objective of the study was to establish the effect of employing intrapreneurial practices on MSE competitiveness. The independent variables (intrapreneurial practices) were measured on a continuous scale while the dependent variable (MSE competitiveness) was measured on an ordinal scale. The following hypothesis was thus formulated: application of intrapreneurial practices has no effect on MSE competitiveness. In order to test this hypothesis, multiple regression analysis was conducted with $F_{5,60} = 48.276$, $p < 0.05$; and $R^2 = 0.801$. This means that 80.1% of the variance in MSE competitiveness was explained by some of the independent variables present in the model. Table 4.12 shows the result of the analysis.

Table 4.12 Effect of Intrapreneurial Practices on MSE Competitiveness

Predictor variable	Beta	t	Significance (p)
Innovativeness	.394	0.393	.003
Proactiveness	.275	1.784	.079
Risk-taking	.343	5.383	.000
Self-renewal	.062	1.020	.312
Competitive aggressiveness	.520	3.428	.001

Source: Research data

The findings of the regression analysis demonstrated that the intrapreneurial practices which had a positive and significant effect on MSE competitiveness were: innovativeness ($\beta=0.394$; $p<0.05$), risk-taking ($\beta=0.343$; $p<0.05$) and competitive aggressiveness ($\beta=0.520$; $p<0.05$). On the other hand, proactiveness ($\beta=0.275$; $p>0.05$) and self-renewal ($\beta=0.062$; $p>0.05$) were found not to have a significant effect on MSE competitiveness. Therefore, with the exception of proactiveness and self-renewal practices, the hypothesis that application of intrapreneurial practices has no effect on MSE competitiveness was not supported. Therefore, the study concluded that the application of the intrapreneurial practices of innovativeness, risk-taking and competitive aggressiveness significantly affects MSE competitiveness.

Zahra and Bogner (2000) have displayed innovation as a firm's asset which allows a firm to own a wide selection in strategic selection to improve the performance of the firm. An analysis involving 116 firms based on software in the US have confirmed the increase of innovation in the effort to explore novelties that help improve performance. The study findings are similar to the results of Kreiser et al. (2002) on 1,067 firms from six countries which found that innovation variables have significant and positive relationship with sales growth. Furthermore, a study by Rauch et al. (2004) that used the meta analysis approach on 37 past researches also confirmed that innovation, proactive and aggressive competition have positive significant relationship with performance.

The same outcome has been supported by Yang (2006) who studied 406 SMEs in Taiwan and found significant positive relationship between innovation and proactiveness with business

performance although the strength of both relationships were moderate (Yang, 2006). However, findings from Lumpkin (1996) discovered that in a hostile environment, innovation has a negative relationship with performance. On the other hand, in a dynamic environment the results are otherwise (Lumpkin, 1996).

Empirical evidence within the past two decades reinforced the important expectation of proactive element to a firm's performance. Becherer and Maurer (1999) have found a significant positive relationship between proactive with change in sale of firm during their study on 215 small companies. The finding of the study are similar to the findings of a few other studies conducted afterwards which discovered strong correlation between proactive with business performance variables (Lumpkin and Dess, 2001; Kreiser et al., 2002; Rauch et al., 2004; Bhuian et al., 2005; Covin et al., 2006; Yang, 2006; Coulthard, 2007).

A study by Lumpkin and Dess (2001) on 124 executives from 94 firms showed that proactive variables statistically have significant positive relationship with all performance measurement (Rauch et al., 2004; Yang, 2006). The findings is also supported by Kreiser et al. (2002), they also found that proactive have positive relationship with increase of sales, sales growth and gross profit of a firm. While Covin et al. (2006) found that proactive have a positive impact on the growth rate of a firm's sale. Additionally, Coulthard's (2007) findings on four industrial sectors (wine, automotive, franchise and music) in Australia confirmed that proactive variables have significant positive relationship with business performance in every industry but on different levels.

The study conducted by Kreiser et al. (2002) on 1671 firms from nine countries found the interrelationship between variables of risk-taking, increase sales and sales growth is a curvilinear shaped "U". This finding suggests that a firm undertaking extreme risk would gain better benefit compared to a firm taking medium risk. While Rauch et al. (2004) study results which used the meta-analysis approach found that risk taking has no positive relationship with performance. This finding is contradicting with Covin et al. (2006) that concluded risk-taking has a positive effect on the sale growth rate of a firm. Covin et al. (2006) results are comparable to Yang (2006) who studied on 406 SMEs in Taiwan and showed a positive significant relationship

between risk-taking with business performance but in small relationship. This finding is supported by Coulthard (2007) who suggested that risk-taking is a decision made by a firm. Effects of a planned risk-taking will provide positive results to firm's performance.

Researches suggest that companies that undertake a greater number of competitive actions experience better performance in profitability and market share (Ferrier, 2001; Smith et al., 1991; Yong et al., 1996). According to these researchers, a greater number of competitive actions enable a company to explore more opportunities, strengthen customer and investor relationships, and enhance its market position. Undertaking more actions helps a company to find and execute a greater number of sales opportunities and improve its financial performance.

Many other previous studies have supported the relationship between intrapreneurship and firm growth, profitability and survival (Covin & Slevin, 1989; Lumpkin & Dess, 1996; Becherer & Maurem, 1997; Dess et al., 1997; Wiklund, 1999; Lee & Peterson, 2000). Lumpkin and Dess (1996) argued that the relationship between intrapreneurship and firm performance is context specific and introduces the integrative framework for exploring this relationship. Becherer and Maurem (1997) investigated the relationship among intrapreneurship, marketing orientation, and firm performance (i.e., growth, profitability and survival), and showed that intrapreneurship is directly related to profit change. The results of Dess et al., (1997)'s study showed entrepreneurial strategy making was strongly related to firm performance when it was combined with both proper strategy and environment. Covin and Slevin's (1989) study also suggested that intrapreneurship is related to performance among small and medium sized firms in hostile environments.

Okpara (2009) in his study on entrepreneurial orientation and export performance by SMEs in Nigeria found that firms which adopted proactive orientation achieved higher performance, profitability and growth compared to those which adopted a conservative orientation. Aktan & Bulut (2008), in their study on the effect of corporate entrepreneurship on the financial performance of an organization found out that all the dimensions of intrapreneurship in their model had positive and significant effects on firm performance.

Furthermore, Fox (2005), in her study on organizational entrepreneurship and the organizational Performance Linkage in University Extension found that the strategic orientation of the organization contributes significantly to overall organizational performance. Lekmat and Selvarajah (2008), in their study on corporate entrepreneurship and firm performance found that among the intrapreneurial practices included in their model (i.e. innovativeness, proactiveness, self renewal, risk taking and competitive aggressiveness), innovativeness was the most important predictor of a firm's performance.

Given the positive influence intrapreneurship has on firm competitiveness, Anu (2004) has suggested the following as some of the methods businesses can use to foster intrapreneurship: promotion of employee autonomy; implementing recognition and rewards systems to honour intrapreneurs, encouraging innovative efforts through supporting all intrapreneurial activities financially or otherwise; facilitating employee development through in-house training programmes, seminars, etc; creating flexible organizational structures; and undertaking periodic revisions of organizational mission and values.

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATION

5.1 Introduction

The purpose of the study was to establish the effect of intrapreneurial practices on the competitiveness of medium sized enterprises in Nakuru Municipality. This chapter therefore gives a summary of the findings and the conclusion of the research study. The chapter also contains some recommendations for consideration based on the findings of the study. Contribution of the study to the body of knowledge is also provided at the end of the chapter.

5.2 Summary of Findings

5.2.1 MSEs General characteristics

This study utilized 66 of the targeted 75 respondents who comprised the managers or administrators of MSEs found in Nakuru Municipality. The findings revealed that 60.6% of the MSEs were service-oriented while 39.4% were product oriented. The results also showed that majority of MSEs in Nakuru Municipality have been in existence for a period of more than seven years. This means that most MSEs in Nakuru Municipality were sole proprietorships while no MSE was found to fall in the category of cooperatives. In addition, the findings revealed that most MSEs had three levels of management.

5.2.2 Application of intrapreneurial practices by MSEs in Nakuru Municipality

With regards to innovativeness, the findings revealed that most MSEs in Nakuru Municipality had employed the practice in pursuit of competitiveness within the past five years. Of these innovative MSEs, majority had introduced three products/services in the past five years. The findings further showed an increase in the number of new products/services introduced by MSEs within the past five years. In addition, the findings revealed that the extent of application of the practice of innovativeness by MSEs in Nakuru Municipality was to a large extent.

Regarding proactiveness, it was found that half of the MSEs found in Nakuru Municipality had employed the practice while another half had not. Of the proactive MSEs, majority had pioneered two to three products within the past five years. The results also showed that the number of pioneered products/services by proactive MSEs in Nakuru Municipality had been on

the rise within the past five years. The results further indicated that majority of these MSEs had employed this practice to a large extent.

With reference to risk-taking the research outcome showed that majority of MSEs in Nakuru Municipality had employed this practice in their pursuit for competitiveness. The research established that majority of the said MSEs had borrowed funds twice within the past five years. The findings in addition indicated that borrowing of funds from lenders by MSEs in Nakuru Municipality had been on the rise within the past five years. Finally, the results revealed that majority of these MSEs had employed the practice of risk-taking to a large extent.

In relation to self-renewal, the results indicated that majority of MSEs found in Nakuru Municipality had employed this practice within the past five years. The findings further revealed that regarding those MSEs that employed the practice of self-renewal, majority had been reorganised for a maximum of three times, within the past five years. In addition, it was established that the number of times MSEs were being reorganized to achieve competitiveness had been on the rise within the past five years. Finally, the findings also showed that most of these MSEs had been reorganized to an average extent within the specified period.

As regards competitive aggressiveness, the results showed that most MSEs in Nakuru Municipality had employed the practice of competitive aggressiveness in their pursuit for competitiveness within the past five years. The results further indicated that the modal number of products that a given MSE had introduced that were similar to their competitors' was three. Furthermore, the findings showed that the number of products/services that were being introduced by MSEs that were similar to those of rivals were on the increase within the past five years. Finally, the results indicated that majority of these MSEs employed the practice of competitive aggressiveness to a large extent.

5.2.3 Relationship between intrapreneurial practices employed and MSE industry

The findings revealed that the application of the practices of innovativeness, proactiveness, risk-taking and competitive aggressiveness was not at all influenced by the MSE industry. This is because no relationship was found to exist between the said practices and MSE industry. The

application of the practice of self-renewal was however found to be influenced by MSE industry. This is because a relationship was found to exist between the two variables.

5.2.4 Effects of intrapreneurial practices on MSE competitiveness

The study findings also established that the competitiveness of medium sized enterprises was positively and significantly affected by the application the following intrapreneurial practices: innovativeness, risk-taking and competitive aggressiveness. Among these three practices, the one with the major influence on MSE competitiveness was competitive aggressiveness. On the other hand, the practices of proactiveness and self-renewal were found to have no significant effect on MSE competitiveness.

5.3 Conclusion

The study investigated the effect of intrapreneurial practices on the competitiveness of medium sized enterprises in Nakuru Municipality. The study objectives were successfully addressed using the methodologies described in chapter three and the following conclusions were made: MSEs in Nakuru Municipality employed intrapreneurial practices in pursuit of competitiveness; MSE industry does not influence intrapreneurial practices to be employed by the enterprise; and finally, the competitiveness of a given MSE is influenced by the application of the practices of innovativeness, proactiveness, and competitive aggressiveness by the organization.

5.4 Recommendation

5.4.1 Recommendation to practitioners

Given that the findings have revealed a positive relationship between some intrapreneurial practices and MSE competitiveness, the study recommends that the management of MSEs that do not employ intrapreneurial practices in pursuit of competitiveness should do so if they are to become more competitive. In addition, MSEs irrespective of their industry should strive to employ all the intrapreneurial practices identified in the literature in pursuit of competitiveness given that no relationship was found to exist between MSE industry and application of the practices, except for the practice of self-renewal. Furthermore, the study recommends that the management of MSEs should seek ways of improving the application of the practices of proactiveness and self-renewal in order to enhance their contribution towards the overall

competitiveness of the enterprise. This is because the application of these two practices was found to have no effect on the competitiveness of the enterprise.

5.4.2 Areas for further research

The study identified various gaps and hence further research needs to be done in the following areas: effects of organization learning on firm competitiveness since organizational learning is paramount to continual growth, renewal and survival of any business entity. In addition, a study on the role of intrapreneurial practices on service delivery by firms in the public sector organizations will be in order as it will yield findings that will result in delivery of quality and timely services to the public by the civil service. Another area of study could be on factors influencing adoption of intrapreneurial practices by MSEs. The findings of such a study would help identify factors that both promote and hinder intrapreneurship and thereby assist the management of such firms properly address them, given the effect of intrapreneurship on firm competitiveness. Finally, another study should be done to establish the strategies which MSEs adopt in pursuit of competitive advantage. The outcomes of such a study will go a long way in ensuring that business entities have access to empirical research that may help turn-around their organization's competitiveness from registering loses to profitability.

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APPENDICES

Research Questionnaire

My name is Nicodemus Amboye Olilo, a student at Egerton University, Nakuru Municipality Campus. As part of the requirements for the award of Masters in Business Administration degree, I am carrying out a research study on “**Effects of Intrapreneurial Practices on Competitiveness of Medium Sized Enterprises in Nakuru Municipality**”.

I kindly request you to give correct and independent responses to the questions that follow. Please note that any information obtained through this questionnaire will be strictly confidential and will *only* be used for *academic purposes*.

Section A: General Characteristics of the enterprise

1. Please indicate the industry in which your enterprise operates.

- Product-oriented
- Service-oriented

2. In which year was your enterprise established?

3. To which form of business ownership does your organization fall?

- Sole proprietorship
- Partnership
- Cooperative
- Company

4. How many management levels are present in your organization?

Section B: Enterprise Intrapreneurial Index

Innovativeness

This intrapreneurial practice refers to an enterprise' effort to develop new products/services with the aim of achieving competitiveness.

5. a. Are there any new products/services that your enterprise has introduced during the past five years?

- Yes
- No

b. If yes in 5(a) above, please indicate the exact number of new products/services introduced by your enterprise during the past five years.

1	2	3	4	5	6	7	8	9	10	Other, specify

c. Given your response in 5(c) above, please rate the extent of application of the practice of innovativeness in your enterprise?

Very high	High	Average	Low	Very low
5	4	3	2	1

Proactiveness

This intrapreneurial practice is indicated by an enterprise' effort to be ahead of others – market leaders or first movers – in pioneering new products/services in the market.

6. a. Are there any products/services currently in your industry that your enterprise has pioneered within the past five years?

- Yes
- No

b. If yes in 6(a) above, please indicate the exact number of the said pioneered products/services.

1	2	3	4	5	6	7	8	9	10	Other, specify

- c. Given your response in 6(c) above, how would you rate the extent of application of the practice of proactiveness in your enterprise?

Very high	High	Average	Low	Very low
5	4	3	2	1

Risk taking

The indicator of risk taking in an enterprise is observed in the act of assuming high levels of debt by the firm in order to invest in unexplored opportunities and thereby boost its financial returns.

7. a. During the past five years, has your enterprise engaged in borrowing funds from financial lending institutions with the aim of investing in unexplored opportunities?

- Yes
- No

- b. If yes in 7(a) above, please indicate the exact number of times your enterprise has borrowed funds from financial lending institutions during the past five years?

1	2	3	4	5	6	7	8	9	10	Other, specify

- c. Given your response in 7(c) above, how would you rate the extent of application of the practice of risk taking in your enterprise?

Very high	High	Average	Low	Very low
5	4	3	2	1

Self renewal

This intrapreneurial practice is reflected in the transformation of an enterprise through the renewal of the key ideas on which the enterprise is built.

8. a. Has your enterprise been involved in reorganizing its units/departments/processes in order to improve its operations during the past five years?

- Yes
- No

- b. If yes in 8(a) above, please indicate the exact number of times this has been done in your enterprise during the past five years.

1	2	3	4	5	6	7	8	9	10	Other, specify

- c. Given your response in 8(c) above, how would you rate the extent of application of the practice of self renewal in your enterprise?

Very high	High	Average	Low	Very low
5	4	3	2	1

Competitive aggressiveness

This refers to a firm’s effort to follow rather than lead competitors in its industry. It is indicated by the willingness of an enterprise to roll out similar products as those of their competitors but at much reduced prices in order to strategically position itself in the market and survive.

9. a. Are there any products/services that your enterprise has introduced in the market during the past five years that are similar to those being offered by your competitors?

- Yes
- No

- b. If yes in 9(a) above, please indicate the exact number of the said products/services.

1	2	3	4	5	6	7	8	9	10	Other, specify

- c. Given your response in 9(c) above, how would you rate the extent of application of the practice of competitive aggressiveness in your enterprise?

Very high	High	Average	Low	Very low
5	4	3	2	1

Section C: Enterprise Competitiveness

10. Please tick (√) where appropriate to show the trend you have observed regarding the following aspects of competitiveness in your enterprise during the past five years?

Measure of Enterprise Competitiveness	Trend observed		
	Increased	Stayed the same	Declined
Revenue			
Cost of operations			
Profits			
Client base			
Turnover of skilled employees			

List of Medium-Sized Enterprises in Nakuru Municipality

1. Abbey Hotel
2. Acheru Property Agents
3. African Institute of Research and Development Studies
4. Afro Spin Ltd.
5. Alpats Agencies
6. Bahati Day & Night Security Guards
7. Baraka nursing home
8. Bhogal's Garage Ltd.
9. Bhotto Solar Ltd.
10. Buds and Blooms Ltd.
11. Carnation Hotel
12. Carol Schools
13. Chester Hotel
14. Chrisco Schools
15. Coil Products Ltd.
16. Cornerstone Security
17. East Gate Estate Ltd.
18. Elmis Security
19. Evans Sunrise Hospital
20. Fanikiwa Commercial agencies & properties
21. Gilanis Supermarket Ltd.
22. High Rise Property Management Agencies
23. Hotel Cathay
24. Hotel Kunste
25. Hotel Waterbuck
26. Jojean Properties Ltd.
27. Kamalunga Commercial agencies
28. Kamotoku management consultants
29. KAPI Ltd.

30. Kenya Institute of Biomedical Sciences
31. Kinamba Oil Ltd.
32. King's Academy Schools
33. Mache Hardware Ltd.
34. MEA Ltd.
35. Menengai Medical & Training College
36. Merica Hotel
37. Midlands Hotel
38. Milling Corporation (k) Ltd.
39. Motel Magnolia
40. Muigai Commercial agency
41. Muthaiti Schools & Colleges
42. Mwangaza College
43. Nakuru Bargains Ltd.
44. Nakuru Blankets Ltd.
45. Nakuru Fibres Ltd.
46. Nakuru Industries Ltd.
47. Nakuru Institute of Information Communication & Technology
48. Nakuru Nursing and Maternity Home Ltd.
49. Ndonge Commercial agencies & Estate Management
50. Neem's Ltd.
51. Ngawa Security Ltd.
52. Ngotho Commercial agency
53. Pata Estate Management agencies
54. Pine Breeze Hospital
55. Pistis Educational Centre
56. Pivot Hotel
57. Rafiki Engineering Works Ltd.
58. Rasul Akram Schools
59. RayKay Property agencies
60. Rema Security Services Ltd.

61. Resma Commercial agencies
62. Riva Oil Ltd.
63. Royal Gate Commercial agencies
64. Sarova Hotel
65. Shah Lalji Nangpar Schools
66. Shinner's Schools
67. Silvergold Properties
68. Step-up Training Institute
69. Sun AutoFilters Ltd.
70. Taidys Investments
71. The Stem Hotel
72. Tosti Ltd.
73. Tracom College Ltd.
74. Valley Bakery Ltd.
75. Valley Hospital

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