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Exploring the Effect of Corporate Entrepreneurship on Financial Performance of Firms: Evidence from Kenya's Manufacturing Firms

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Abstract

This paper presents empirical findings of the effect of Corporate Entrepreneurship (CE) on financial performance of manufacturing firms in developing countries. Using a sample of two hundred manufacturing firms (*n* = 200) in Kenya, we hypothesize; 1) Innovativeness has positive effect on financial performance; 2) Risk taking has positive effect on financial performance; 3) Proactiveness has positive effect on financial performance; 4) Competitive aggressiveness has positive effect on financial performance; and 5) Autonomy has positive effect on financial performance. The findings of survey enable acceptance of hypotheses 1, 2, 4 and new hypothesis (Strategic Investments has positive effect on financial performance)

generated from factor analysis. Hypotheses 3 and 5 are rejected since their relationships with financial performance are insignificant. These provide three implications; first, out of five CE dimensions, three and Strategic Investments have direct effect with financial performance of firms; and proactiveness and autonomy do not affect financial performance of manufacturing firms. Therefore, it is evident that CE dimensions significantly affect financial performance of firms in Kenya's manufacturing firms. We recommend that pro-entrepreneurs in developing countries should understand the significances of CE dimensions and effect on financial performance of manufacturing firms.
Keywords: Financial Performance, Corporate Entrepreneurship Dimensions, Developing Countries, Kenya.

1 Introduction

Global changes in management philosophy in the recent years have led to an increasing number of large enterprises demanding Corporate Entrepreneurship (CE) (Christensen 2004). CE is comprises dimensions such as innovativeness, proactiveness, competitive aggressiveness risk taking and autonomy in enterprises among others (Aktan and Bulut 2008). Zimmer and Scarborough (1996) describe CE as one that creates a positive atmosphere for employees to foster new ideas and encourages them to act upon them. Entrepreneurship within corporate environment can therefore be conceived as the effort to extend on enterprise's competitive advantage hence improves the enterprise performance (Ozcelik and Taymaz 2004). The process of this competitive advantage is achieved through internally generated innovations that significantly alter the balance of competition within the industry or innovations that create entirely new enterprises (Cakar and Erturk 2010).

Researches of CE have indicated that CE dimensions have been initiated in established enterprises for the purposes of profitability (Zahra and Garvis 2000; Kuratko and Hornsby 2004), strategic renewal (Guth and Ginsberg 1990), fostering innovativeness (Lumpkin and Dess 1996), gaining knowledge for future revenue streams (Morris, Kuratko and Covin 2011) and international success (Bickinshaw 1997). CE is designed to revitalize a firm's business by changing its competitive profile (Burns 2005). Entrepreneurial behaviours may be particularly crucial to enterprises as they strive to identify and take advantage of opportunities in the dynamic and uncertain competitive environment of twenty first century (Sirmon and Hitt 2003). Considerable anecdotal evidence suggests that entrepreneurial behaviours are common to successful enterprises. According to Zain and Hassan (2007); and Drucker (1985), large enterprises like International Business Machines, Apple, Sony, Hewlett Packard and Microsoft have been able to sustain high levels of performance by behaving entrepreneurially.

CE is known universally as Intrapreneurship within the enterprise (Chang 1998). According to Pinchot (1985) the term refers to the development of internal markets and relatively small and independent units designed to create internal ventures and expand innovative staff services, technologies and methods within a large organization. Selecting an appropriate basis for defining CE and understanding its process is a real challenge for researchers due to the absence of a universally accepted definition of CE (Kuratko 2009). Based on the literature, the main elements of CE definitions are innovativeness, proactiveness, competitive aggressiveness and risk taking at enterprises and individual levels.

Various scholars have given different definitions of CE. However, for the purpose of this study CE is defined as a process whereby corporate entrepreneurs of established large enterprises undertake product and service innovations, act proactively, compete

aggressively, practice autonomy and are willing to take risk through internal and external business ventures in order to enhance their enterprises' performance (Zain and Hassan 2007; Zahra and Covin 1995). The literature, however, shows no consensus about the locus of corporate entrepreneurs within a business organization (Zahra 1996), that is, whether it should be at all levels of the enterprises or at one autonomous business unit led by entrepreneurial worker, manager, or group of employees (Zahra 1996).

A few researches of CE in enterprises have been conducted in Africa, for example, Gantsho (2006) carried out an experimental study on how CE can be implemented in Development Finance Institutions in South Africa. The study only concentrated on how CE could be implemented in financial institutions and also did not address the issue of how to improve performance in such institutions. Nyanjom (2007) likewise researched on how enterprises in Botswana can develop and enhance entrepreneurial innovation and encourage entrepreneurial activity within enterprises. This study failed to address the obstacles affecting CE and enterprise characteristics. In Kenya, many studies have been conducted on CE in enterprises; however, they have centred on individual enterprises and usually take a case study approach. For example, Mayaka (2006) in their studies of leading Kenya companies concentrated on the factors that lead to the companies' success in order to develop a case study. Hence, the studies failed to identify CE dimensions that lead to good performance of the large enterprises. Coates (2007) in her study of Equity Bank concentrated only on leadership aspect and did not look at CE dimensions affecting large enterprise performance. Utilizing conceptual model of Entrepreneurial Orientation (EO) - performance relationship and financial performance regression, our study will argue that CE dimensions have an effect on financial performance of manufacturing firms in developing countries and are Kenya firms exempted? Conceptual model of EO- performance relationship posits that the five dimensions (innovativeness, risk taking, proactiveness, competitive aggressiveness and autonomy) affect financial performance of the firms (Lumpkin and Dess 1996). Our study will establish the effect of CE on the financial performance of manufacturing firms in developing countries. Specifically, we argue; 1) Innovativeness affect the financial performance of manufacturing firms in Kenya; 2) Risk taking affect the financial performance of manufacturing firms in Kenya; 3) Proactiveness affect the financial performance of manufacturing firms in Kenya; 4) Competitive aggressiveness affect the financial performance of manufacturing firms in Kenya; and 5) Autonomy affect the financial performance of manufacturing firms in Kenya.

We commence the study by examining the primary tenets of conceptual model of EO-performance relationship and the relationship with the hypotheses. Secondly, data and methods have been discussed in the second section. Analysis and results have been given in the third section. Fourthly, discussions and implications are given. Finally, conclusions and recommendations are presented.

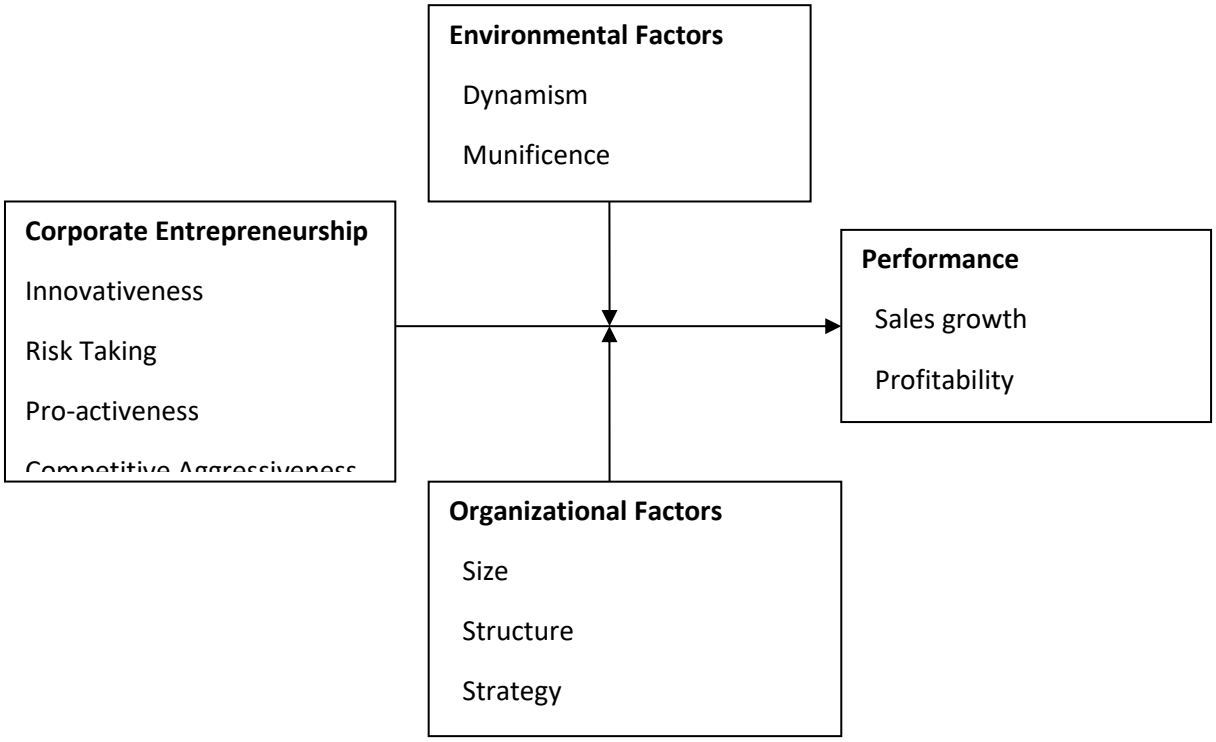
2 MODEL; FINANCIAL PERFORMANCE AND CORPORATE ENTREPRENEURSHIP; AND HYPOTHESES DEVELOPMENT

2.1 Conceptual Model of EO- Performance Relationship

Many theoretical and empirical studies have been done to examine CE- performance relationships among firms. In context of this study, we adopted the conceptual model of EO-performance relationship by Lumpkin and Dess (1996) (see Figure 1 According to the authors, this model presents an alternative model for CE that shows the conceptual model of EO-

performance relationship that involves five CE dimensions (innovativeness, risk taking, proactiveness, competitive aggressiveness and autonomy) moderated by environmental factors (dynamism, munificence, complexity and industry characteristics) and organizational factors (size, structure, strategy, strategy making processes, firm resources and culture) affect performance of the firms (sales growth, profitability, overall performance and stakeholder satisfaction). The authors further argue that CE is the processes, practice and decision making activity that lead to a new entry. The entry is accomplished by entering new markets with new or existing commodities. In this context a new entry is the idea, which underlies the concept of CE. Key dimensions that characterise CE include willingness to innovate, take risks, tendency to be proactive relative to the marketplace opportunities, be aggressive towards competitors and propensity to act autonomously. Moreover, this study adopted firm's financial performance as a dependant variable, which is broader and more comprehensive indicator of corporate performance (see Zain and Hassan 2007; and Zahra and Covin 1995). Financial performance of manufacturing firms will be reflected in their sales.

Figure 1: **Conceptual Model of the EO-Performance Relationship**



Source: Lumpkin, G.T. & Dess, G.G. (1996) Clarifying the Entrepreneurial Orientation constructs and linking it to performance. *Academy of Management Review*, 21(1): 135-172.

2.2 Financial Performance of Firm and Corporate Entrepreneurship Dimensions

2.2.1 Financial Performance of Firms

A firm's financial performance and operations are integrally connected. Studies have shown that the concept of firm's performance is multidimensional in nature (Aktan and Bulut 2008; Wiklund and Shepherd, 2005). Within firm performance, the focus has always been on the financial side; hence it is traditionally defined in financial terms. In addition, shareholders, investors and other stakeholders are interested to get information about the firm's performance conditions frequently. Financial performance information (return on equity, return on investment, sales growth and profitability) is the most extremely explicit and valid information among the other performance dimensions (Zhao et al. 2011). On the other hand financial information should also be available particularly for regulatory and supervisory bodies for auditing the certain fiscal issues and taxations. The extent to which this financial information should be disclosed depend upon firms' features, that is, being private or public character of the firm, its size, or the firm's being quoted or unquoted.

Financial performance is the firm's ability to generate new resources from day to day operations over a specific period of time (Peterson and Peterson, 1996). Broadbert and Cullen (2005); Kaplan and Norton (2000) opine that the financial performance measures can be divided into two major forms. The traditional measures which are based on accounting/ financial data (the effect of actions on one year's profit return on equity and return on investment) which reflects a firm's past financial performance and on the market based measures derived from stock market values (Economic Value Added and Market Value Added approaches) which are based on valuation principles. To test the financial performance effects of CE, the performance measurement scale of this research was adapted from the frequently used traditional financial criteria.

Successful entrepreneurial accomplishments will inevitably affect the firm's financial performance in the long run, barely in the short run; there might be no association among CE climate factors and firm's financial performance criteria due to project investments and firm's internal resource usages or possible losses (Aktan and Bulut 2008; Hayton 2005). Thus, the first signals of successful entrepreneurial accomplishments may be obtained from marketplaces, sales growth and market share. Then, in the long run, these improvements in the competitive position in the marketplace may create higher financial returns as the outcomes of CE. Therefore, one criterion, that is, sales was used to reveal the association between CE and financial performance of manufacturing firms

2.2.2 CE Dimensions

CE has become an important area of entrepreneurship research for the last three decades as a strategic orientation to overcome external adaptation problems firms face in their research for sustained competitive advantage in the global competition (Dess et al. 2003; Kuratko et al 2001; Zahra and Covin, 1995; Drucker, 1985).

The literature on CE has been grown mostly by theoretical studies. In these studies the authors try to clarify the content of CE by defining it as the set of firm's policies, processes and characteristics whereby firms try to actualize efforts for pioneering innovative ideas its products processes, structures and markets (Hitt et al. 2001; Pinchot, 1985). On the other hand, the recent researches on CE are mostly field researches which try to explore the structure of CE. Most of these researches have revealed that CE has a multidimensional structure. The most frequently found out and tested with hypotheses dimensions of CE are innovativeness, risk taking, proactiveness, autonomy and competitive aggressiveness (Aktan

and Bulut, 2008; Lumpkin and Dess, 2001; Sharma and Chrisman, 1999), yet their association with firm's performance have not been sufficiently demonstrated (Dess and Lumpkin, 2005). Consequently, the dimensions of CE were debated along the firm's financial performance within the following section.

2.2 Hypotheses Development

2.2.1 Innovativeness and Financial Performance

Innovation which refers to the firm's ability to create new commodities, introduce new markets, processes, supply of new resources and new organization is the heart of entrepreneurship (Cakar and Erturk 2010; Aktan and Bulut 2008; and Drucker 1985). An enterprise wide entrepreneurial spirit to cope with and benefit from rapidly changing marketplace conditions would be possible only if suitable innovative undertakings are established. When these enterprise initiatives are supported and coordinated within the enterprise, the outcomes will be gained as sustainable competitive advantage through innovation in the form of new commodities, processes or in combination of these (World Bank 2010; Morris and Kuratko 2002; Quinn 1985; and Schumpeter 1934). Thus a number of authors have linked innovation to business performance through the successful implementation of new ideas. On this basis, the following null hypothesis was put forward:

H_{o1}: The innovativeness dimension of CE has a positive effect on financial performance of firm

2.2.2 Risk Taking and Financial Performance

According to (Kreiser et al. 2010; Keh, Foo and Lim 2002; Lumpkin and Dess 2001), risk taking is venturing into unknown by engaging in calculated business related eventualities such as firms orientation to go for new initiatives for the purpose of corporate profit and performance. This is because, in addition to monetary risk, it typically entails psychological and social risk (Lumpkin and Dess 1996). Recent research indicates that entrepreneurs score higher in risk taking than do non-entrepreneurs (Falbe and Larwood 1995). Entrepreneurs are generally believed to take more risks than non-entrepreneurs do because they face a less structured and a more uncertain set of possibilities. Moreover, (Morris, 1998) discovered that entrepreneurs tended to be moderate or calculated risk takers. Calculated risk taking is an attempt on the part of the entrepreneur to find ways to mitigate, shift or share risk. The research overall suggested that entrepreneurs were calculated risk takers that led to the following null hypothesis:

H_{o2}: The risk taking dimension of CE has positive effect on financial performance of the firm

2.2.3 Proactiveness and Financial Performance

Proactiveness, the ability to act earlier than others in capturing new markets or introducing new products or tapping new resources is vital ingredient of entrepreneurship in which an entrepreneur seeks new opportunities which may not be related to the present line of operations (Olson, Slatter and Hult 2005; Narver et al. 2004; Lumpkin and Dess 2001). They do this to deal, survive and gain competitive advantage within new economic environment.

Proactiveness in saturated market requires a firm to be fast and the first by finding out the new demand or introducing new commodity frequently assists to take new position on the way of sustainable competitive advantage (Porter 1980). Given these viewpoints, it was postulated that:

H_{03}: The proactiveness dimension of CE has a positive effect on financial performance of the firm

2.2.4 Competitive Aggressiveness and Financial Performance

Competitive aggressiveness is the intensity of a firm's efforts to outperform industry rivals and taking them head on at every opportunity. Enterprises which decide to gain share from those markets, adopt competitive aggressive behaviours by employing marketing strategies like competing on price, increasing promotion and/ or competing for distribution channels or imitating the competitors' actions and/ or products (Dess, Lumkin and Eisner 2007). It is characterised by a strong offensive posture, which is directed at overcoming competitors by setting ambitious market share goals and taking bold steps to achieve them (Lumpkin and Dess 1996). Hence the following null hypothesis was suggested:

H_{04}: The competitive aggressiveness dimension of CE has a positive effect on financial performance of the firm

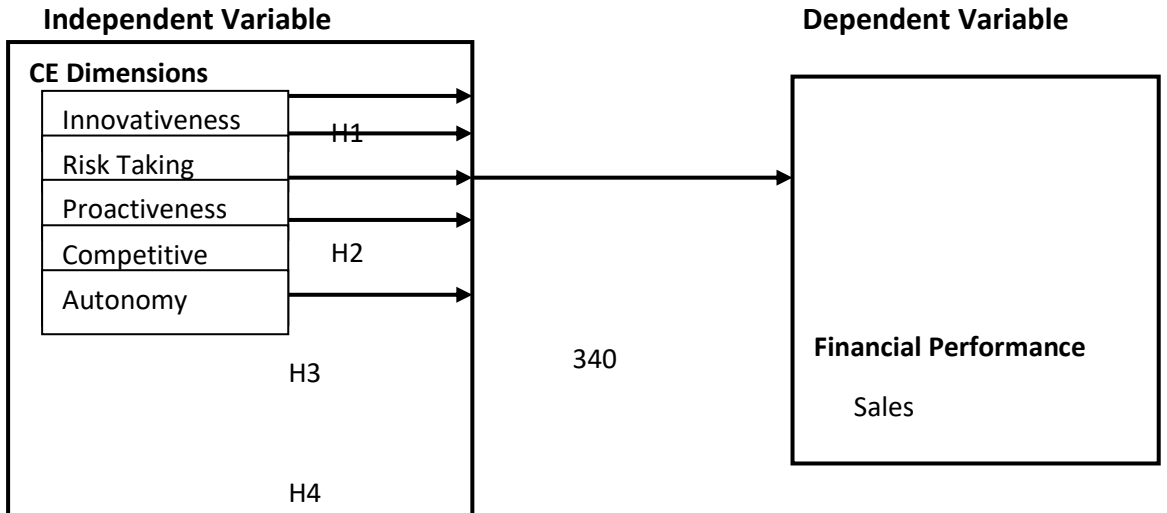
2.2.5 Autonomy and Financial Performance

Autonomy is the freedom granted to teams and individuals employees encouraging them to exercise their creativity in bringing fourth an idea and being able to follow it through to completion. Thus entrepreneurs have the autonomy to make strong and decisive decisions and guide the direction of the venture (Mintzberg and Waters 1985). Overall it appears entrepreneurial firms require a high level of autonomy that led to the null hypothesis:

H_{05}: The autonomy dimension of CE has a positive effect on financial performance of the firm

Figure 2 displays the proposed model showing the hypothesized relationships between CE dimensions and financial performance.

Figure 2: Proposed Model of Interaction of CE Dimensions and Financial Performance



3 DATA AND METHODS

3.1 Data Collecting Procedure and Sample

The data used in this study was gathered from 200 manufacturing firms based in Nairobi County identified by sampling technique of simple random sampling where each respondent has equal chance of being selected. The choice of manufacturing sector is based on two premises; first, it is the leading economic sector in Nairobi, Kenya and its entrepreneurial behaviour is of great concern. The study adopted ex post facto design which investigates possible cause and effect relationships by observing an existing condition or state of affairs and looking back in time for valid causal factors (Kerlinger and Lee 2000). Primary data, including CE dimensions and financial performance, was gathered using a questionnaire. A total of 200 questionnaires were administered to 200 top managers of manufacturing firms who were considered to be the best able to understand the CE dimensions under consideration in the study for 20 days. 186 respondents replied, which is 93 percent of response rate. Such a response is considered statistically sufficient to give a reliable estimation of the population parameters (Zain and Hassan 2008)

The biographic data have shown that 32% came from food and beverages, nearly 80% of the firms have been in business for more than 10 years, 38.7% of firms market their products regionally, 71% of the top managers were males, 46.8% of managers were between 41 to 50 years old and 76.9% of the managers had attained degree level of education.

3.2 Measures of Constructs

Constructs were measured with dimensions adapted from the CE proponents such as Lumpkin and Dess (2001); Barringer and Bluedorn (1999); Covin and Slevin (1986); Miller and Friesen (1983); Khandwalla (1987) as well as those generated from the literature of CE. All items were measured on a five point Likert- type scale where 1 = strongly disagree and 5 = strongly agree. Mean scales scores were calculated for all measures. We used the Cronbach's Alpha to estimate reliability for scales. A total of 52 items were used in which 36 items measured CE dimensions (9 for innovativeness, 9 for risk taking, 6 for proactiveness, 6 for competitive aggressiveness and 6 for autonomy) and 12 items measured financial performance. The financial performance scales were created from the existing literature and chosen among the most frequently used financial criteria, which are return on sales and profits. Financial performance of firms within the presiding two years was measured using

five point scales whichwas anchored at much worse than previous year (= 1) and much better than previous year (= 5). The financial performance of firms was computed as follows:
Sales = (This year's sales – Last year's sales)/ Last year's sales

4 ANALYSIS AND RESULTS

4.1 Reliability Tests, Factor Analysis and Correlations

The scales were submitted to factor analysis using the SPSS version 20 and showed a strong validity for such a measurement model, with the fit indices such as (X^2 (47) = 718.801; Goodness of Fit Index (GFI) = .94, Confirmatory Factor Index (CFI) = .96; Normed Fit Index (NFI) = .95). Factor loadings are depicted in Table 1 below.

Table 1: Factor Loadings for EO Dimensions and Financial Performance Constructs

Items	Factor Loadings
Innovativeness	
Developing new types of product	.537
Frequently trial of new techniques of manufacturing products	.514
Firm is creative in the methods of operation to reduce the time of production	.567
Investing in developing appropriate technology to produce high quality goods	.715
Carrying out product improvement always	.641
Autonomy	
Facilitating free flow and capture of new ideas from employees	.705
Rewarding employees who come up with new products	.741
Risk taking is a positive attribute to employees to work freely	.578
Recognizing individual risk takers for willingness to champion new projects, successful or not	.705
Allowing employees to practice their skills freely without supervision to produce more	.631
Supporting employees who come up with new products	.761
Risk Taking	
Propensity to take risk in investing in expensive and risky activities is high	.804
Supporting great deal of tolerance for high risk investments	.760

Favouring bold and aggressive posture to maximize the probability of exploiting potential when faced with uncertainty
.803

Competitive aggressiveness

Stimulating new demand on existing products in the current market through aggressive advertisement
.673

Taking bold and wide ranging acts (e.g. sales, promotion, competitive prices and distributive channels) to market products
.839

Strong tendency to increase the market share by reducing competitors through competitive marketing strategies
.800

Spending substantial amount of financial resources in sales promotion
.733

Actively searching for significant opportunities to improve market share
.638

Strategic Investments

Investing in new ventures recently
.726

Creation of new autonomous units to enable division of work
.730

Proactiveness

Identifying new markets to sale products
.709

Continuously improving the quality of the product to be competitive
.823

Financial Performance

Sales

Proactiveness tendency of being ahead of competitors in introducing products has led to increase in sales
.798

Competitive aggressiveness such as competitive marketing strategies has led to increase in sales .639

Innovative techniques of production has led to high quality and quantity of products that increases sales
.634

Business environments (dynamic, heterogeneity and hostile) make the firm to identify strategies to increase sales
.681

Innovative methods of operation that reduces the time of production has led to the decrease in costs thereby realising profits
.729

Competitive aggressiveness (e.g. pricing and distributive channels) of our products has led to the growth of profits
.717

Risk taking inform of introduction of new ventures by our firm improves production thereby resulting to profit increase
.694
Business environments (dynamic, heterogeneity and hostile) make the firm to identify strategies to improve profits
.709
Profit
Decision to allow autonomous unit of production has led to a lot of sales being made
.844
Autonomous units created by firms produces more goods that led to high profits
.750

Note: Statistical significance *** $p < 0.001$

The findings of factor analyses also give evidence for convergent validity of constructs regarding to significantly ($p < .01$) loadings of all items to respective latent factors. The CE dimensions increased to six from five. The sixth dimension (strategic investments) came up when the items of five dimensions of CE generated another dimension, which was labelled strategic investment. The principle component analysis (PCA) was utilized to test the discriminant validity. PCA showed that all constructs have been extracted to eight respected factors of factor analysis with the cut point of Eigen value 1. To test unidimensionality of scales, each construct were submitted to PCA individually and resulted with one factor. These findings gave evidence for the validity of the scales. Cronbach's alpha test was conducted for each of the construct to test for the reliability analyses. Table 2 reports the results of reliability test in which all the alpha coefficients are larger than expected value of .700 (Aktan and Bulut 2007). Furthermore, means and standard deviations of each construct were computed and discovered sufficient variance for further analyses. The findings demonstrated that the factor structure was valid and reliable to test the hypotheses of the research. Before testing hypotheses of the study, correlation analysis was conducted between the CE dimensions and financial performance constructs. The findings of descriptive statistics, correlations and reliability analyses are presented in Table 2 below.

Table 2: Correlations, Descriptive Statistics and Alpha Coefficients of CE Dimensions and Financial
Performance

Variable	1	2	3	4	5	6	7
1. Innovativeness	1.000						
2. Risk Taking	0.191**	1.000					
3. Proactiveness		0.217**	0.268***	1.000			
4. Strategic Investments		0.333***	0.411***	0.330***	1.000		
5. Autonomy	0.308***	0.454***	0.279***	0.377**	1.000		
6. Competitive Aggressiveness	0.191**	0.510***	0.410***	0.334***	0.362***	1.000	
7. Financial Performance	0.398***	0.600***	0.339***	0.514***	0.482***	0.686***	1.000
Observation (N)	186						
Mean	4.1839	3.8746	4.2876	3.9785	3.8746	4.0075	3.9194
Standard Deviation	0.4195	0.8087	0.4785	0.7144	0.6394	0.6417	0.7498
Alpha coefficient	0.7570	0.8750	0.7790	0.7800	0.7340	0.8670	0.8660

Note: Statistical significance * $p < .05$, ** $p < 0.01$, *** $p < 0.001$

4.2 Hypotheses Testing

Correlation analyses have given some evidence of individual effects of CE dimensions on financial performance as simple linear regression analyses. However, to test the multiple effects of CE dimensions on financial performance a multiple regression analysis was conducted (Cohen et al. 2003). The regression model used for the analysis is as follows:

$$Fpj = \beta_0 + \beta_1 In + \beta_2 Rt + \beta_3 Pr + \beta_4 Ca + \beta_5 Au + \varepsilon_i$$

Where dependent variable *Fpj* is financial performance of manufacturing firms in region j which is Nairobi County and independent variables firms practice CE and CE dimensions contains *In*- Innovation, *Rt*- Risk taking, *Pr*- Proactiveness, *Ca*- Competitive aggressiveness and *Au*- Autonomy. The intercept "β_0"was the level firm's financial performance that was attributed to activities other than firms CE dimensions $\beta_1; \beta_2; \beta_3; \beta_4$and $\beta_5$were coefficients or slopes of the independent variables. ε_i - Regression residual or error term and subscript *i* indexes a particular observation.

Table 3 presents the findings of multiple regression analysis. The findings of the regression between financial performance and CE dimensions yielded the coefficient of $F(6,179) = 55.143$ ($p < .001$) and the regression coefficient of $r = .649$ ($p < .001$). These results denoted that the model was statistically significant and explained 64.9 percent of variance in financial performance. This indicates that the effect of CE dimensions on financial performance is highly significant ($p < .001$). Furthermore, the regression coefficients for four

out of six CE dimensions were statistically significant with competitive aggressiveness recording a highest Beta value (β = .455, p< .001), followed by risk taking (β = .222, p< .001), innovativeness (β = .185, p< .001) and strategic investments (β = .184, p< .010). These coefficients are positively associated with financial performance. The results suggest that the increase in management efforts results to the following; first, manufacturing firms become competitively aggressive by taking bold and wide range of activities to increase demand of products hence its market share; the firms supporting great deal of tolerance for risk through bold and aggressive posture in investing in expensive and risky activities; third, the firm become innovative by being creative in coming up with new types of products through investing in appropriate technology; and the firms investing in new autonomous units that are strategic to their success; and lastly firms. However, the findings of the regression coefficients for autonomy (β = .100, p < .050) despite being positively associated with financial performance, was insignificant. This finding may suggest that firms do not ensure autonomy by supporting employees who come up with new ideas and allow them to practice freely without supervision. Lastly, the finding of proactiveness dimension (β = -.036, p< .476) was negatively associated with financial performance of manufacturing firms. Perhaps the negative association could be due to the fact that manufacturing firms studied, are not proactive in becoming competitive in the market by introducing new technology.

Thus the findings provide strong support for H_{o1}: The innovativeness dimension of CE has a positive effect on financial performance of firm; H_{o2}: The risk taking dimension of CE has positive effect on financial performance of the firm; H_{04}: The competitive aggressiveness dimension of CE has a positive effect on financial performance of the firm;and also proposes the introduction of a new hypotheses that states, the strategic investments dimension of CE has a positive effect on financial performance of the firms. However, H_{o3}: The proactiveness dimension of CE has a positive effect on financial performance of the firmis rejected; and H_{05}: The autonomy dimension of CE has a positive effect on financial performance of the firm is also rejected.

Table 3: Regression Model of CE Dimensions and Financial Performance

Variable	ß	*t*- Test	*p*- Value	PCC	VIF
Constant	0.933	3.716	0.000		
Innovativeness	0.185***	3.827	0.000	0.275	1.186

Risk taking	0.222***	3.952	0.000	0.283	1.604
Proactiveness	-0.036	-0.715	0.476		-0.053 1.286
Strategic Investments	0.184**	3.499	0.001	0.253	1.406
Autonomy	0.100	1.902	0.059	0.141	1.420
Competitive Aggressiveness	0.455***	8.259	0.000	0.525	1.544
Observation (N)	186				
R square	0.649***		0.000		
Adj. *R* square	0.637***		0.000		
F- Value (6, 179)	55.143***		0.000		

Note: Statistical significance * $p < .05$, ** $p< 0.01$, *** $p< 0.001$

Where: *ß*- Standardized Beta coefficient; *p*- Value Significance level, PCC- Partial Correlation Coefficient; VIF- Variance Inflation Factor; and Adj. *R* square- Adjusted *R* square

The models will give the following equations:
$Fp = 0.933 + 0.185In + 0.222Rt + 0.455Ca + 0.184Si$
Where *In*- Innovativeness, *Rt*- Risk taking, *Ca*- Competitive aggressiveness, *Si*- Strategic Investments.

5.0 DISCUSSION AND IMPLICATION

The study can generate a few theoretical implications. Firstly, these results support the theoretical and empirical research findings on CE and performance of firms by Aktan and Bulut (2008); Zahra and Gravis (2000); Zahra and Covin (1995). The point of distinction is that the CE constructs in this study denotes higher explanatory power (64.9 percent) compared to theirs, which indicated regression coefficients to be below 30 percent (Aktan and Bulut, 2008; Zahra & Gravis, 2000; Zahra and Covin, 1995). These results disagree with those of Zain and Hassan (2007) of CE and performance of firms in Malaysia. In their study, they discovered that proactiveness dimension had a positive and significant relationship with the performance of the firms. The results of this study extended the literature further by showing that the manufacturing firms in developing countries could benefit from performance when pursuing EO. These findings are in tandem with those conducted by Aktan and Bulut (2008); Knight (1997); Hornsby, et al. (1993); Kuratko et al. (1990); and Khandwalla (1987), who discovered that the emergence of entrepreneurship inside firms needs risk taking, innovativeness, competitive aggressiveness, autonomy and strategic investments. Although the conceptual model of CE- performance relationship (Lumpkin and Dess (1996) posits five CE dimensions, the study discovered the sixth dimension namely, strategic investments that had a positive and significant effect with financial performance of the firms. Finally, this study broadens the

factors that affect financial performance of the firm in an attempt to contribute and to organise the large body of academic literature on CE. The principal challenge to proponents of entrepreneurship research is to identify the entrepreneurial processes that lead to various forms of CE, and then theoretically predict and empirically verify the forms of this phenomenon that produce the best results for firms in various business and industry contexts.

A number of practical or managerial implications could also be derived from this study. Firstly, it appeared that CE is a vital element for firms' performance. Therefore, managers of enterprises should seriously consider adopting CE dimensions as an effective tool for enhancing financial performance. Lastly, the growing significance of CE in financial performance of firms in current world, demands the managers to identify entrepreneurial practices of their workers so that they can differentiate those who are entrepreneurially inclined from those who are not.

6.0 CONCLUSION AND RECOMMENDATION

This study utilized the conceptual model of CE- performance relationship to establish the effect of CE dimensions of financial performance of manufacturing firms. Data collected from 186 firms discovered that out of five dimensions of CE, four and a new one had a positive and significant effect on financial performance of the firms. From these findings, it is evident that CE dimensions significantly affect financial performance of manufacturing firms in Kenya. It is therefore recommended that manufacturing firms in Kenya should embrace CE dimensions to enjoy good financial performance.

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