

**ENTREPRENEURIAL ORIENTATION AND PERFORMANCE OF
COMMERCIAL BANKS IN KENYA**

BY

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Registration Number: D66/79091/2015

**A Research Project Submitted in Fulfillment of the Requirements for the
Award of Master of Science in Entrepreneurship and Innovation
Management, School of Business the University of Nairobi.**

2016

DECLARATION

This is to declare that this project is my original work that has not been presented to any other University or Institution of Higher Learning for examination.

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DEDICATION

I wish to wholly dedicate this project first and foremost to almighty God whose grace, providence and endless care, I cherish.

I also dedicate this project to my family for spiritual, psychological and other forms of support accorded to me that largely contributed to the successful conduct of this study to completion.

I further dedicate the work to my dad; Mr. Mark Abuya, my mom; Mrs. Rachael Abuya, and my siblings for their extraordinary and exemplary effort in guiding and shaping my academic progress since childhood.

ACKNOWLEDGEMENT

I am greatly indebted to Almighty God for granting me an opportunity to pursue Master program. His abundant care, love and grace have enabled me to soldier on despite many upheavals in my quest for a postgraduate degree.

I would like to pay my grandest homage to all persons who in one way or the other significantly contributed to the eventual completion of my research project.

My heartfelt gratitude and appreciation go to my supervisor Mr. Victor Ndambuki, whose able supervision and guidance was integral to the completion of this project.

Special thanks go to the executives of various banks for availing data and other pertinent information without which my research could not have been accomplished.

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LIST OF ABBREVIATIONS AND ACRONYMS

CE – Corporate Entrepreneurship

ROA- Return on Assets

ROI- Return on Investments

ROE- Return on Equity

EO- Entrepreneurial Orientation

CBK- Central Bank of Kenya

ABSTRACT

Entrepreneurial orientation has been conceptualized as the process and decision making activities used by entrepreneurs that leads to entry and support of business activities. Entrepreneurial orientation is often tested based on the following factors; risk taking, innovativeness, pro-activeness, and competitive energy and autonomy. Several studies have made clear that entrepreneurship could actually foster organizational growth. Several explanations have been made for the positive relationship between Entrepreneurship and organizational growth. This study sought to establish the relationship between entrepreneurial orientation and performance of commercial banks in Kenya. The research took the form of a descriptive sample survey and targeted head of the department of business development and or head of research and development at the head office of all commercial banks in Kenya. The data was collected by the use of a questionnaire and analyzed used SPSS and presented using graphs and tables to depict the trends. One of the major findings of the study was that many of the respondents agreed that the banks' profits increased by the activities of entrepreneurial orientation. Additionally, there was a drop in the number of non-performing loans in the banks as a result of the entrepreneurial orientation activities undertaken by the banks. Another major finding is that a lot of the respondents attribute the success in their banks to the level of implementation of entrepreneurial orientation strategies in their products, services, and as well as their processes and procedures. The study also recommends that banks should create enabling environment for the employees to be innovative in their operations in order to take its competitive advantage through creation of innovative services (financial) leading to increased financial performance and growth of the sector.

CHAPTER ONE: INTRODUCTION

1.1 Background of the study

Across the world, changes in population demographics, technology, fluctuating economies and other dynamic forces have transformed societies as never before, bringing new challenges and opportunities to the forefront. Among the responses to these changing forces is an increased emphasis on entrepreneurship by governments, organizations and the public (GEM Global Report, 2012).

Entrepreneurial orientation has been conceptualized as the process and decision making activities used by entrepreneurs that leads to entry and support of business activities (Kropp, Lindsay and Shoham, 2006); and as the strategy- making processes that provide organizations with a basis for entrepreneurial decisions and actions (Wiklund and Shepherd, 2003). Thus, entrepreneurial orientation (EO) generally considered as a key ingredient for the success of a firm.

The role of EO has been well articulated in entrepreneurship literature. EO refers to the extent to which a firm is entrepreneurial (Davidson and Wiklund, 2001). Entrepreneurial firms pursue entrepreneurial activities by adapting structure, management, and processes accordingly in order to gain the required agility, speed, creativity and drive to act profitably upon specific opportunities. Miller (1983) developed a framework of EO that has three constructs that is, innovation, risk-taking and proactivity. Later other constructs were added that is, competitive aggressiveness and autonomy (Frank, Kessler and Fink, 2010). Miller (1983) treated EO as a unidimensional construct while others such as Kreiser, Louis and Weaver (2002) argued that each construct of EO ought to be taken as separate constructs.

According to Korir, (2013), over the last decade, the role of banking in the process of financial intermediation has been undergoing a profound transformation, owing to changes in the global financial system. Kenya s banking system has seen some major financial innovations in the past decade as well as steps to promote financial inclusion. The major impetus for financial innovation has been globalization of financial systems, deregulation, and great advances in technologies. In increasingly integrated financial systems facing higher volatilities, more competition and wide varieties of risks, financial innovation has become an essence to provide

new products and strategies to better suit different circumstances of time and market and to meet different requirements of participants in financial system (Korir, 2013).

Banking sector organizations are gaining competitive advantage anchored on service process innovations as the key differentiating factor for banks (Kandaphully, 2002). Over the last few years, Kenyan banks have been pre-occupied with innovations in the services they offer and how they offer them. Such innovations have become the value proposition for particular banks.

Research on entrepreneurial orientation has emerged as a key area of interest in many fields, with the attempt to bridge the gap between literature and actual performance of firms in the respective industries. Consequently, the overwhelming researches on the entrepreneurial orientation have led to recognition of entrepreneurial orientation as a major construct in the field of strategic management and entrepreneurship literature (Morris and Kuratko, 2002).

1.1.1 The concept of Entrepreneurship

Entrepreneurship is a global phenomenon. The concept of entrepreneurship was first established in the 1700s, and the meaning has evolved ever since. Many simply equate it with starting one's own business but most economists believe it is more than that. To some economists, the entrepreneur is one who is willing to bear the risk of a new venture if there is a significant chance for profit. Others emphasize the entrepreneur's role as an innovator who markets his innovation. Still other economists say that entrepreneurs develop new goods or processes that the market demands and are not currently being supplied.

In the 20th century, economist Joseph Schumpeter (1883) focused on how the entrepreneur's drive for innovation and improvement creates upheaval and change. Schumpeter viewed entrepreneurship as a force of "creative destruction." The entrepreneur carries out "new combinations," thereby helping render old industries obsolete. Established ways of doing business are destroyed by the creation of new and better ways to do them. Business expert Peter Drucker (1909-2005) took this idea further, describing the entrepreneur as someone who actually searches for change, responds to it, and exploits change as an opportunity. Most economists today agree that entrepreneurship is a necessary ingredient for stimulating economic growth and employment opportunities in all societies. In the developing world, successful small businesses are the primary engines of job creation, income growth, and poverty

reduction. Therefore, government support for entrepreneurship is a crucial strategy for economic development.

Corporate Entrepreneurship (CE) is the process by which individuals inside organizations pursue opportunities without regard to the resources they currently control. (Stevenson, Roberts, and Grousbeck, 1999). This has brought a new dimension to entrepreneurship since the entrepreneurial process can take place within the context of an established organization. Arising from this the concept of an intrapreneur came up with the intrapreneur; being a person within a large corporation who takes direct responsibility for turning an idea into a profitable finished product through assertive risk taking and innovation. Entrepreneurs have entrepreneurial skills blended with managerial skills but operate within the confines of an organization.

1.1.2 Entrepreneurial Orientation

Entrepreneurial orientation is one of the constructs that has received a lot of attention over the years (Rauch et al., 2009). Entrepreneurial orientation is a construct that captures corporate entrepreneurship or organizational-level entrepreneurship of existing organizations (Lumpkin and Dess, 1996). It measures the entrepreneurial behavior of an organization. Entrepreneurial orientation is a driving force that explains how entrepreneurial an organization behaves (Covin and Wales, 2012). Entrepreneurial orientation is defined as the entrepreneurial behaviors' of an organization as reflected in organizational activities, strategies, and processes (Lumpkin and Dess, 1996). Miller (1983) defines entrepreneurial firm as one that takes risks, innovates, and is proactive. Entrepreneurial orientation is also defined as one of the strategic orientations of an organization that describes the extent of entrepreneurial activities that is undertaken by the organization (Covin and Wales, 2012). According to Pearce, Fritz, and Davis (2010), entrepreneurial orientation is defined as a set of behaviors' that have the qualities of risk-taking, innovativeness, proactiveness, autonomy, and competitive aggressiveness (Covin and Wales, 2012). It is also defined as a strategic orientation that an organization uses to adapt to changing business environment and have a sustainable competitive edge over rivals in the marketplace (Karacaoglu et al., 2012).

Entrepreneurial orientation is conceptualized and operationalized as a unidimensional as well as a multidimensional construct (Covin and Wales, 2012). On the one hand, Miller (1983); Covin and Slevin (1989) conceptualized and operationalized entrepreneurial orientation

as a unidimensional construct with three dimensions: risk-taking, innovativeness, and proactiveness. They argued that the three dimensions co-vary, which implies that an increase in one dimension leads to an increase in the other dimensions and vice versa. On the other hand, Lumpkin and Dess (1996) added two additional dimensions, namely autonomy and competitive aggressiveness, thereby bringing the dimensions of entrepreneurial orientation to five. Contrary to the position of Miller/Covin and Slevin that the dimensions of entrepreneurial orientation co-vary, Lumpkin and Dess argued that the dimensions of entrepreneurial orientation do not co-vary and that no dimension is stronger than the other. They concluded that the dimensions of entrepreneurial orientation independently vary with organizational performance, depending on how supportive environmental and organizational factors or variables are in their interactions with organizational performance (Covin and Wales, 2012).

1.1.3 Firms Performance

Firm performance refers to the analysis of a company's performance as compared to its goals and objectives (Dawes, 1999; Harris, 2011). According to Reh (1998) it is doing today what will lead to measured value outcomes tomorrow, therefore to measure performance there needs to be a benchmark to compare with. Firms' measure performance due to a number of factors; monitor and control, drive improvement, align with business goals and objectives; maximize effectiveness of improvement efforts, reward and discipline amongst other factors. The aspects to be measured must be in line with the goals of the business and have a strategic implication to it.

In the context of corporate organizations, there are three primary outcomes analyzed; financial perspective, marketing perspective and operations perspective. The financial perspective is the most commonly used and is key in determining a firm's profitability. The main focus is to effectively use financial resources to support the goals of the firm and it looks at the return on investment (ROI), return on equity (ROE) and return on assets (ROA). It is however important for the operations of a business to measure non-financial aspects of a firm's performance. Some of these aspects include; balance scorecard, economic value added, activity-based costing, quality management, customer value analysis and profit linkage model (Neely 2002). The balance scorecard approach is a relevant tool that can be used to measure the non-financial aspect. It has four perspectives which include: Learning and growth perspective which identifies

continuous training of employees and making learning part of the organizations culture; Business process perspective where the business manager measures business process against the customers' expectations to see if they are in compliance; Customer perspective which emphasizes on customer satisfaction which leads to their retention; and Financial perspective which includes risk assessment and cost-benefit analysis.

The research will use the balance scorecard as an analytical tool to measure the non-financial aspects of firm performance.

1.1.4 Commercial Banks in Kenya

A commercial bank is a company which carries on, or proposes to carry on, banking business in Kenya which includes; the accepting from members of the public of money on deposit repayable on demand or at the expiry of a fixed period or after notice, the acceptance from members of the public of money on current account and payment of acceptance of cheques and the employing of money held on deposit or on current account, or any part of the money, by lending, investment or in any manner for the account and at the risk of the person so employing the money(CBK). Commercial Banks and Mortgage Finance Institutions are licensed and regulated pursuant to the provisions of the Banking Act. Currently there are forty-two licensed commercial banks and one mortgage finance company (CBK 2016), all these regulated by the Central Bank of Kenya. Out of the forty-three institutions, thirty-nine commercial banks and the mortgage finance institution are privately owned while the Kenya Government holds controlling stakes in the remaining three commercial banks. Twenty-five of the thirty-nine privately owned banks and the mortgage finance institution are locally owned while fourteen are foreign owned.

The banking sector in Kenya has reported massive growth and development in recent years with a few turbulent times for some banks. The Central Bank of Kenya has played a major role in the regulation of banks and has enacted major reforms within the sector. Most banks have automated their functions and a lot of innovation has been witnessed in the recent past with mobile and internet banking taking root with the aim of offering great service to the customers. Banks have increased their presence in the market and are venturing to rural areas which most banks had left in earlier years. This has been triggered by the emergence of innovative products that have accommodated people from all walks of life and everyone can have an account. There is a need for constant innovation to tap the ever-growing market in the banking sector.

1.2 Research Problem

Entrepreneurial orientation is concerned with the firm -level strategic processes that firms use to obtain competitive advantage. It is key to the success or failure of a firm. Studies such as Moreno and Cassillas (2008) and Wiklund and Shepherd (2005) have explored the link between Entrepreneurial orientation and financial performance. The effect of Entrepreneurial orientation on financial performance has been highlighted in studies such as Brown, Davidsson, and Wiklund (2001) and Stevenson and Jarillo, (1990) who were able to demonstrate the link between the financial performance of a firm and the entrepreneurial orientation of the owners. Mullins and Forlani (2005) study also did underpin the superiority of Entrepreneurial orientation in explaining financial performance of a firm. That Entrepreneurial orientation contributes to the performance of an enterprise is not in doubt. Wiklund (1999) indicates that EO has implications for firm performance because aspects of Entrepreneurial orientation such as ‘risk-taking, innovativeness and proactiveness keep small firms ahead of competitors.

Large part of Entrepreneurial orientation research has examined direct impacts of corporate entrepreneurship activities on both growth and profitability (Zahra, 1991, Zahra and Covin, 1995). A study done in Turkey by Aktan and Bulut (2008) in examining the impact of Entrepreneurial orientation on financial performance of firms revealed that each dimension of EO (innovativeness, risk taking, pro-activeness and competitive aggressiveness) positively correlated with financial performance. Locally however there is relatively little field research done regarding the success or failures of large businesses which have tried to instill corporate entrepreneurship within their businesses. Many of the studies done locally are centered on individual enterprises and usually take a case study approach. For example Njoroge (2011) in her study of Nation Media Group concentrated on EO dimensions of that company alone and did not look at the wider industry. Likewise Coates (2007) in her study of Equity Bank concentrated only on leadership aspect and did not look at EO dimensions affecting large enterprise performance.

Contrary to the proposition that entrepreneurial activities within existing organizations contribute to improved organizational performance, empirical findings show that the relationship between entrepreneurial orientation and organizational performance is unclear and inconclusive (Rauch, Wiklund, Lumpkin, and Frese, 2009). This and Some studies however

have found out that Entrepreneurial orientation may be deficient in predicting firm performance because it lacks reference to opportunity identification which is key to Firms growth (Stevenson, 1983).

Some researchers confirmed a positive relationship between entrepreneurial orientation and organizational performance (Arief, Thoyib, Sudiro, and Rohman, 2013; Jia, Wang, Zhao, and Yu, 2014; Karacaoglu, Bayrakdaroglu, and San, 2012; Mahmood and Wahid, 2012; Mokaya, 2012; Sharma and Dave, 2011; Zhang and Zhang, 2012). Others found a negative entrepreneurial orientation-performance relationship (Covin, Slevin, and Schultz, 1994; George, Wood JR, and Khan, 2001; Shamsuddin, Othman, and Shahadan, 2012; Slater and Narver, 2000).

This uncertainty gives room for further research to find out the relationship between entrepreneurial orientation and organizational performance with regards to the geographical location (the Kenyan context) of where the study will be conducted and the particular industry. This study will therefore seek to the research is to establish the relationship between entrepreneurial orientation and performance of commercial banks in Kenya

1.3 Research Objectives

The general objective of the research is to establish the relationship between entrepreneurial orientation and performance of commercial banks in Kenya.

1.4 Value of the Study

The results of the study will allot of categories of people and stakeholders that are involved in banking and entrepreneurship in Kenya. The results of the research are aimed to assist them understand entrepreneurship orientation. For the bankers the study will come up with a frame work that will be useful in the decision making process by management in the sector. Findings from the study will help the management in establishing more business ideas, improvement of service delivery and embrace technological improvement within the sector. These can help in changing the business models that have been in existence and bring about more innovation. Strategy formulation will be easier for the management of banks.

The results of this study are also aims at assisting the Kenyan Government to better comprehend the activities that are undertaken in the banking industry and to be more aware of the practices

that form this industry and thus gain better control over it so as to curb any negative or unfair practices through formulation of policies that will help in the improvement of delivery of financial services.

The findings of this study will also be used by the future researchers as a source of reference for the future studies in this field. The study therefore contributes a lot to the body of knowledge and knowledge bank. This will contribute to the accumulation of knowledge and critic for development of knowledge in the emerging issues that the industry faces.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter reviews both theoretical and empirical literature that will help form the basis of the study. The theories derived will help form a foundation for the study and guide the research along specific lines whereas empirical reviews will look at previous studies that have been conducted and identify potential gaps that can be addressed. A conceptual framework will be developed which the study will follow.

2.2 Theoretical Reviews

A theoretical framework is a collection of interrelated concepts which is supposed to help the reader make logical sense of the relationships of the variables and factors that have been deemed relevant/important to the problem (Ravitch and Riggan, 2012). The theoretical framework as discussed below is intended to bring an understanding on entrepreneurial orientation and innovation. The theories that have been discussed are Schumpeter's Innovation Theory, Resource Based Theory, Market Power Theory, and Efficient Structure Theory.

2.2.1 Schumpeter's Innovation Theory

Schumpeter (1934; 1942) pioneered in highlighting the role of innovation in the entrepreneurial process. Schumpeter (1942) describes a process of "creative destruction" where wealth creation occurs through disruption of existing market structures due to introduction of new goods and/or services that cause resources to move away from existing firms to new ones thus allowing the growth of the new firms. Accordingly, Schumpeter calls innovation the specific tool of entrepreneurs, the means by which entrepreneurs exploit change as an opportunity for a different business or a different service. Schumpeter (1942) stressed the role of entrepreneurs as primary agents effecting creative destruction, and emphasized to the entrepreneurs the need to search purposefully for the sources of innovation, the changes and their symptoms that indicate opportunities for successful innovation; as well as their need to know and to apply the principles of successful innovation.

This Schumpeterian vein of thinking has been carried forward by successive scholars and researchers (Drucker 1985; Lumpkin and Dess, 1996; Shane, Covered and Westhead, 1991). On his part, Drucker (1985) held out the entrepreneur always searching for change, responding to it,

and exploiting it as an opportunity, and engaging by this means in purposeful innovation. Lumpkin and Dess (1996) saw the process of creative destruction as initiated by an entrepreneur, which makes innovation an important success factor within EO. Furthermore, the link between entrepreneurship and innovativeness is supported by the results of Shane, Kolvereid and Westhead (1991), who found that innovation is among the key motives to start a business.

Schumpeterian growth theory supposes that technological progress comes from innovations carried out by firms motivated by the pursuit of profit. That is, each innovation is aimed at creating some new process or product that gives its creator a competitive advantage over its business rivals; it does so by rendering obsolete some previous innovation; and it is in turn destined to be rendered obsolete by future innovations (Schumpeter, 1934).

Osaze (2003), views pro-activity as defining one's goals and future and arriving there as planned; a state of mind and the will, largely driven by one's consciousness, to sustain a vision, to fulfill a mission, to attain a challenging goal and to achieve a define objective; as envisioning a future towards which one devices the strategic parameters for influencing, impacting and recreating the environment within which to operate in line with that vision; a determination to excel in one's own chosen field; and to pursue and attain one's own goal largely defined by one. Entrepreneurial pro-activeness can also be seen as alertness of the company. According to Alvarez and Barney (2002) entrepreneurial pro-activeness is the ability of the firm to predict where products/services do not exist or have become unsuspected valuable to customers and where new procedures of manufacturing are unknown to others become feasible. Kirzner (1997) calls it "flashes of superior insight". The proactive company focuses on the past, the present and the future with equal zeal, using history to explain and fully understand the present and to challenge and create its own proactive future (Osaze, 2003).

Innovation is vital to entrepreneurship since it is part of a country's economic growth. In the opinion of Ling, et al. (2008), countries with the largest economies can be associated with great commitment to innovation and research. Currie, et al. (2008) posits that in an external setting that is ever changing, innovation and entrepreneurial conduct are processes that are holistic, vibrant and complementary fundamental to an organization's sustainability and success

2.2.2 Resource Based Theory

The resource based view (RBV) emphasizes the firm's resources as the fundamental determinants of competitive advantage and performance. According to the RBV model, resources are given the major role in helping companies achieve higher organizational performance. There are both tangible and intangible assets. This theory adopts two assumptions in analyzing sources of competitive advantage; assumes that firms within an industry may be heterogeneous with respect to the bundle of resources that they control and it assumes that the resource heterogeneity may persist over time because resources used to implement firms' strategies are not perfectly mobile across firms. Resource heterogeneity is considered a necessary condition for a resource bundle to contribute to a competitive advantage. Heterogeneity and immobility are not however sufficient conditions for a competitive advantage. According to Barney (1991) a firm resource additionally must be; valuable, rare, and imperfectly imitable and the firm is organized to capture value in order to be a source of sustainable competitive advantage.

This theory will be important to the study as the dynamics in the banking sector change over time. Increased competition and advancement especially in information technology brings about advancement in the products that need to be offered. A firms' ability to compete may be determined by the resources that they have at their disposal. This study will use the RBV theory to analyze the performance of commercial banks and competitiveness in the market.

2.2.3 Market Power Theory

The market power theory states that increased external market forces results into market power which is defined as the capacity of an organization to increase its prices without losing all its clients. In banks, as in other business organizations, Market Power can take two forms: differentiation of products and services, or ease of search. There is a trade-off between differentiation and loss of legitimacy which is optimized at a strategic balance point (Shepherd, 1986). Likewise, there is a trade-off between ease of search and security that must be taken into account. This theory categorizes Information Communication and Technology investments into Market-Power driven initiatives profit. Moreover, the hypothesis suggests that only firms with large market share and well differentiated portfolio can win their competitors and earn monopolistic profit.

2.2.4 Efficient Structure Theory

Strategic management provides overall direction to the enterprise and involves specifying the organization's objectives, developing policies and plans designed to achieve these objectives, and then allocating resources to implement the plans. Academics and practicing managers have developed numerous models and frameworks to assist in strategic decision making in the context of complex environments and competitive dynamics. Strategic management is not static in nature; the models often include a feedback loop to monitor execution and inform the next round of planning.

In general, theorists would not call a firm entrepreneurial if it changed its technology or product line simply by directly imitating competitors while refusing to take any risks. Some pro-activeness would be essential as well. By the same token, risk-taking firms that are highly leveraged financially are not necessarily entrepreneurial.

Efficiency structure theory suggests that enhanced managerial and scale efficiency leads to higher concentration and then to higher profitability. According to Olweny and Shipho (2011) balanced portfolio theory also added additional dimension into the study of bank performance. It states that the portfolio composition of the bank, its profit and the return to the shareholders is the result of the decisions made by the management and the overall policy decisions.

2.3 Empirical Review

Otache (2015) studied entrepreneurial orientation and performance of Nigerian banks with team work being the mediating factor. Results showed that there was no threat of non-response bias. Also, the normality test results showed that the data were normal as the z kurtosis and z skewness values were less than the recommended threshold of ± 2.58 (.01 level of significance) (Hair, Black, Babin, and Anderson, 2010). Findings from this study showed a positive and significant relationship between entrepreneurial orientation and performance. Furthermore, as hypothesized, further assessment of the structural model indicated that teamwork fully mediated the relationship between entrepreneurial orientation and performance. Teamwork was positively and significantly related to entrepreneurial orientation and organizational performance.

Abdullah Kaid Al-Swidi and Asma Al- Hosam (2012) studied the effect of entrepreneurial orientation on the organizational performance (Islamic Banks in Yemen) using the partial least squares approach. Data was collected from the Yemen banking sector employing responses from bank managers with forty-four out of fifty-six questionnaires being returned. The results of the study pertaining to the impact of entrepreneurial orientation on the performance of Islamic Banks was confirmed in line with the resource based view of the firm that looks at the organizations capabilities as a source of competitive advantage. The study confirmed the important effect of entrepreneurial orientation on organizational performance and the need of banks to be entrepreneurial to be able to respond quickly to the unexpected changing business environment and ensure customer satisfaction.

Oyelewe et al. (2013) investigated the impact of electronic banking on banks performance in Nigeria. A panel data comprising annual audited statements of eight banks that have adopted e-banking between year 2000 and 2010 as well as macroeconomic control variables were employed to investigate the impact of e-banking on return on asset (ROA), return on equity (ROE) and net interest margin (NIM). In order to establish the empirical relationship between bank performance and e-banking in Nigeria, multiple regression model was predicted and results analyzed using Pooled Ordinary Least Square Model. The results indicated that e-banking begins to contribute positively to bank performance in terms of ROA and NIM with a time lag of two years while a negative impact was observed in the first year of adoption. They recommended that investment decision on e-banking should be rational so as to justify cost and revenue implications on bank performance.

Gitau (2011) studied the relationship between financial innovation and financial performance of commercial banks in Kenya from January 1st 2006 to December 31st 2010 based on a quasi-experimental research design. The target population was all forty-four commercial banks in Kenya where primary data was collected from questionnaires and secondary data about financial innovation collected from the banks financial results and publications. The study found that 70% of the institutions had adopted process innovations, 16% product innovations and 14% institutional innovations. The study concluded there was a positive relationship between financial innovation and financial performance of commercial banks in Kenya.

Nzioka (2014) studied the relationship between the application of internet banking and financial performance of commercial banks in Kenya. The study used a descriptive research design as it helped the researcher generalize findings to a larger population. The target population was all the forty-three commercial banks licensed and operating in Kenya as at December 31st 2013. Data collected was mainly secondary obtained from annual reports published by the Central Bank of Kenya with the period being between years 2004 and 2013. The study concluded that internet banking resulted in improved financial performance of commercial banks in Kenya.

2.3.1 Innovativeness of the Entrepreneur

Innovativeness has been noted as the only consistent theme in literature on entrepreneurship according to Deakins and Freel, (2012) who still show it as a central component in an entrepreneurial strategy. Lumpkin and Dess (1996) in their study showed Schumpeter amongst the first to emphasize the role of innovation in the entrepreneurial process, in the form of a process of creative destruction, by which wealth was created when existing market structures were disrupted by the introduction of new goods or services” reallocating resources from existing firms to new firms and growth.

According to Lumpkin and Dess (1996) innovativeness exhibits a tendency for an enterprise “to engage in and support new ideas, novelty, experimentation, and creative processes that may result in new products, services, or technological processes”. Additionally innovation is an important means of pursuing opportunities and so is an important component of an Entrepreneurial Orientation. Innovation represents a continuum ranging from willingness to try new innovations to a serious commitment to innovation. Firms that are highly innovative grow, however researches have reported that an innovative strategy is essentially speculative, with returns unknowable in advance, innovators run the risk of wasted resources if investment does not yield the hoped for results. Innovations that become successful also risk imitation (Callaghan, (2009).

However, Deakins and Freel, (2012) show alertness and investment in new ways to create and capture value are key characteristics of businesses that pursue entrepreneurial strategy. Drucker, (2007) introduced the concept of knowledge based innovation as the “super star” of entrepreneurship. This type of innovations could be scientific, technical or social in nature. According to Callaghan, (2009), knowledge based innovation require careful analysis of all the

necessary factors and clear focus on the strategic position which entails developing systems, market focus and occupying the strategic position for effective business performance.

2.3.2 Autonomy of the Entrepreneur

Lumpkin and Dess, (1996) claimed that the success of a firm to be dependent on the level of autonomy exhibited by the Entrepreneurs. Bird, (1988) defined autonomy as independent action in terms of “bringing forth an idea or a vision and carrying it through to completion”, including the concept of free and independent action and decisions taken. Entrepreneurs are associated with more of a degree of freedom in combining and organizing resources.

Based on the sentiments of Lumpkin and Dess, (1996), the first type of autonomy refers to decisive decision making where a vision is driven to implementation through individual leadership while the second type of autonomy refers to the individual autonomy that enables entrepreneurial activities and decision making at lower levels of an enterprise. These types of autonomy are consistent with the concept of Entrepreneurial Orientation, according to Lumpkin and Dess (1996). Individuals with a need for autonomy might not necessarily be associated with positive associations in certain contexts. In terms of potentially negative conceptions around autonomy, research has indicated that individuals with a high need for autonomy are also associated with certain negative behaviors (Deakins and Freel, 2012; Callaghan (2009)).

Individuals with a high need for autonomy are associated with a preference for working alone, control over the workplace, and tend to be averse to “excessive rules and procedures”. According to Porter et al. (2003), performance for individuals with a high level of need for autonomy is contingent on participation in the determination of tasks. The response of individuals with a high need for autonomy to external pressures for conformity in terms of group norms has also been shown to not be positive.

Going with Callaghan (2009), in Micro and Small Enterprises, the Levels of autonomy may depend on the firm size, management style or ownership. Additionally, in a firm where the primary decision maker is the owner or the manager, autonomy is implied by the rights of ownership” as shown in the study by Lumpkin and Dess, (1996).

2.3.3 Proactiveness of the Entrepreneur

According to Lumpkin and Dess (1996), proactiveness is related to initiative and first-mover advantages and to “taking initiative by anticipating and pursuing new opportunities.” The Oxford dictionary defines proactiveness as “acting in anticipation of future problems, needs, or changes”. Lumpkin and Dess (1996) argued that proactiveness may be crucial to an Entrepreneurial Orientation because it suggests a forward-looking perspective that is accompanied by innovative” and entrepreneurial activity.

Proactiveness relates to market opportunity in entrepreneurship by “seizing initiative and acting opportunistically in order to shape the environment, that is, to influence trends and, perhaps, even to create demand. The characteristics of a Proactive enterprise involve aggressiveness and unconventional tactics towards rival enterprises in the same market segment, such enterprises shape their environments by actively seeking and exploiting opportunities”. Proactive firms introduce new products, technologies, administrative techniques to shape their environment and not react to it (Callaghan, 2009).

2.3.4 Risk Taking ability of the Entrepreneur

Propensity Risk taking relates to a business readiness to pursue opportunities despite uncertainty around the eventual success (Deakins and Freel, 2012). It entails acting boldly without knowing the consequences. On risk taking, it is the firm knowingly devoting the resources to projects with chances of high returns but may also entail a possibility of higher failure (Mahmoud and Hanafi, 2013). The psychological theories of locus of control and need for achievement which entail a moderate level of risk taking propensity (Deakins and Freel, 2012) have also been associated with higher performance by individuals. According to Callaghan (2009) this might predict that a moderate level of risk taking propensity would be associated with higher levels of performance.

However, in terms of different contexts, the effects of the dimensions of Entrepreneurial Orientation, including risk taking propensity, were expected to differ in terms of their effect on performance according to the specific context. Lumpkin and Dess (1996) identified three (3) types of risks that businesses face in pursuing entrepreneurial activities; Business Risks associated with entering new markets or supporting unproven technologies; Financial Risks relating to the financial exposure required and the risk/return profile of the new venture. It may

include borrowing heavily or committing large proportions of their resources and Personal Risks referring to the reputation effects of success or failure in the business. Success to the business entails giving the entrepreneur considerable influence over the future direction of the firm and failure can have the opposite effects.

Risk taking is commonly associated with entrepreneurial behaviour and the general successful entrepreneurs are risk takers (Kuratko and Hodgettes, 2009). Drucker argued that entrepreneurs are not typically risk seekers rather like any other rational individuals, they take steps to minimize risks, and this may involve developing strategies that entail a higher tolerance for risk, but the calculation of risks.

2.3.5 Competitive Aggressiveness of the Entrepreneur

According to Deakins and Freel, (2012) competitive aggressiveness refers to “the efforts a business makes to outperform its rivals. It is the firm’s propensity to directly and intensely challenge its competitors to achieve entry or Improve position”: to outperform industry rivals in the marketplace, this is characterized by responsiveness in terms of confrontation or reactive action (Deakins and Freel, 2012). Competitive Aggression as a dimension of an Entrepreneurial Orientation refers to “the type of intensity and head-to-head posturing that new entrants often need to compete with existing rivals”. In contrast to proactiveness, which relates to market opportunities, Competitive Aggressiveness refers to how enterprises “relate to competitors” and “respond to trends and demand that already exist in the marketplace” with regard to competitors. (Deakins and Freel, 2012; Lumpkin and Dess, 1996,)

Lumpkin and Dess (1996) insist that Competitive Aggressiveness is an important dimension of an Entrepreneurial Orientation. Miller (1983), however, considers only Proactiveness, Innovativeness, and Risk Taking as the only dimensions of an Entrepreneurial Orientation. Lumpkin and Dess (1996) developed the construct further from Miller’s (1983) original theory by incorporating Competitive Aggressiveness and Autonomy.

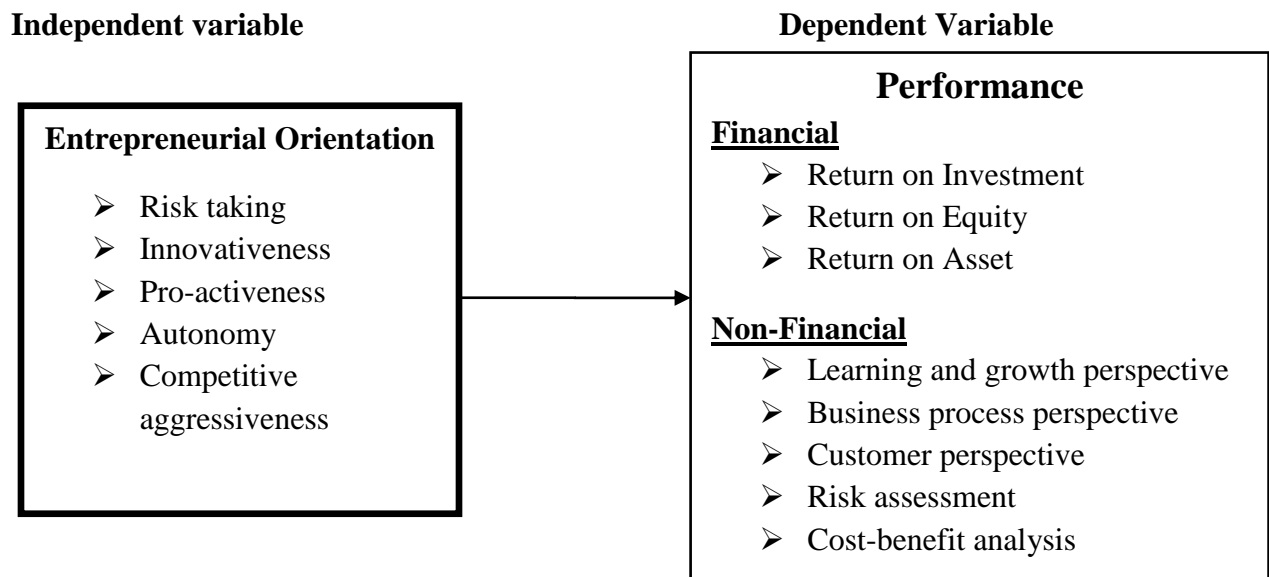
In terms of the original theory of Entrepreneurial Orientation: An entrepreneurial firm is one that engages in product-market innovation, undertakes somewhat risky ventures, and is first to come up with “proactive “innovations, beating competitors to the punch. A non-entrepreneurial firm is one that innovates very little, is highly risk averse, and imitates the moves of competitors

instead of leading the way. This tentatively views entrepreneurship as a composite weighting of these three variables. (Miller, 1983; Mahmood and Hanafi, 2013; Deakins and Freel, 2012). Entrepreneurship Scholars have argued that more aggressiveness is not always positive, that businesses may damage their reputation and lose goodwill by being too aggressive and that competitive aggressiveness is a strategy best used in moderation.

2.4 Conceptual Framework

It is evident that there is little empirical research done in Kenya with regards to entrepreneurial orientation and performance of commercial banks. This leads to a gap that the study proposes to fill. The following hypothesis has been formulated; H1 Entrepreneurial orientation is significantly related to performance of commercial banks in Kenya.

Figure 2.1: Conceptual Framework



Source (Researcher, 2016)

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction.

This chapter looks at the methodology that was used in conducting the study. It highlights and expounds on the research methods employed in conducting the research, methods used for collecting data, how the data was analyzed and reported.

3.2 Research Design.

Research design refers to the arrangement of conditions for collection and analysis of data in a manner that aims to combine relevance to the research purpose with economy in the procedure (Babbie, 2002). In addition, Kothari (2004) observed that research design is a blue print which facilitates the smooth sailing of the various research operations, thereby making research as efficient as possible hence yielding maximum information with minimal expenditure of effort, time and money.

The research took the form of a descriptive sample survey. This design refers to a set of methods and procedures that describe variables. The major purpose of a descriptive research is the description of the state of affairs as it exists at present. It involves gathering data that describe events and then organizes, tabulates, depicts, and describes the data.

3.3 Population of the Study

The target population was the head of the department of business development and or head of research and development at the head office of all commercial banks in Kenya. The study targeted all commercial banks operating in Kenya as shown in appendix one; with their head offices in Nairobi.

3.4 Sampling Procedure

The sample of this study comprised of the head of the department of business development and or head of research and development at the head office of all commercial banks in Kenya. This study adopted a stratified random sampling method to select 30% of the of the target population uniformly. Stratified random sampling is defined as a method of sampling involving grouping of a population into smaller categories known as strata. The strata in this study comprised all commercial banks operating in Kenya. According to Kothari (2004) strata should be formed on

the basis of the members shared attributes and hence this study only focused on the staff working in the business development.

3.5 Data Collection Instrument.

The data collection instrument in this study was through use of questionnaires and interviews. These were used to get specific data from the interviewees. The questionnaire contained a blend of open and closed ended questions. The reason for using this instrument is that questionnaires were cheap and easy to administer especially to a population that needs to keep anonymity. In addition, they give the respondent time to read and understand the questions and thus gave them time to give a conclusive response/ feedback. Personal or face to face interviews established rapport and motivate respondents, clarify the questions, clear doubts, add new questions, read nonverbal cues, use visual aids to clarify points and rich data was obtained.

3.6 Data Collection Procedure.

The questionnaires were distributed by two methods: the first being the drop and pick method whereby the researcher approached the respondents personally and request them to fill in the questionnaires and thus collecting the filled questionnaires after some time. The questionnaires were collected after an average of four days. The whole process took a week in total. Face to face interviews which were done on appointment with the different class of experts or phone call interviews in the case where an appointment fails. Before going to the field for data collection, the researcher obtained a data collection letter from the university. In addition, the researcher will also seek permission from the top management of the banks to collect data.

The secondary data was collected from the available sources (business magazines, daily newspapers, business journals) and information on the websites of various organizations and agencies. Secondary data was used because it is available in sufficient detail to provide supplement to answering the research questions and meet the objectives

3.7 Data Analysis and Data presentation

The types of techniques to be used are descriptive techniques. Descriptive data analysis is that analysis that aims to describe data by investigating the distribution of scores on each variable, and by determining whether the scores on different variables are related to each other inclusive of the measures of central tendency that include the mean, mode and medium. Others include

measures of dispersion such as the standard deviation and the variance. Data collected is to be analyzed through use of statistical software such as Microsoft Excel and Statistical Package for Social Sciences (SPSS). In order to infer the data collected into a form understandable by the users of this study, the researcher used pie charts and bar graphs that depict the trends and frequency distribution of the research.

CHAPTER FOUR: DATA ANALYSIS PRESENTATION AND INTERPRETATION.

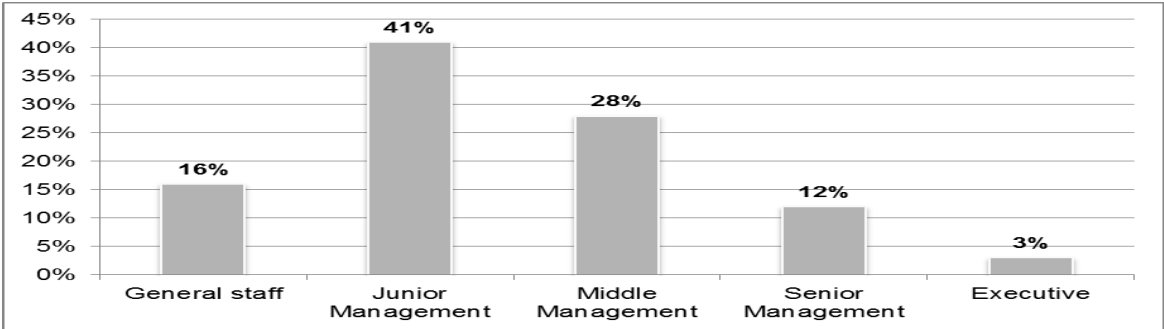
4.1 Introduction

The study was a survey to establish entrepreneurial orientation and performance of commercial banks in Kenya. This chapter presents the data analysis and findings of the research. Descriptive analysis used was tables and pie charts. Qualitative analysis was used to summarize the respondents' final comments in the questionnaire so as to gain a better insight on their opinion on performance of commercial banks in Kenya.

4.2 Type of Respondents.

The population size comprised of 42 commercial banks operating in Kenya as shown in appendix one. Out of the 42 banks that were given questionnaires, 16 banks gave their feedback. All the 2 questionnaires given to each of the 16 banks were returned representing 38% of the commercial banks operating on Kenya. According to Mugenda and Mugenda (2003) for a sample to be considered as good representation, it should be between 10 and 30%. The study mainly focused on the employees in the Business Development and the Research and Development departments, thus each bank receiving two questionnaires. From the questionnaires returned, 22% were filled by women and the remaining 78% filled by men. However, majority of the respondents were of aged between 30-49 years. Still from the respondents, 28% of them have worked in the department for less than 4 years, 44% have been there for 5 to 9 years, 19% for 10 to 14 years and the rest for 15 and above years. The respondents occupy the positions as shown in figure 4.1 below.

Figure 4.1: Type of Respondents



Source (Primary data, 2016)

4.3 Entrepreneurial Orientation

The main objective of the research was to establish the relationship between entrepreneurial orientation and performance of commercial banks in Kenya. In order to achieve this, the study sought to find out if there is entrepreneurial orientation in the organizations of study. All the respondents unanimously agreed that there is some sort of entrepreneurial orientation in the banking industry.

In order to confirm the level of entrepreneurship orientation in the banking sector, the study sought to find out the level of employee autonomy in the organization. Going with the primary findings of the study, the bank allows employees to be creative and try different methods to do their job at a mean score of 4.250 and a standard deviation of 0.327. Additionally, employees have enough autonomy in their job without continual supervision to do their work at a mean of 4.063 and a standard deviation of 0.813. Employees seldom have to follow the same work methods or steps while performing major tasks from day to day and other primary study findings are as shown in the table 4.1 below

Table 4.1: Autonomy in the organization

Autonomy in the organization	Mean	STD Deviation
I have enough autonomy in my job without continual supervision to do my work.	4.063	0.813
Our bank allows me to be creative and try different methods to do my job.	4.250	0.327
Employees in our bank are allowed to make decisions without going through elaborate justification and approval procedures.	3.625	0.227
Employees in our bank are encouraged to manage their own work and have flexibility to resolve problems.	4.000	0.444
I seldom have to follow the same work methods or steps while performing my major tasks from day to day.	4.031	0.403

Source (Primary data, 2016)

An organization that is entrepreneurship oriented must exhibit innovation in their operation, processes and products. The study sought to find out the level of innovativeness in the banking sector. Based on the primary findings, banks have increased the number of services/products offered during the past two years with a mean of 4.563 and a standard deviation of 0.351.

Additionally, banks are regularly introducing new services, products, and processes evident by 4.406 mean and 0.551 standard deviation derived from the primary data; with their ability to continually pursue new opportunities at a mean of 4.469 and standard deviation of 0.248. Over the past few years, changes banking processes, services and product lines have been quite dramatic and other primary findings are as shown in the table 4.2 below.

Table 4.2: Innovativeness in the organization

Innovativeness in the organization	Mean	STD Deviation
Our bank regularly introduces new services/products/processes.	4.406	0.551
Our bank places a strong emphasis on new and innovative products/services/processes.	4.219	0.248
Our bank has increased the number of services/products offered during the past two years.	4.563	0.351
Our bank is continually pursuing new opportunities.	4.469	0.248
Over the past few years, changes in our processes, services and product lines have been quite dramatic.	4.406	0.259
In our bank, there is a strong relationship between the number of new ideas generated and the number of new ideas successfully implemented	4.094	0.227
Our bank places a strong emphasis on continuous improvement in products/service delivery/processes	4.438	0.341
We have a widely-held belief that innovation is an absolute necessity for the bank's future.	4.094	0.227

Source (Primary data, 2016)

Entrepreneurs are known to be risk takers, this study sought to find out the level and the ability of banks to take risks. Going with primary data findings, Employees in the banking sector are often encouraged to take calculated risks concerning new ideas with a mean of 4.563 and a standard deviation of 0.438. Owing to the environment, banks believe that bold, wide-ranging acts are necessary to achieve objectives at a mean of 4.469 and a standard deviation of 0.531. Additionally, when confronted with uncertain decisions, banks typically adopt a bold posture in order to maximize the probability of exploiting opportunities and other findings from primary data are as shown in the table 4.3 below.

Table 4.3: Risk-Taking in the organization

Risk-Taking in the organization	Mean	STD Deviation
When confronted with uncertain decisions, our bank typically adopts a bold posture in order to maximize the probability of exploiting opportunities.	3.938	0.656
In general, our bank has a strong inclination towards high-risk projects.	3.656	0.609
Owing to the environment, our bank believes that bold, wide-ranging acts are necessary to achieve objectives.	4.469	0.531
Employees are often encouraged to take calculated risks concerning new ideas.	4.563	0.438
The term “risk-taker” is considered a positive attribute for employees in our bank.	3.406	0.568

Source (Primary data, 2016)

Being pro-active is one of the main qualities of a successful entrepreneur. The study therefore sought to find out the level pro-activeness in the banking sector. Going with the primary findings, banks continuously seek out new products, processes and services at a mean of 4.531 and standard deviation of 0.469. Additionally, banks typically initiate actions which competitors respond to at a mean of 4.500 and a standard deviation of 0.474. Banks are very often the first to introduce new products, services and processes and other findings are as shown in the table 4.4 below.

Table 4.4: Pro-activeness in the organization

Pro-activeness in the organization	Mean	STD Deviation
Our bank is very often the first to introduce new products/services/processes	4.469	0.531
Our bank typically initiates actions which competitors respond to.	4.500	0.474
Our bank continuously seeks out new products/processes/services.	4.531	0.469
Our bank continuously monitors market trends and identifies future needs of customers.	4.406	0.594

Source (Primary data, 2016)

An entrepreneur is a competitive and aggressive person. This study also sought to find out the level of competitiveness and aggressiveness in the organization and based on the primary findings banks effectively assume an aggressive posture to combat industry trends that may threaten their survival or competitive position at a mean of 4.469 and a standard deviation of 0.497. Additionally, banks are very aggressive and intensely competitive at a mean of 4.313 and standard deviation of 0.719 as shown in the table 4.5 below.

Table 4.5: Competitive Aggressiveness in the organization

Competitive Aggressiveness in the organization	Mean	STD Deviation
In dealing with competitors our bank typically adopts a very competitive “undo-the-competitor” posture.	4.031	0.672
Our bank is very aggressive and intensely competitive.	4.313	0.719
Our bank effectively assumes an aggressive posture to combat industry trends that may threaten our survival or competitive position.	4.469	0.497

Source (Primary data, 2016)

4.4 Performance of Commercial Banks

The general objective of the research is to establish the relationship between entrepreneurial orientation and performance of commercial banks in Kenya. In order for the above to be achieved, the study sought to look at the aspect measures of performance in the banking sector. Going with the primary findings, over 80% of the respondents agreed that the banks’ profits increased by the activities of entrepreneurial orientation. Additionally, there was a drop in the number of non-performing loans in 90% of the banks as a result of the entrepreneurial orientation activities undertaken by the banks.

Generally, entrepreneurial orientation has a significant impact on the performance of Banks in Kenya. Over 80% of the respondents attribute the success in their banks to the level of implementation of entrepreneurial orientation strategies in their products, services, and as well as their processes and procedures. Therefore, the study deduced that commercial banks in Kenya use entrepreneurial orientation as a business strategy to improve profit or market growth as shown by primary findings where over 70% of the respondents indicated that entrepreneurial orientation is revised on a monthly basis.

According to the primary findings, customers are attracted to banks that seem to be involved in introducing new products; have quality and better service, and their procedures are flexible and processes as well. The findings from secondary data, over 70% of the respondents indicate that entrepreneurial orientation guarantees the customers confidence level and loyalty to banks and thereby increasing the banks sales and overall performance.

CHAPTER FIVE: DISCUSSION, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter presents the discussion on key data findings, conclusion drawn from the findings highlighted and recommendation made there-to. The conclusions and recommendations drawn were focused on addressing the purpose of the study.

5.2 Discussion of the Findings

The companies with entrepreneurial mission use “from top to bottom” approach to encourage entrepreneurship (Birkinshaw, 1997). In such firms, the top management supports the programs and initiatives conducive to creating a business climate of entrepreneurship, which should be treated as a specific variation of the organizational support (Bratnicka, 2010) of the participants while welcoming autonomous decision making. Findings from this study show that entrepreneurship orientation in the banking sector relates to employee autonomy in the organization in this study it’s the banking sector. The indicated that bank allows employees to be creative and try different methods to do their job. Additionally, employees have enough autonomy in their job without continual supervision to do their work. Employees seldom have to follow the same work methods or steps while performing major tasks from day to day. These findings are similar to the finding of Kusumawardhan (2012), where the results from EFA confirm that autonomy and innovativeness have been adopted by Indonesian SMEs. These findings suggest that SMEs may benefit from providing autonomy and increasing in innovativeness in order to survive and grow. It also verifies the multidimensional nature of the EO construct and independence of autonomy and innovativeness dimensions.

Firms with innovativeness have a tendency to support new ideas and novelty, and further increase the engagement in developing new products or processes (Lumpkin and Dess, 1996; Li et al., 2009). The development of new products and process involves extensive and intensive knowledge activities. Firms with entrepreneurial orientation tend to depend on employees' knowledge and skills as key inputs in the knowledge process (Lumpkin and Dess, 1996). The findings in this study indicate that have increased the number of services and products offered during the past two years. Additionally, banks are regularly introducing new services, products,

and processes with their ability to continually pursue new opportunities. Over the past few years, changes banking processes, services and product lines have been quite dramatic.

The meta-analysis results by Rauch et al. (2004) revealed that the risk taking dimension is positively related to firm performance. The positive effect of risk taking on firm performance is due to the fact that firms that have the courage to make a significant resource commitment to high-risk projects with high returns would definitely have the advantage of boosting their firms' incomes (Wang and Yen, 2012). This resonates with the findings in this study as employees in the banking sector are often encouraged to take calculated risks concerning new ideas. Owing to the environment, banks believe that bold, wide-ranging acts are necessary to achieve objectives. Additionally, when confronted with uncertain decisions, banks typically adopt a bold posture in order to maximize the probability of exploiting opportunities

This study found that banks continuously seek out new products, processes and services. Additionally, banks typically initiate actions which competitors respond to. Banks are very often the first to introduce new products, services and processes. This relates to the Kollmann and Stöckmann, (2010) who stated that a proactive attitude facilitates an organization with the introduction of new products or services ahead of competition, because it is more receptive for trends in customer demands and it enhances processes and operations that make operations stay ahead of competitors (Dess and Lumpkin, 2005) An organization must not only be the first to come up with a new innovation to the market, but must also be proactive in evaluating and learning to keep advantage over competitors.

Competitive aggressiveness refers to the intensity of a firm's efforts to outperform industry rivals. It is characterized by a strong offensive posture directed at overcoming competitors and may also be quite reactive as when a firm defends its market position or aggressively enters a market that arrival has identified (Venkatraman 1989a) or spending aggressively compared to competitors on marketing, product service and quality, or manufacturing capacity (MacMillan and Day 1987). The study found that banks effectively assume an aggressive posture to combat industry trends that may threaten their survival or competitive position. Additionally, banks are very aggressive and intensely competitive.

5.3 Conclusion

Entrepreneurship as previously discussed is the process of creating something new with value by devoting the necessary time and effort, assuming the accompanying financial, psychic, and social risks, and receiving the resulting rewards of monetary and personal satisfaction and independence (Hisrich, 2008). This study established the relationship between entrepreneurial orientation and performance of commercial banks in Kenya. As discussed in the literature review corporate entrepreneurship is often tested based on the following factors; risk taking, innovativeness, pro-activeness, and competitive aggressiveness and autonomy (Sharma, 1999, Lumpkin 1996). Each dimension of entrepreneurial orientation -innovativeness, risk taking, pro-activeness, competitive aggressiveness and autonomy- have positively correlated with performance. In other words, all dimensions of entrepreneurial orientation separately have positive effects and significantly associated with performance.

The study found out that the key dimensions of Entrepreneurial Orientation namely: Innovation, Risk Taking Proactiveness, Autonomy in Business and Competitive Advantage aided the Performance of Businesses as indicated by the increase in the banks' profits. The research results showed that there was a drop in the number of non-performing loans in 90% of the banks while the market share either increased or remained the same in the banks under study. Given these revelations, the study concluded that: Entrepreneurial Orientation influenced the Performance of commercial banks in Kenya. The performance of businesses to a large extent was affected by external factors such as political and economic development of the country. Given the fact that Entrepreneurial Orientation is the propensity to act autonomously, innovate, take risks, and act proactively when confronted with market opportunities, the findings establish that commercial banks in Kenya conforms to this degree. Other measures of entrepreneurial orientation scored highly where over 90% of respondents said their businesses had high propensity to act autonomously, were aggressive to competition and innovative respectively.

Autonomy features observed in banks were; allowing employees to practice their skills freely with minimal supervision, supporting employees who come up with new products, employee discretion in determining how a task should be accomplished, allowing employees to make decisions on their own whenever necessary. These freedom and independence granted to

employees enabled them to use their personal attributes to contribute to job performance which resulted in improved performance.

Pro-active behaviors observed in banks were; taking the lead in introducing new products and services, new market identification, proactive sales, the ability to see potential business changes and future customer demands. Therefore, a bank's ability to be a first mover gives it an opportunity to exploit future opportunities ahead of competitors and leads to better bank performance.

5.4 Recommendations

This study has built a snapshot of how entrepreneurial enterprises should act and operate. There has not been significant research around the relationship between entrepreneurial orientation and bank performance in the Kenyan context. Hence it will be recommended for commercial banks in Kenya to consider introducing and implementing some entrepreneurial orientation dimensions into their businesses. As noted earlier, the banking industry is a competitive and fast changing one, therefore it may maybe worthwhile for a bank first to look at efficient means of being more pro-active, innovative, autonomous, competitive aggressive and able to take bold action in implementing new projects that maybe risky in nature in order to capture new markets. The finding of this study has shown that a high level of entrepreneurial orientation leads to high performance. As Nkosi (2011) postulates, the importance of the entrepreneurial culture has not really been emphasized much before, but it is clear to see that it is an important aspect for an entrepreneurial organization. Without it, employees with a sense of innovation, risk taking and proactiveness will experience difficulties.

As for banks that have already infused entrepreneurial culture in their operations, they should continue to pursue initiatives that promote entrepreneurship by making organizations more flat, less formal and less centralized. This kind of structure is ideal for creativity, innovation, autonomous teams and other entrepreneurial activities.

Since the performance is the most extremely explicit and valid focus among the other performance dimensions, financial innovativeness information should be available particularly for regulatory and advisory bodies for guidance of the commercial banks to employ the strategies leading to their innovativeness for increased profitability and financial effectiveness.

Innovation capability is one of the most important dynamics which enables firms to achieve a high level of competitiveness both in the national and international market. Thus, how to promote and sustain an improved innovation capability should be the key focus area of the top managers of the commercial banks as well of the regulatory agents of the sector.

The study also recommends that firms should create enabling environment for the employees to be innovative in their operations in order to take its competitive advantage through creation of innovative services (financial) leading to increased financial performance and growth of the sector.

5.4.1 Suggestion for Further Research

This study examined the impact of entrepreneurial orientation dimensions on performance of commercial banks in Kenya. Although the dimensions of entrepreneurial orientation which have been discussed are clear about what companies should focus on, what is less clear is what managers need to do to assure the success of their firm's entrepreneurial activity. This is an aspect that researchers should address.

In addition, future research should be carried out to test entrepreneurial orientation dimensions in other industries such as (manufacturing sector, insurance sector etc.). This will allow for comparisons between industries that have and have not embraced entrepreneurial orientation Dimensions. The increased number and variety of industries could provide the opportunity to identify a number of different industry effects ranging from competitive intensity to stages in the Product-Market Lifecycle and how they affect financial performance.

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APPENDICES

Appendix One: List of Commercial Banks in Kenya

1. African Banking Corporation Limited.
2. Bank of Africa Kenya Limited.
3. Bank of Baroda (K) Limited.
4. Bank of India.
5. Barclays Bank of Kenya Limited.
6. CfC Stanbic Bank Limited.
7. Charterhouse Bank Limited (under statutory management).
8. Chase Bank (K) Limited (In receivership).
9. Citibank N.A Kenya.
10. Commercial Bank of Africa Limited.
11. Consolidated Bank of Kenya Limited.
12. Co-operative Bank of Kenya Limited.
13. Credit Bank Limited.
14. Development Bank of Kenya Limited.
15. Diamond Trust Bank Kenya Limited.
16. Ecobank Kenya Limited.
17. Equatorial Commercial Bank Limited.
18. Equity Bank Kenya Limited.
19. Family Bank Limited.
20. Fidelity Commercial Bank Limited.
21. First Community Bank Limited.
22. Guaranty Trust Bank (K) Limited.
23. Giro Commercial Bank Limited.
24. Guardian Bank Limited.
25. Gulf African Bank Limited.
26. Habib Bank A.G Zurich.
27. Habib Bank Limited.
28. Imperial Bank Limited (in receivership).
29. IandM Bank Limited.

30. Jamii Bora Bank Limited.
31. KCB Bank Kenya Limited.
32. Middle East Bank (K) Limited.
33. National Bank of Kenya Limited.
34. NIC Bank Limited.
35. Oriental Commercial Bank Limited.
36. Paramount Bank Limited.
37. Prime Bank Limited.
38. Sidian Bank Limited.
39. Standard Chartered Bank Kenya Limited.
40. Trans- National Bank Limited.
41. UBA Kenya Bank Limited.
42. Victoria Commercial Bank Limited.

Source: Central Bank of Kenya website www.centralbank.go.ke (2016)

Appendix Two: Introduction Letters



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DATE 17/10/2016

TO WHOM IT MAY CONCERN

The bearer of this letter PAUL OCHIUMI ARUYA

Registration No. D66/79091/2015

is a bona fide continuing student in the Master of Business Administration (MBA) degree program in this University.

He/she is required to submit as part of his/her coursework assessment a research project report on a management problem. We would like the students to do their projects on real problems affecting firms in Kenya. We would, therefore, appreciate your assistance to enable him/her collect data in your organization.

The results of the report will be used solely for academic purposes and a copy of the same will be availed to the interviewed organizations on request.

Thank you.



PATRICK NYABUTO
SENIOR ADMINISTRATIVE ASSISTANT
SCHOOL OF BUSINESS

Appendix Three: Questionnaires

This questionnaire is designed to carry out a survey on Entrepreneurial Orientation and Performance of Commercial Banks in Kenya. (Use a tick where necessary)

Section A: General Information

1. Name of the Bank.....

2. Indicate your age group [] ≤ 29 [] 30-39 [] 40-49 [] 50 – 59 [] 60+

3. Gender [] Male [] Female

4. Indicate your grading within the organization

General staff	
Junior Management	
Middle Management	
Senior Management	
Executive	

5. Indicate the period you have served in the position

≤ 4 years [] 5- 9 years [] 10-14years [] 15 years + []

Section B: Entrepreneurial Orientation

The purpose of this questionnaire is to determine the entrepreneurial orientation within organization. Please read every statement thoroughly and decide how you feel about it, before making a selection. Please answer ALL the questions to ensure the reliability of this study.

1= Totally Disagree	2= Disagree	3= Uncertain	4= Agree	5= Strongly Agree
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Part 1:Autonomy in the organization

Autonomy in the organization	1	2	3	4	5
I have enough autonomy in my job without continual supervision to do my work.					
Our bank allows me to be creative and try different methods to do my job.					
Employees in our bank are allowed to make decisions without going through elaborate justification and approval procedures.					
Employees in our bank are encouraged to manage their own work and have flexibility to resolve problems.					
I seldom have to follow the same work methods or steps while performing my major tasks from day to day.					

Part 2:Innovativeness in the organization

Innovativeness in the organization	1	2	3	4	5
Our bank regularly introduces new services/products/processes.					
Our bank places a strong emphasis on new and innovative products/services/processes.					
Our bank has increased the number of services/products offered during the past two years.					
Our training division is continually pursuing new opportunities.					
Over the past few years, changes in our processes, services and product lines have been quite dramatic.					
In our bank there is a strong relationship between the number of new ideas generated and the number of new ideas successfully implemented					
Our bank places a strong emphasis on continuous improvement in products/service delivery/processes					
We have a widely held belief that innovation is an absolute necessity for the bank's future.					

Part 3: Risk-Taking in the organization

Risk-Taking in the organization	1	2	3	4	5
When confronted with uncertain decisions, our bank typically adopts a bold posture in order to maximize the probability of exploiting opportunities.					
In general, our bank has a strong inclination towards high-risk projects.					
Owing to the environment, our bank believes that bold, wide-ranging acts are necessary to achieve objectives.					
Employees are often encouraged to take calculated risks concerning new ideas.					
The term “risk-taker” is considered a positive attribute for employees in our bank.					

Part 4: Pro-activeness in the organization

Pro-activeness in the organization	1	2	3	4	5
Our bank is very often the first to introduce new products/services/processes					
Our bank typically initiates actions which competitors respond to.					
Our bank continuously seeks out new products/processes/services.					
Our bank continuously monitors market trends and identifies future needs of customers.					

Part 5: Competitive Aggressiveness in the organization

Competitive Aggressiveness in the organization	1	2	3	4	5
In dealing with competitors our bank typically adopts a very competitive “undo-the-competitor” posture.					
Our bank is very aggressive and intensely competitive.					
Our bank effectively assumes an aggressive posture to combat industry trends that may threaten our survival or competitive position.					

Section C: Performance of Commercial Banks

Would you say Profit is increased by the activity of entrepreneurial orientation of your Bank?
By approximately how much can you estimate?

.....
.....
.....

Would you say Profit is decreased by the activity of entrepreneurial orientation of your Bank

.....
.....
.....
.....

13. Would you say entrepreneurial orientation has a significant impact on the performance of your Bank? How?.....

.....
.....
.....

14. Can your Bank use entrepreneurial orientation as a business strategy to improve profit or market growth?.....

.....
.....
.....

15. Would you say entrepreneurial orientation guarantees the customers' confidence level and loyalty to your Bank.....

.....
.....