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Relationship between Government regulations and Entrepreneurial Orientation of small and medium enterprises in Kenya

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Abstract

Small and medium enterprises in Kenya play key role in economic development. They face tremendous challenges in environment that is competitive. Government of Kenya has formulated many regulations that have affected their entrepreneurial orientation. The study was guided by product standardization as a variable. Cross-sectional survey research design was adopted. Semi-structured questionnaire was used to collect data. 115 owners/managers of alcohol retailing were targeted who have been in business for the last five years and are members of Pub, Entertainment and Restaurant Association of Kenya (PERAK). Study concluded that, entrepreneurial training influenced entrepreneurial orientation of the SMEs in Kenya.

Key words: Product Standardization Government Regulations and Entrepreneurial Orientation.

INTRODUCTION

Background of the Study

Small and Medium Enterprises (SMEs) are important to all economies in the world, but especially to those in developing countries and, within that broad category, especially to those with major employment and income distribution challenges. In 2005, SMEs in Kenya created 414,000 new jobs out of the total 458,900 jobs created that year, representing 90.2% jobs creation. In the year 2006, out of the 469,000 new jobs created, 418,000 were from the SMEs sector (Republic of Kenya (RoK), 2008). In 2015, SMEs in Kenya created 678,000 out of the 700,000 jobs that year (Republic of Kenya (RoK), 2015). In the United States of America (USA), 99.7% jobs were created (Heneman et al., 2000), in China, 99% (Cunningham and Rowley, 2008), Europe, 99% (Frese and Rauch, 2000), Holland, 95%, Philippines, 95% and in Taiwan, 96.5% jobs were created (Lin, 1997) by SMEs demonstrating how important SMEs are to any country’s economic growth. Small and medium enterprises act as an environment for thriving entrepreneurial culture. The Government of Kenya has recognized the pivotal role played by SMEs and in its Finance Bill 2007, abolished 315 licenses out of the existing 1325 licenses for trading in the country (RoK, 2007) to promote the SMEs sector as licensing system had been a great impediment to growth in this sector. The number of SMEs in Kenya is high but their mortality rate is also high as very few survive after the third anniversary (RoK, 2005). Small and medium enterprises are supposed to follow government rules and regulations in their operations. Regulation is any administrative legislation that constitutes or constrains rights and allocates responsibilities. One can consider regulation as actions of conduct imposing sanctions, such as a fine, to the extent permitted by the law of the land. The level of regulatory laws or policies imposed by the government is directly proportional to the economic growth of the country. As the economic power of private sector business has grown, so too has the number of laws regulating business activity. In support of this assertion, Glaeser et al., (2003) argue that, the amount of government regulation of private sector business directly reflects the level of economic power within the private sector. Common examples of regulation include controls on market entries, prices, wages, development approvals, pollution effects, employment for certain people in certain industries, standards of production for certain goods and services.

Entrepreneurs posit that, government regulations
impede the growth of the private sector and SMEs. However, in broad terms, government can be said to regulate private sector business for the good of “society” . The basic premise behind regulation is to limit the ability of private sector businesses to do harm to other organizations, groups or individuals (whether intentionally or unintentionally) during the course of conducting business (Keter, 2004). Many regulations expose businesses or their representatives to the risk of litigation and associated civil or criminal penalties. The direct costs incurred due to regulations can negatively impact on businesses especially SMEs and eventually lead to their closure (Lin, 1997). To caution the entrepreneurs from operating against these government regulations, be innovative, risk takers and being proactive in their businesses, entrepreneurial training is hence considered important.

Entrepreneurial training could be the most effective method to facilitate SMEs to overcome problems associated with failure to comply with government regulations. Studies indicate that such entrepreneurial training could identify responsible entrepreneurs and transform them into job creators (Urbano et al., 2008). Munir et al., (2014) in their study on “The effectiveness of entrepreneurial motivational training programme among University Students” aver that, entrepreneurs must attend entrepreneurial training programmes to become successful entrepreneurs in the future. They can grab this opportunities of entrepreneurial training to enhance their entrepreneurial skills and knowledge. Entrepreneurial training has been supported by Banadaki et al., (2013) who carried out a research in Iran on “The development of entrepreneurial training: a necessity in Iran’s Universities” and found out that, in Iran 50.8% of individuals who have entrepreneurship responsibilities have received voluntary entrepreneurship training, furthermore, 46% have received forced training to run SMEs, while 32.9% have not received any training. Their study concluded that, most individuals who have received voluntary entrepreneurial training had entrepreneurship responsibilities. Oosterbeek et al., (2010) too urged that, entrepreneurial training is a tool that policy-makers believe could increase societal entrepreneurship level and has been recognized as an effective strategy for more innovation.

It is important for entrepreneurs to change the way of doing business without breaking these laws. The environment here calls for adherence to the rule of law. It is incumbent upon each business to become familiar with the legal environment in which they practice. Regulations will change the environment to include creativity and innovation (Keter, 2004). This will call for technological developments that mainly lead to lowered costs of transport and communication, cost of production and the way of doing business. Entrepreneurs must engage technological skills through innovation to be relevant in the way they do business (Lev, 2001). Related to the entrepreneurial orientation, Todorovic and Ma (2008) observed the role of entrepreneurial orientation toward business performance in cross-cultural perspective. They revealed that the values of national culture have significant effects on entrepreneurial orientation. Entrepreneurial orientation is inseparable from socio-cultural values which are defined as habits, norms and customs that are taken from generation to generation in a particular region. The existing difference among societies is evident in individual’s entrepreneurship behaviour.

Vitale and Miles (2003) stated that, cultural attributes have strong influence in forming entrepreneurial behaviour. Further, it was explained that national culture is responsible for encouraging an individual to get bounded to uncommon behaviour for individual behaviour and different national culture. Hence if national culture influences strategic orientation presented by an organization, there is a possibility for national culture to influence entrepreneurial orientation level of an organization in totality. Thus, culture is an important aspect that can drive entrepreneurial orientation.

Namusonge (2006) postulates that, SMEs support development of strategic entrepreneurship which is an aspect of entrepreneurial training and promotion of an enterprise culture, which ensures production of a mass of creative and innovative Kenyans capable of developing into high profile entrepreneurs and industrialists especially among women and youth, who constitute the majority of the population. Thus, the SMEs sector is to a considerable extent the place where successful micro enterprises wind up through a process which is at least in part one of survival and growth of the firm (Cunningham and Rowley, 2008). This positive selection process will of course be less prominent if for policy or other reasons, it is hard to operate SMEs in a given country.

During the last few decades, the phenomenon of entrepreneurship has gained unprecedented importance on a world-wide scale and is being regarded as a sustainable source of new employment, innovation and economic growth (Morales et al., 2005). Entrepreneurial orientations can be described as “desirable and acquirable attitudes and behaviours” (Timmons and Spinelli, 2007). The process of entrepreneurial behaviour that intrigues many in the field of entrepreneurship research have been largely unexplored within the tradition and indeed within economics in general (Nicolette and Scarpetta, 2003). There are many entrepreneurial orientations (EOs) but the following three entrepreneurial orientation aspects were considered as they are the major orientations that seem to have effects on entrepreneur’s orientations as a result of regulations. This includes innovativeness, pro-activeness and risk-taking among many other orientations.

Miller (2005, 2011) uses the dimension of innovativeness, risk-taking and pro-activeness to conceptualize entrepreneurial orientation. Innovativeness reflects the propensity of a firm to engage in new ideas
and creative processes that may result in new products, services or technological process. Pro-activeness refers to the firm’s tendency to lead rather than to follow in exploration of new opportunities and risk-taking reflects the firm’s propensity to devote substantial resources to projects and entail a high probability of failure along with chances for high returns. Lumpkin and Dess (1996) added two other factors which can be considered important in measuring entrepreneurial orientation namely; competitiveness, aggressiveness and autonomy. Aggressiveness refers to a firm’s propensity to directly and intensely challenge its competitors to improve its own market place position. Autonomy refers to independent action of an individual or a team in generating an idea and carrying it through to completion.

Entrepreneurial training is important for SMEs intervention to help build their capacities and competitiveness (Storey, 2004). Entrepreneurial training helps SMEs cope with accounting challenges, production, improve financial performance and business skills (Hansen and Noe, 1998). Colombo and Stanca (2008) found evidence that suggested that entrepreneurial training has positive implications on the productivity of employees and the firm in general. Rauch et al., (2004) in the study on entrepreneurial orientation training and business performance, an assessment of past research and suggestions for the future noted that, within occupational groups, the effect of training on productivity is large and significant for blue-collars, but small and not as significant for white collars. Booth (2003) posits that, the benefits of entrepreneurial training are shared between employers and employees depending on labour market imperfections, whether training is specific or general, and who pays for the cost of training so that wage equations do not provide an appropriate indication of the effects of training on productivity.

Global Perspective of Government Regulations

The decision to regulate business in Europe is supported by several structures. The Organization for Economic Cooperation and Development (OECD), which includes several European nations (such as Poland, United Kingdom, France, etc.), North America states (such as USA and Canada) and South America states such as Uruguay and Czech Republic are some of the structures. States in other continents such as Japan (Asia) and Australian also form part of the economic union. In the USA for example, on July 22, 2010, the government regulated the use of tobacco by passing a law on tobacco regulation. Dubbed “no more “light” “low” or mild” cigarettes, regulations”, seeking to prohibit the tobacco industry from distributing or introducing into the USA market any tobacco products from which the labeling or advertising contains the descriptions “light” “low” or any similar description irrespective of the date of manufacturers (CDC - Centers for Disease Control and Prevention).

Government Regulations in Kenya

In Kenya, the government has introduced many regulations which include Tobacco Control Act 2007 which came into force on 8th July, 2008 (RoK, 2008), Kenya Communications Act, Banking and Credit Laws, Land and Building Laws among many that guide on how government governs on SMEs. Tobacco Control Act 2007 regulates cigarette smoking, advertising, selling and who to buy cigarettes, public smoking and marketing and sales of tobacco products in Kenya. Kenya Communications (Amendment) Bill 2008 that imposed new reservations on the press, the bill provides for heavy fines and prison sentences for press offences. Banking and Credit Laws are the laws that guide entrepreneurs on banking and lending. They protect entrepreneur against any frauds that may end up to them losing money or getting exploited when they borrow from banks and other financial institutions while Land and Building Laws touch on those businesses that have a physical location. They govern the dues that a business owner has to pay in relation to their land and buildings.

Alcohol Act 2010 which is the base for this study seeks to regulate the selling, advertisement and in general how to regulate the promotion of alcoholic drinks by outlawing misleading and false promotions and standardization of local brews. The Alcohol Act is also very critical of the hours that the business people should operate on weekdays and weekends. Bars are supposed to remain closed from morning to 5.00 P.m. on weekdays and to operate for six hours up to 11.00 P.m. For weekends, they are supposed to operate for nine hours from 2.00 P.m. to 11.00 P.m. Failure to adhere to the rules attracts very heavy fines and imprisonment or both (RoK, 2010). Neglect is expected to require more enforcement efforts and involve a lower expected penalty compared to a strict liability standard (Cohen, West and Aiken, 2003).

Pub, Entertainment and Restaurant Association of Kenya (PERAK)

Pub, Entertainment and Restaurant Association of Kenya (PERAK) is an association that was founded and registered in the interest of pub, entertainment and restaurant operators with a view to coming together to resolve common problems in the industry and to develop a strict code of conduct for its members. Pub, Entertainment and Restaurant Association of Kenya (PERAK) is a non-political organization consisting of law abiding citizens as stressed in its constitution. One of PERAK’S functions is to ensure compliance to regulations governing the hospitality industry as well as social responsibility (i.e. underage drinking/drug abuse, etc.

The members of PERAK include some of the leading
pubs, restaurants, discotheques and other entertainment establishments in Kenya. Night life and entertainment of any city or country plays a crucial role in a tourist’s decision to choose a holiday destination and pay that particular city/country a return visit. Pub. Entertainment and Restaurant Association of Kenya (PERAK) members have been creating entertainment venues in Kenya’s major cities that provide good food, drinks, professional service and an enjoyable atmosphere for their guests.

Product Standardization

There are a number of well-voiced criticisms of standardization (Walters, 2016). From a conceptual perspective, standardization is seen as a step backwards in that it involves viewing markets from the perspective of the manufacturer rather than from the perspective of the customer. At an empirical level, the existence and extent of cost savings have been questioned in relation to both production and marketing (Whitelock, 2007). The significance of the need for consistency has also been questioned because relatively few customers come into contact with a product outside their domestic market (Vardar, 2006); it has also been suggested that increasing internationalization has made nationally differentiated products more attractive from the perspective of the consumer (Tsai and Ghoshal, 2007).

Today, different countries regard product standardization as an essential guideline for all companies within their economy, and aim to promote and motivate adopting standards. Imai (2006) notes “There can be no improvement where there are no standards”. However, when dealing with the issue of standards and standardization, the perceived meaning needs clarification in order to place it in the proper context. In fact, definitions in management-oriented publications link standardization to product standards (Medina and Duffy, 1998). ISO Guide 2 (ISO, 1996) defines a standard as “a document, established by consensus and approved by a recognized body, which provides, for common and repeated use, rules, guidelines or characteristics for activities or their results, aimed at the achievement of the optimum degree of order in a given context”. Peter (2004) states, standards are both technical and/or managerial specifications about products and services which allow us to replicate them with a predictable degree of consistency.

Once standards have been set and published, they need to be evaluated to measure actual performance to ascertain how they are being perceived so as to enable the standards setter to track the need for improvement. Brennan and Douglas (2007) reported that, in planning for feedback about product standards, organizations need to consider what they want to know, whom they should ask, how and when they should ask, who should analyse the feedback and how they will use the information. Based on these and other supporting arguments, it is hypothesised that:

H₁. There is no significant relationship between product standardization and entrepreneurial orientation amongst SMEs operators in Kenya.

Operationalization of Product standardization

Product standardization is regarded today by different countries as an essential guideline for all companies within their economy, and aim to promote and motivate adopting standards. The study sought to establish how product standardization influences entrepreneurial orientation amongst SMEs operators in Kenya. Likert scale (with 1= strongly disagree, 2= Disagree, 3= Neutral 4=, Agree, 5= Strongly Agree) was used for each of the statements corresponding where 5 indicates that you strongly agree and 1 you strongly disagree. The constructs were gauged by using three sub-dimensions, namely; ISO Certification, Competition and Implementation Costs of set standard. Grading and product standardization should be promoted and promotional activities should be enhanced. This is in line with the aims of Alcohol Act whose major aim is to standardize the production of beer to do away with the adulterated alcohol production.

A five-point Likert scale with seven survey statements, closed-ended questions were used to evaluate product standardization and the results were as tabulated in table 1. Percentages were used to describe the results. Most of the respondents were observed to agree with most of the statements. From the results, majority (65%) of the respondents unanimously agreed that many of the businesses registered under PERAK are ISO certified, and 16% disagreed.

On whether there has been completion of alcohol products in the market, majority at (57%) agreed with the statements with a few (20%) of the respondents disagreed with the statements. Majority of the respondents (70%) agreed that the cost of implementing the set standards have gone up with minority (20%) answering on the negative. This result agreed well with the findings by Saxena (2012) that, major problems faced by marketers are the problem of product standardization and competition from large scale units. They face the problems in fixing the standards and sticking to them. There should be efficient regulated market and government should also lend its helping hand in this context. Grading and product standardization should be promoted and promotional activities should be enhanced. This is in line with the aims of Alcohol Act whose major aim was to standardize the production of beer to do away with the adulterated alcohol production.

Influence of Product Standardization on Entrepreneurial Orientation

The linear relationship between product standardization and entrepreneurial orientation was sought where
Table 1: Influence of Product Standardization on Entrepreneurial Orientation.

<table>
<thead>
<tr>
<th>Opinion Statements</th>
<th>SD (%)</th>
<th>D (%)</th>
<th>N (%)</th>
<th>A (%)</th>
<th>SA (%)</th>
<th>M</th>
<th>SD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Many of the businesses registered under PERAK are ISO certified</td>
<td>4</td>
<td>12</td>
<td>19</td>
<td>33</td>
<td>32</td>
<td>3.8</td>
<td>1.1</td>
</tr>
<tr>
<td>There has been an improvement in quality of alcohol products in terms of health and safety for consumers in the Kenyan market</td>
<td>0</td>
<td>2</td>
<td>8</td>
<td>30</td>
<td>60</td>
<td>4.5</td>
<td>0.7</td>
</tr>
<tr>
<td>There has been an increase of new products in the market since the inception of Alcohol Act</td>
<td>2</td>
<td>3</td>
<td>19</td>
<td>32</td>
<td>44</td>
<td>4.2</td>
<td>0.9</td>
</tr>
<tr>
<td>New methods of production have been introduced in the market since the inception of Alcohol Act</td>
<td>13</td>
<td>8</td>
<td>25</td>
<td>32</td>
<td>22</td>
<td>3.4</td>
<td>1.2</td>
</tr>
<tr>
<td>There has been competition from second generation beers after legalization of chang’aa, busaa and traditional beers</td>
<td>9</td>
<td>11</td>
<td>23</td>
<td>34</td>
<td>23</td>
<td>3.5</td>
<td>1.2</td>
</tr>
<tr>
<td>There has been a decrease in the number of people taking alcohol due to the inception of Alcohol Act</td>
<td>18</td>
<td>8</td>
<td>21</td>
<td>30</td>
<td>23</td>
<td>3.4</td>
<td>1.4</td>
</tr>
</tbody>
</table>

Table 2: Model Fit Indices for Product Standardization.

<table>
<thead>
<tr>
<th>Model</th>
<th>CFI</th>
<th>GFI</th>
<th>AGFI</th>
<th>NFI</th>
<th>RMSEA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Default model</td>
<td>0.993</td>
<td>0.982</td>
<td>0.911</td>
<td>0.984</td>
<td>0.073</td>
</tr>
<tr>
<td>Saturated model</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Independent model</td>
<td>0</td>
<td>0.441</td>
<td>0.161</td>
<td>0</td>
<td>0.531</td>
</tr>
</tbody>
</table>

Table 3: Regression Weight of the Product Standardization.

<table>
<thead>
<tr>
<th></th>
<th>Estimate</th>
<th>S.E.</th>
<th>C.R.</th>
<th>P-value</th>
</tr>
</thead>
<tbody>
<tr>
<td>EO</td>
<td>PS</td>
<td>0.159</td>
<td>0.069</td>
<td>2.316</td>
</tr>
<tr>
<td>PS2</td>
<td>PS</td>
<td>0.99</td>
<td>0.14</td>
<td>7.2</td>
</tr>
<tr>
<td>PS3</td>
<td>PS</td>
<td>1.71</td>
<td>0.31</td>
<td>5.6</td>
</tr>
<tr>
<td>PS4</td>
<td>PS</td>
<td>1.83</td>
<td>0.32</td>
<td>5.7</td>
</tr>
<tr>
<td>PS5</td>
<td>PS</td>
<td>1.65</td>
<td>0.30</td>
<td>5.4</td>
</tr>
</tbody>
</table>

*PS= Product Standardization, EO=Entrepreneurial Orientation.

Structural equation modeling (SEM) was applied. Prior to this, exploratory factor analysis (EFA) was carried out to identify factors with the highest factor loadings. The results of the study findings depicted that all the factors measuring product standardization had a factor loading of greater than 0.5 showing high construct validity.

The measurement model was evaluated through the assessment of the goodness of fit statistics. The overall fit statistics indicated an acceptable fit for product standardization model as shown in Table 2. With regard to which indices should be reported, the study found that the most commonly reported fit indices are the CFI, GFI, AGFI, NFI and the RMSEA (McDonald and Ho (2002)).

Convergent Validity of Product Standardization

Table 3 shows the regression weights, which depicts the nature of the relationship for every unit change in the product standardization. All the regression weights were above the minimum acceptable level of 0.5 while the t-values (critical ratio; C.R) were higher than 1.96 (Kusumawardhani, 2013). This implies that all the indicators were significantly related to product standardization, and the results verified the convergent validity of the product standardization construct.

Hypothesis testing

The study had hypothesized that:

H₀₁: There is no significant relationship between entrepreneurial orientation (EO) and product standardization amongst SMEs operators in Kenya.

To test the hypothesis, structural models were used by considering the path coefficients to determine the direction and strength of the factors. From figure 1, path coefficient beta value was 0.47 (β = 0.47) implying that for every 1 unit increase in product standardization, entrepreneurial orientation of SMEs dealing in alcohol retailing is predicted to increase by 0.47 units. Figure 1 also shows that, product standardization had a coefficient R² mean of 0.23 showing the proportion of variation in
**Figure 1:** Structural equation modeling for the second hypothesis

Where PS= Product Standardization, EO = Entrepreneurial Orientation, Inv is Innovation PA is proactiveness and RT is Risk Taking.

<table>
<thead>
<tr>
<th></th>
<th>Estimate</th>
<th>S.E.</th>
<th>C.R.</th>
<th>P-value</th>
</tr>
</thead>
<tbody>
<tr>
<td>EO</td>
<td>0.159</td>
<td>0.069</td>
<td>2.316</td>
<td>0.021</td>
</tr>
<tr>
<td>PS2</td>
<td>0.99</td>
<td>0.140</td>
<td>7.2</td>
<td>***</td>
</tr>
<tr>
<td>PS3</td>
<td>1.71</td>
<td>0.310</td>
<td>5.6</td>
<td>***</td>
</tr>
<tr>
<td>PS4</td>
<td>1.83</td>
<td>0.320</td>
<td>5.7</td>
<td>***</td>
</tr>
<tr>
<td>PS5</td>
<td>1.65</td>
<td>0.3</td>
<td>5.4</td>
<td>***</td>
</tr>
</tbody>
</table>

*PS= Product Standardization, EO = Entrepreneurial Orientation.

dependent variable explained by the SEM model. $R^2$ indicates that 23% of the variations in EO of SMEs dealing in alcohol retailing can be accounted for by product standardization scores.

Table 4 shows t-statistics values (CR) on the significance to the relationship between product
standardization and EO amongst SMEs operators. Results show a significant positive (critical ratio= 2.316) relationship between product standardization and EO. When product standardization increases by 1 unit, EO increases by 0.159 units implying that an increase in product standardization leads to an increase in EO of SME operators in Kenya. Therefore null hypothesis was rejected at 95% significance level.

Hypothesis testing on effects of Entrepreneurial Training on Product Standardization and Entrepreneurial Orientation

To test the hypothesis, structural models and moderated multiple regression (MMR) were used whereby interaction term entrepreneurial training was added into the model (Product standardization * Entrepreneurial training) as shown in figure 2. Inclusion of the interaction term resulted in an $R^2$ change of 0.07 showing presence of significant moderating effect. This means the moderating effect of entrepreneurial training gained 7 % variance in EO, above and beyond the variance by product standardization and entrepreneurial training. The amount of the change in $R^2$ is a measure of the increase in the predictive power of particular dependent variable/variables, given the dependent variable or variables already in the model.

In this regards, null hypothesis that “entrepreneurial training does not moderate the relationship between government regulation and entrepreneurial orientation amongst SMEs operators in Kenya was rejected at 95 % level of significance hence entrepreneurial training moderates the relationship between product standardization and entrepreneurial orientation amongst SMEs operators in Kenya.

Further, moderated multiple regression was used to determine the moderating effect of entrepreneurial
Table 5: Variation on Moderated Regression Model for Product Standardization.

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
<th>R Square Change</th>
<th>Change Statistics</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>F Change</td>
</tr>
<tr>
<td>1</td>
<td>.474</td>
<td>.224</td>
<td>.217</td>
<td>.73676</td>
<td>.224</td>
<td>32.095</td>
</tr>
<tr>
<td>2</td>
<td>.572</td>
<td>.327</td>
<td>.315</td>
<td>.68916</td>
<td>.103</td>
<td>16.863</td>
</tr>
</tbody>
</table>

Table 6: Moderated Regression Model Coefficients of Product Standardization

<table>
<thead>
<tr>
<th>Model</th>
<th>Coefficients</th>
<th>B</th>
<th>Std. Error</th>
<th>Beta</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>(Constant)</td>
<td>2.683</td>
<td>.232</td>
<td>11.565</td>
<td>.000</td>
<td></td>
</tr>
<tr>
<td></td>
<td>PS</td>
<td>.417</td>
<td>.074</td>
<td>.474</td>
<td>5.665</td>
<td>.000</td>
</tr>
<tr>
<td>2</td>
<td>(Constant)</td>
<td>2.304</td>
<td>.236</td>
<td>9.771</td>
<td>.000</td>
<td></td>
</tr>
<tr>
<td></td>
<td>PS</td>
<td>.392</td>
<td>.069</td>
<td>.445</td>
<td>5.669</td>
<td>.000</td>
</tr>
<tr>
<td></td>
<td>ET</td>
<td>1.068</td>
<td>.260</td>
<td>.322</td>
<td>4.106</td>
<td>.000</td>
</tr>
<tr>
<td></td>
<td>PS_ET.</td>
<td>.535</td>
<td>.245</td>
<td>.704</td>
<td>2.184</td>
<td>.031</td>
</tr>
</tbody>
</table>

training on the relationship between product standardization and EO amongst SMEs operators in Kenya. From table 5, Model 1 shows that R = 0.474, R^2 = 0.224, [F (2,111) = 32.095, p = 0.000]. The value of R^2 with a change of 0.103 indicates that 22.4% of the variance in EO can be accounted by product standardization scores and entrepreneurial training. This implies that the goodness of fit improves with the introduction of entrepreneurial training hence a conclusion that entrepreneurial training has a strong positive moderating influence on the relationship between entrepreneurial orientations and product standardization. Further, R^2 means that 22.4% of the variance in EO is explained by product standardization and entrepreneurial training scores.

Model 2 from table 6 shows the results after interaction term entrepreneurial training was added into the model (Product Standardization * Entrepreneurial training). Table 5 also indicates that the inclusion of the interaction term resulted in an R^2 change of 0.103, [F (1,110) = 16.863, p = .000 < 0.05] showing presence significant moderating effect. This means the moderating effect of entrepreneurial training gained 10.3 % variance in entrepreneurial orientation, above and beyond the variance by product standardization and entrepreneurial training. The amount of the change in R^2 is a measure of the increase in the predictive power of particular dependent variable/variables, given the dependent variable or variables already in the model. Thus the null hypothesis was rejected and therefore entrepreneurial training moderates the relationship between product standardization and EO. In table 6, Model 2 indicates that product standardization was statistically significant (p = 0.000 < 0.05, β = 0.417). This shows that for a 1-point increase in product standardization, EO is predicted to have a difference by 0.417; given that entrepreneurial training is held constant. The regression coefficient associated with entrepreneurial training means that the difference in EO between SMEs that highly regards entrepreneurial training is 0.417, given that EO is held constant.

Substituting in equation 1

\[
(\text{OLS}) \ Y = \beta_0 + \beta_1 X_1 + \beta_2 Z + e \quad 1
\]

we have:

\[
\text{EO} = 2.683 + 0.471 (\text{PS}) + 1.068 (\text{ET}) \quad 2
\]

Model 2 shows the result after interaction term (Product Standardization * Entrepreneurial training) was introduced in the equation. Product standardization was found to be significant p = 0.000 < 0.001, β = 0.392). Entrepreneurial training was found to be significant too with p = 0.000 < 0.05, β = 1.068) and Product Standardization * Entrepreneurial training was also found to be significant (p = 0.031 < 0.05, β = 0.535) as shown in table 6.

On substituting of the coefficients in equation 3,

\[
\{(\text{MMR Model}) \ Y= (\beta_0 +\beta_1 X_1+ \beta_2 Z + \beta_3 X_1Z +e) \} \quad 3
\]

We obtain,

\[
\text{EO} = 2.304 + 0.392 (\text{PS}) + 1.068 (\text{ET}) + 0.535 (\text{Product standardization} \* \text{Entrepreneurial training}) \quad 4
\]

The results for model 2 in table 6 indicates that, for 1-point increase in product standardization, EO is predicted to have a difference by 0.417, given that entrepreneurial training is held constant. The interpretation of the regression coefficient for the interaction term is that there was a 0.535 difference between the slope of entrepreneurial orientation on product standardization
between SMEs with high regard to an entrepreneurial training and those with low entrepreneurial training for EO on product standardization.

Figure 3, shows that the slope regressing EO on product standardization is steeper for the SMEs with high entrepreneurial training as compared to SMEs with low entrepreneurial training implying that entrepreneurial training strengthens the positive relationship between product standardization and EO.

The findings confirm that, there is a statistically significant influence of product standardization on EO of SMEs operators in Kenya. Entrepreneurs should plan for feedback about standards and organizations need to consider what they want to know, whom they should ask, how and when they should ask, who should analyze the feedback and how they will use the information.

SUMMARY OF FINDINGS

The hypothesized relationships were tested empirically where certain assumptions about the variable used in the analysis were tested for. The study tested for normality, heteroscedasticity, reliability, multicollinearity, linearity, outliers and common method variance. The study sought to establish how product standardization influences entrepreneurial orientation amongst SMEs operators in Kenya. The results revealed that, product standardization positively influences entrepreneurial orientation amongst SMEs operators in Kenya as there was a positive relationship between them as portrayed by the regression weight. It was observed too that, there was a significant increase in the value of $R^2$ when moderated hierarchical regression analysis was done. The study revealed that, entrepreneurial training had a moderating influence in the relationship between product standardization and entrepreneurial orientation. The null hypothesis was rejected. The findings found that, there can’t be improvement where there are no standards.

CONCLUSIONS AND RECOMMENDATIONS

The findings depicted a strong positive relationship between product standardization and EO of SMEs in Kenya. SMEs in Kenya should ensure their products meet the thresholds for quality as determined by quality assurance bodies. It is important for the entrepreneurs to realize not to compete with the government on policies and regulations. To effectively manage the functional areas of a business, small business owners require necessary entrepreneurial competencies and skills in an ever-changing dynamic environment. The success of SMEs dealing with alcohol retailing can only be realized through training to enhance knowledge and skills. Study recommends for the training of entrepreneurs on how to conduct a market research. This will assist them in customer profiling. This study recommends for SMEs dealing with alcohol to work closely with KEBS, NACADA and the Ministry of Health in ensuring that only licensed and quality products stocked. PERAK needs to ensure its members are well-sensitized about product standardization. Emerging issues shows that, government is very critical on the products sold to customers. SMEs operators should be trained on the danger of the second generation alcoholic drinks.
Members to have regular training on product standardization and even get certifications which will enable them to continuously be allowed to continue being in business. Entrepreneurs should plan for feedback about standards and to consider what they want to know, whom they should ask, how and when they should ask, who should analyze the feedback and how they will use the information.

Government needs to set up an entrepreneurship development policy, with the primary goal of generating high-quality human capital, with entrepreneurial thinking for economic transformation. Entrepreneurship education courses to be introduced in the primary and secondary education curriculum that will enable them start thinking of self-employment. There should be introduction of entrepreneurship development programme for potential and existing entrepreneurs. The national government to partner with the county governments and stakeholders like UNIDO, USAID, UNDP and local universities and the government to be involving PERAK and SME operators when developing regulations. The world at large advocates for a 24 hour economy and it is illogic to enact regulations that hinder growth of entrepreneurship in a country.

a. Theoretical studies and academic implications

The findings have contributed to the existing stock of knowledge in the literature of entrepreneurial training in small and medium businesses by relating this to the experience of SMEs in a developing country. Despite this known fact of the importance of entrepreneurial training in SMEs, there had been a gap in empirical knowledge in developing countries; therefore, the findings of this study have contributed in filling this knowledge gap.

b. Studies on methods and methodology implications

Since the study applied cross-sectional survey design utilizing both qualitative and quantitative approaches, and developed an EO model for SMEs as per the government regulations in relation to alcohol retailing, the model can be tested in other lines of SMEs. The study developed Structural models thus future studies could test all parameters and develop further models using all constructs used in this study as well as all other parameters relevant to the study.

c. Policy intervention

This study was carried out during a period when the government was not very critical of the second generation alcoholic drinks which have led to destruction of young men and women economically. Future studies could focus on the real effect of this second generation alcoholic drinks and their economic, social and political effects to the young generation.

Lastly, the findings in this study are based on evidence gathered from small and medium enterprises (SMEs) who are registered members of PERAK. Future studies should be extended to SMEs who are not members.

REFERENCES


