

EFFECT OF RISK-TAKING COMPETENCY ON THE SURVIVAL OF SMALL AND MEDIUM ENTERPRISES IN KENYA

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ABSTRACT

In almost all economies of the world, Small and Medium Enterprises (SMEs) are the engine that drive economic growth. Policy makers, researchers and governments are putting much effort to minimize their high mortality rate as the collapse ration of SMEs is alarming for both developing and developed countries. In Kenya many SMEs encounter problems that limit their survival. The threat to survival is real and requires a concerted effort from both policy makers and the entrepreneurs themselves. This study, therefore, seeks to investigate the effect of risk-taking competency on the survival of SMEs in Kenya. The study is about the likelihood of survival of SMEs in Kenya should they opt to use appropriate risk-taking competency. The study was guided by the research objective as finding out what role is played by risk-taking competency on the survival of SMEs in Kenya. The study reviewed past activities and this was explained by the literature review. The literature review evaluated the relationship between risk-taking competency on the one hand and survival of SMEs on the other hand. The study adopted a descriptive research design. The target population was 268,100 registered SMEs who are operating under single business permit (SBP) in Nairobi City County where a stratified random sampling was applied to identify 400 SMEs. Data analysis was by way of descriptive statistics (frequencies and percentages), tables and graphical presentations, and a linear regression model where survival was regressed against risk-taking competency to make statistical reference. The findings revealed that risk-taking competency has a significant effect on survival of SMEs in Kenya. Taking manageable risk, careful decision making, careful analysis of the risks and taking calculated moves affect the survival of SMEs. The study recommends that SMEs should adopt risk-taking strategies through taking calculated moves in their operations as well as carefully analysing the available options so as to increase the chances of landing into the best option. They should have a template for dealing with risks that give them advantage over the competition.

Key Words: *risk-taking competency, survival, small and medium enterprises*

1.0 INTRODUCTION

1.1 Background of the Study

Small and Medium Enterprises (SMEs) cover a variety of enterprises providing goods and services. They encompass sole proprietorship or entrepreneurship, family business and partnerships, and may be incorporated or unincorporated. Small and Medium Enterprises come in many different shapes and sizes; however, in today's complex business environment they may have close financial, operational or governance relationships with other enterprises. These relationships often make it difficult to precisely draw the line between an SME and a larger enterprise. Small and medium enterprises are named by adjectives indicating size, thus economists tend to divide them into classes according to some quantitative measurable indicators. The most common criterion to distinguish between large and small businesses is the number of employees (Hatten, 2011).

There is arguably high mortality rate of SMEs within the first three years of operation. Efforts directed towards enhancing their survival and eventual growth has been a concern to researchers, policy makers and governments. Many SMEs encounter problems that limit their survival. Ng and Kee (2013) argue that in order to survive and become successful in today's competitive and rapidly changing market environments, SMEs need to continuously acquire and enhance their entrepreneurial competencies. They believe that entrepreneurial competencies play a pivotal role in ensuring survival and success of business. The focus here is on the entrepreneur because it is him who makes the difference: he sets the conditions, the boundaries, the characteristics and ultimately the value creating ability of the enterprise.

The contribution made by SMEs does vary widely between countries and regions. Nevertheless, although they play particularly key roles in high-income countries, SMEs are also important to low-income countries, making significant contributions to both GDP and employment (Dalberg 2011). When combining the data for those countries for which reasonably good data are available, SMEs account for 52% of private sector value added, this provides a reasonable estimate for the sector's global economic contribution. The contribution of SMEs to economic fundamentals nonetheless varies substantially across countries: from 16% of GDP in low-income countries (where the sector is typically large but informal) to 51% of GDP in high-income countries (ACCA 2010). Though SMEs play an important role in national economy and provide the majority of job opportunities, the survival of SMEs are not optimistic around the world. According to previous researchers, 68% of all SMEs in the United States of America (USA) made their exit from business within 5 years, only 19% survived from 6 to 10 years, merely 13% survived for more than 10 years. In Europe, only 65% of SMEs survived for more than 3 years, and 50% survived for more than 5 years (Cao, 2012).

In Africa SMEs play a momentous role in the macro economy. There has been an obvious rise in the widespread emergence of SMEs in Sub-Saharan Africa (Okpara 2011). In considering the SMEs' economic contribution in some selected Africa countries, the Department of Trade and Industry (DTI, 2012) of South Africa indicates that there are more than 800,000 SMEs and has estimated that total economic output of SMEs in South Africa to be 50% of GDP. It is also estimated that they provide employment to about 60% of the labour force. In Nigeria, SMEs are extremely imperative and contribute significantly to economic growth, principally in the

manufacturing sector. SMEs constitute about 70% to 90% of the business establishment in the manufacturing sector (Eniola & Ektebang, 2014).

In Kenya, a number of factors have contributed to the rapid expansion in the sector. One of the factors is the general decline in the economic performance of the Kenyan economy as a result of recession and liberalization of the 1980"s. This resulted in a number of large companies to adjust to the economic realities by becoming lean through retrenchment and downsizing. The effect of this was massive job losses and reduced employment opportunities in the formal sector which resulted in people venturing into small businesses (RoK, 2013). In the last three decades, there has been a growing awareness of the importance of developing entrepreneurship and small business management in Kenya for sustained economic growth, rapid employment generation and poverty eradication (RoK, 2013; World Bank, 2014a).

1.1.1 Risk-taking competency and SMEs survival

According to the World Economic Forum Global Risks report (2008), while the financial conditions of the past decade allowed for an exceptional period of economic growth and stability worldwide, the interconnected global business environment also presents new sources of increased volatility, including systematic financial risk, skyrocketing food prices, rapidly extending supply chains and a looming energy crisis. This calls for analytical risk taking. Risk-taking was the earliest identified entrepreneurial characteristic. A key dimension of the entrepreneurial psyche is risk-taking propensity. It is essential for the success and growth of a business how entrepreneurs perceive and manage risks in their environment (Ahmad & Seymour, 2008).

Some writers hold the view that entrepreneurs, small business owners and managers, worldwide, perceive their role in making risky decisions as rather similar, even though risk management is culturally conditioned. The attitude of entrepreneurs is that they take risks only after carefully analyzing the situation in hand. Well-seasoned risk-taking requires careful decision making (Bezzina, 2010). As entrepreneurship is certainly associated with various risks, the researchers imply that entrepreneurs do take risks, however risks they perceive they can manage and understand (Penchev & Salopaju, 2011). They argued that entrepreneurs have a preference for moderate risk taking in situation where they possess a degree of control and skills in realizing profits. They further state that entrepreneurs are not proactive or take risks just because they are expected to do so, but they use these competencies when situations demand them. They also use their own sense in estimating if they are able to take risks, by looking at themselves, if they can handle them or not.

Success in risk taking is more as a result of design as of luck (Bezzina, 2010). Why would risk-averse individuals and entities ever expose themselves intentionally to risk and increase that exposure over time? One reason is that they believe that they can exploit these risk to their advantage and generate value. How else can you explain why companies embark into emerging markets that have substantial political and economic risk or into technologies where the ground rules change on a day-to-day basis? By the same token, the most successful companies in every sector and in each generation, share a common characteristic. They achieved their success not by avoiding risk but by seeking it out. There are some who would attribute the success of these companies and others like them to luck, but that can explain business that are one-time wonders-

a single successful product or service. Successful companies are able to go back to the well again and again, replicating their success on new products and in new markets. To do so, they must have a template for dealing with risk that gives them an advantage over the competition (Cameron & Shah, 2015).

1.2 Statement of the problem

In Kenya, just like in many developing countries, the survival rate of SMEs is only 10-20% (Ruhii, Ngugi & Waititu, 2014). As per the Micro, Small and Medium Establishments report (RoK, 2016) there is high mortality rate of SMEs in Kenya with an annual average of 440,000 closing from 2012 to 2016. Policy makers, researchers and governments are putting much effort to minimize their high mortality rate as this collapse ration of SMEs is alarming. Several researchers (Abdul & Ngugi, 2015; Martin & Namusonge, 2014; Ngugi & Bwisa, 2013; Nyagah, 2013; Ochanda, 2014) have attempted to uncover the primary determinants of new venture success/failure and trying to come up with a comprehensive list of the factors that play a role in the success/failure of new ventures. The high mortality rate is raising concern over sustainability of this critical sector. The SME sector has great potential as we realize that while many SMEs fail, others survive beyond infancy and adolescence, becoming major success stories, creating wealth for their founders and jobs for the communities they serve (Vijay & Ajay, 2011).

Is risk-taking competency the missing link to survival of SMEs in Kenya? Previous studies (Caliendo, Fossen & Kritikos, 2010; Peng, 2015) conducted in other countries have found positive relationship between risk-taking competency and SMEs survival. Since each market and economy has its own features that provide a unique environment for SMEs to develop and operate, the Kenyan scenario requires its own analysis. In Kenya, there has been little attempt to explore survival prospects and more specifically investigating how business risk-taking competency affects the survival of SMEs in Kenya as in this case. This study, therefore, seeks to fill this knowledge gap.

Objective

The study sought to investigate how risk-taking competency contributes to the survival of SMEs in Kenya.

Research hypothesis

The study aimed to test the following research hypothesis: -

H_a: Risk-taking competency significantly increases chances of survival of SMEs in Kenya

2.0 LITERATURE REVIEW

2.1 Theoretical review

A theoretical framework consists of concepts and together with their definitions and references to relevant scholarly literature, existing theory that is used for a particular study. The theoretical framework must demonstrate an understanding of theories and concepts that are relevant to the topic of research paper and that relate to the broader areas of knowledge being considered (Grant & Osanloo, 2014).

2.1.1 Theory of risk-taking- Prospect Theory

Kim and Vonortas (2014) cited Liles (1974) who speculated about what he believed is at risk in a new venture. He suggested that in becoming an entrepreneur an individual risks financial well-

being, career opportunities, family relations, and psychic well-being. The personal financial obligations that the entrepreneur makes to an unsuccessful enterprise can result in major losses to the entrepreneur and could jeopardize his future standard of living. Realizing that the financial and emotional consequences of failure could be devastating, Liles suggested that the potential entrepreneur is well advised to analyze carefully the risks associated with his specific business proposal and then to determine whether or not he is willing to undertake them. Liles concluded that the decision depends to a great extent upon the potential entrepreneur's perception of the risk involved.

According to Barberis (2013) one of the most influential descriptive theories of decision making under uncertainty is Kahnema and Tversky's (1979) Prospect Theory. They later revised it to cumulative prospect theory in 1992 (Tversky & Kahneman, 1992) which illustrates four elements namely reference dependence, loss aversion, diminishing sensitivity and probability weighting.

First, in prospect theory, people derive utility from gains and losses, measured relative to some reference point, rather than from absolute levels of wealth. Kahneman and Tversky's motivate this assumption, known as "reference dependence," with explicit experimental evidence but also by noting that our perceptual system works in a similar way: we are more attuned to changes in attributes such as brightness, loudness and temperature than we are to their absolute magnitudes (Barberis, 2013).

Second, the value function captures "loss aversion," the idea that people are much more sensitive to losses-even small losses-than to gains of the same magnitude. Informally, loss aversion is generated by making the value function steeper in the region of losses than in the region of gains. For a loss averse individual, however, the gamble is unappealing: the pain of losing \$100 far outweighs the pleasure of winning \$110 (Verendel, 2008).

Third the value function is concave in the region of gains but convex in the region of losses. This element of prospect theory is known as diminishing sensitivity because it implies that, replacing a \$100 loss (or gain) by \$ 200 gain (or loss) has a significant utility impact. The concavity over gains captures the finding that people tend to be risk averse over moderate probability gains: they typically prefer a certain gain of \$500 to a 50 percent chance of winning \$1,000. However, people also tend to risk-seeking over losses: they prefer a 50 percent chance of losing \$1,000 to losing \$500 for sure. This motivates the convexity over losses (Barberis, 2013).

The fourth and final component of prospect theory is probability weighting. In prospect theory, people do not weight outcomes by their objectives probabilities but rather, by transformed probabilities or decision weights. The decision weights are computed with the help of a weighting function whose argument is an objective probability. In cumulative prospect theory, the weighting function is applied to cumulative probabilities (Al-Nowaihi & Dhimi, 2010).

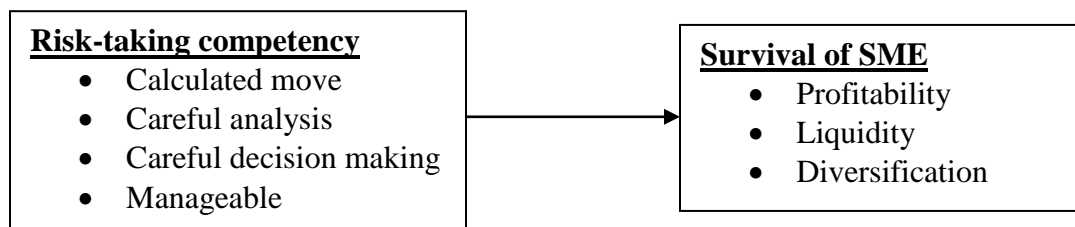
Under cumulative prospect theory, the unlikely state of the world in which the individual gains or losses \$5,000 is over weighted in his mind, thereby explain these choices. More broadly, the weighting function reflects the certainty equivalents people state for gambles that offer \$100, say, with probability. The central idea in cumulative prospect theory is that people derive utility

form “gains” and “losses” measured relative to a reference point. Prospect theory value function has the additional feature of diminishing sensitivity in the gains and loss segments, making winning individuals risk-averse and losing individuals risk-loving. So, while on the margin individuals are still most likely to quit near the reference point, they are even less likely to quit while behind compared to while ahead. (Barberis, 2013).

This theory is relevant to this study due to the fact that entrepreneurs need to be risk averse in order to succeed and survive in their business endeavors. A risk averse entrepreneur prefers lower returns with known risks rather than higher returns with unknown risks. Prospect theory is a theory of decision making under conditions of risk where such decisions are based on judgments which are assessments about the external state of the world. Prospect theory directly addresses how these choices are framed and evaluated in the decision-making process.

2.2 Conceptual Framework

Conceptual framework is a diagrammatical representation that shows the relationship between dependent variable and independent variable (Mugenda, 2008; Walliman, 2011). In the study, the components of risk-taking competency studied constitute the independent variables side which influence survival of SME in Kenya that constitutes dependent variable as illustrated in Figure 2.1.



Independent variable

Dependent variable

Figure 2.1: Conceptual Framework

2.3 Empirical review

Caliendo, Fossen and Kritikos (2010) investigated the impact of risk attitudes on entrepreneurial survival in Germany. They empirically analyzed whether the risk attitudes of active entrepreneurs have an influence on their survival probability. They based their analysis on the German Socio-Economic Panel (SOEP), an established, representative panel survey that contains detailed information about the socio-economic situation of approximately 22,000 persons living in 12,000 households in Germany. Key to their analysis was new measures of risk attitudes that were added to the SOEP in the 2004 survey wave. For this analysis, they employed a questionnaire that asked respondents about both their willingness to take risks in occupational choices giving them insight into their subjective risk attitudes, and their hypothetical decisions about how much to invest in a safe versus a risky investment which reveals their objectivity measurable risk preference. Several questions dealt with attitudes toward risk in general and in specific contexts, including occupation, the relevant domain for employment decisions. They used the yearly outcomes provided by those individuals who answered the risk questions for the years 2000 to 2005, assuming the stability of risk attitudes at least over this relatively short

period of time and also used self-employment as a measurable proxy of the concept of entrepreneurship.

The findings revealed that persons with particularly low or particularly high-risk attitudes fail as entrepreneurs more often than do persons with medium-level risk attitude. The finding notably holds for all kinds of risk measures. Their analysis further revealed that the economic impact of this variable is fairly strong. Specifically, the failure rates of medium-level risk takers drop by about 40% compared with those not willing to take any risk, whereas those of high risk takers almost double. They concluded that risk attitudes *ceteris paribus* are a defining characteristic of entrepreneurship. Whereas previous research suggest that these attitudes have a significant impact on the decision to become an entrepreneur, they extend existing knowledge by showing that attitudes have similarly strong influence on the survival and failure rates of already active entrepreneurs.

Kinyua, Ogollah and Mburu (2015) linked risk management strategies to project performance of small and medium information communication technology enterprises. The main objective of this study was to establish the effects of risk management strategies on the project performance of small and medium Information Communication Technology (ICT) enterprises in Nairobi, Kenya. The independent variables were the risk management strategies while dependent variable was the project performance of the SME ICT project. A descriptive research design was adopted. Target population was 48 ICT SMEs in Nairobi, Kenya and the study adopted random sampling technique to select sample size of the project staff in the target population. Primary data was collected using a questionnaire which was self-administered through drop and pick questionnaires to sampled members of the employees working in the ICT SMEs. The study concluded that many ICT enterprises in Nairobi, Kenya have realized the importance of risk management practice in ICT project management to achieve process success. They carry out risk management to maximize the performance.

Peng (2015) discussed risk taking and firm growth in Japan. Using firm data from 2002-2012, the study examined the relationship between risk taking and firm performance of small and medium-sized enterprises and large private firms. The survey was comprised of all firms with more than 50 employees and with capital of more than 30 million yen, covering both manufacturing and non-manufacturing industries. First, they adjusted Earnings Before Interest, Taxes, Depreciation, and Amortization (EBITDA) by two-digit SIC industry code. Then, used consecutive 11 years of data on EBITDA/Assets and computed the deviation of adjusted EBITDA/Assets over 2003-2012 at firm level. The study found out that risk-taking had statistically and economically significant effects on corporate growth and corporate earnings. Furthermore, during the credit crisis, risk taking was positively related to corporate earnings, and thus higher risk-taking firms had smaller cash flow shortfalls.

2.4 Summary

The literature reviewed the relationship between risk-taking competency and survival of SMEs. Reviewed literature generally agrees that these attributes of risk-taking competency affect the survival of SMEs. In general, risk-averse individuals believe that they can exploit these risks to their advantage and generate value as they achieve their success not by avoiding risk but by

seeking it out. Their success is by design not by luck and so they deal with risk that give them an advantage over their competition and so increases their chances of survival.

3.0 RESEARCH METHODOLOGY

3.1 Research Design

The study adopted a descriptive research design. A descriptive research design is used when the problem has been well designed and where the researcher can engage in a field survey by going to the population of interest in order for the respondents to explain certain features about the problem under study (Creswell, 2013). It uses a pre-planned design for analysis and also determines and reports the way things are. A descriptive research design is used when data are collected to describe persons, organizations, settings or phenomena. According to Salaria (2012), the method of research which concerns itself with the present phenomena in terms of conditions, practices, beliefs, processes, relationships or trends invariably is termed as descriptive research study.

3.2 Research philosophy- Positivism

According to Galliers (1991) as cited by Wang (2012), a research philosophy is a belief about the way in which data about a phenomenon should be gathered, analyzed and used. The term epistemology (what is known to be true) as opposed to doxology (what is believed to be true) encompasses the various philosophies of research approach. This research adopted positivist research philosophy. The term positivism has at least three meanings. First, it is an epistemology that identifies scientific knowledge with covering laws—that is, statements of the type “if A occurs, then B will follow.” Second, it is an ontology that equates existence with objects that are observable. Third, it is associated with a self- understanding of scientific activity in which social science is independent of the reality it describes (Riley, 2007).

3.3 Target Population

Target population in statistics is the specific population about which information is desired (Mugenda, 2008). The concept of a target population is an informal one, sometimes defined as “the population about which information is wanted” or the “totality of elements which are under discussion and about which information is desired. According to the Micro, Small and Medium Establishments report (RoK, 2016) there are an estimated 1,506,500 licensed SMEs in Kenya out of which 268,100 SMEs are located in Nairobi trading under single business permit. The target population was therefore the 268,100 SMEs.

3.4 Sampling frame, techniques and sample size

A sampling frame describes the list of all the units in population from which the sample was selected. Simply put, sampling frame is the sampling range or the list of all sampling units in the survey population (Zhengdong, 2011). It is the source material or device from which a sample is drawn. Sampling technique on the other hand refers to the method of selecting a sample. It is the methods used in drawing samples from a population usually in such a manner that the sample will facilitate determination of some hypothesis concerning the population. The study used stratified random sampling method. The population was first grouped into strata of manufacturing, wholesale and retail trade and service activities. From each stratum, simple random sampling was applied. A sample is a carefully selected subgroup or subset that is a representative of the population under study (Teddlie & Yu, 2007). Yamane (1967) as cited by

Singh and Masaku (2014) provides a simplified formula to calculate sample sizes. This formula is used to calculate the sample sizes where the population is large. It assumes a certain level of significance which normally ranges from 0.01 to 0.1 but 0.05 is the most commonly used. In the circumstances the sample size of the study was calculated to be 400.

3.5 Data Collection instruments

Data collection instruments are the tools for data collection (Zohrabi, 2013). The goal for all data collection is to capture quality evidence that then translates to rich data analysis and allows the building of a convincing and credible answer to questions that have been posed. The study used a questionnaire to collect the required data. A questionnaire is a data collection instrument that sets out in a formal way the questions designed to elicit the desired information (Wadi, 2016). It consists of a list of structured questions, un-structured questions and Likert rating scales relating to the field of inquiry with spaces provided for selection of choices and explanatory answers. Close ended questions have the advantage of collecting viable quantitative data while open-ended questions allow the respondents freedom of answering questions and the chance to provide in-depth responses. Questionnaire was preferred because it is efficient, cheap and easy to be administered.

3.6 Data Analysis

The completed questionnaires were first edited for completeness and consistency. The data was then coded to enable the responses to be grouped into various categories. A descriptive analysis was then employed. Descriptive statistics was used to summarize the data. This includes percentages and frequencies. All quantitative data were measured in real values by normalizing. Multiple regression was used to measure the quantitative data which was then analyzed using the statistical package for social sciences (SPSS) version 24 which is the most current version in the market and Microsoft excel. Tables and other graphical presentations as appropriate were also used to present the data collected for ease of understanding and analysis. These generated quantitative reports through tabulations, percentages and measure of central tendency. Cooper and Schindler (2003) notes that the use of percentages is important for two reasons; first they simplify data by reducing all the numbers to range between 0 and 100. Second, they translate the data into standard form with a base of 100 for relative comparisons.

3.7 Hypothesis testing

Hypothesis is a formal statement that presents the expected relationship between an independent and dependent variable (Haber, 2010). It is an assumption about a population parameter that is to be proved or disapproved. It is also a conjecture used to guide the investigations or accepted as highly probable in the light of established facts. Such should be clear and precise, capable of being tested, capture the relationship between the variables, limited in scope and consistent with a substantial body of facts (Kothari, 2004). The researcher developed research hypotheses that need substantiation or verification and this calls for hypothesis testing. The testing of a statistical hypothesis is the application of an explicit set of rules for deciding whether to accept the hypothesis or to reject it. For testing networking competency against the dependent variable (survival of SMEs in Kenya), regression model was used at a significance level of 0.05 and a *P*-value derived therefrom compared with the level of significance in order to make a decision on whether or not to reject the null hypothesis. Since the research hypothesis is non-directional, it will be rejected if the *P*-value is less than or equal to half of the defined significance level (*P*-

value = $\alpha/2$). The lower the P -value in comparison to $\alpha/2$, the more evidence there is in favor of rejecting the null hypothesis.

4.0 FINDINGS

4.1 Response rate

The percentage of people who respond to a survey is considered as the response rate. In general, response rate is the number of respondents divided by the number of eligible subjects in the sample. The probability of nonresponse bias decreases as response rate increases thus increasing the ability to generalize findings to the original target population. A high survey response rate helps to ensure that the survey results are representative of the survey population (Draugalis & Plaza, 2009).

The study sought to find out the rate at which the targeted respondents participated in the study in order to determine whether the study attained a reliable number of respondents to make conclusions and recommendations. From the data collected, out of the 400 questionnaires 256 were successfully administered face-to-face and 144 left with respondents and collected later out of which 56 were filled and returned. This means that in total 312 questionnaires were administered which represents 78% response rate. However, for the individual industry categories, manufacturing had 89.6% response rate, wholesale and trade 71.8% response rate and service 87.5% response rate. These response rates are considered satisfactory to make conclusions for the study. Mugenda and Mugenda (2003) observed that a 50% response rate is adequate, 60% good and above 70% rated very good. The implication here is that 78% is very good. This high response rate can be attributed to self-administered questionnaires and follow up phone calls that prompted the respondents to fill the questionnaires that were left behind. The response rate is as shown in table 4.1.

Table 4.1: Response Rate

Industry	Sample size	Face-to-face	Left behind	Returned	Total administered	Response rate
Manufacturing	48	33	15	10	43	89.6%
Wholesale & Trade	248	151	97	27	178	71.8%
Service	104	72	32	19	91	87.5%
Total	400	256	144	56	312	78%

4.2 Risk-taking competency

4.2.1 Taking Risks and Risk Assessments

The respondents' views were sought on their essence to take risks as well as conduct risk assessment. The findings as presented in table 4.34 revealed that the bigger portion of the respondents (57%) said that they had not taken any major risk that justified the current position of the enterprises. On the other hand, the findings had it that most of the respondents carried out risk assessment for their businesses as was shown by 69% of the total respondents. The findings compare with the arguments by Penchev and Salopaju (2011) that SMEs in many occasions tend to leave out the risk-taking prospect and become comfortable with their current position which often diminish their performance.

Table 4.2: Risk-taking and Risk Assessments

Statement	Yes		No	
	Frequency	Percentage	Frequency	Percentage
Have you taken any major risk that justifies the current position of the enterprises	133	43	179	57
Do you carry out risk assessment for your business	216	69	96	31

4.2.2 Risk assessment evaluations carried out

Investors and business managers use risk assessments to determine things like whether to undertake a particular venture, what rate of return they require to make a particular investment and how to mitigate an activity's potential losses. The respondents' views on the number of risk assessment evaluations carried out in a period of five years were sought. The findings as presented in table 4.3 revealed that the respondents had undertaken 3 to 5 and 6 to 10 risk assessment evaluations in the last 5 years as was shown by 37% and 32% respectively while 21% of the total respondents indicated that they had undertaken risk assessment evaluations once or twice in the last 5 years. A total of 8 (2.6%) respondents had taken more than 10 risk assessment evaluations in the given period of 5 years prior to the research year. The findings corresponded with those by Kinyua et al. (2015) that risk assessment is a key to enhance firm performance since it helps the firm to mitigate the given threatening risks as well as enhance the channels that best suit to enhance their survival.

Table 4.3: Risk Assessment Evaluations carried out

Range	Frequency	Percent
0	23	7.4
1-2	66	21.2
3-5	115	36.9
6-10	100	32.1
Above 10	8	2.6
Total	312	100.0

4.2.3 Extent of various risk-taking elements and how they affect the survival of business

Risk-taking is an integral part of entrepreneurship. Some people may view it as a challenge that may lead to improvement or success, while others see it as a reckless activity. In business, entrepreneurs associate risk with potential danger or loss but true entrepreneurs take risks not because they are reckless but because it's the only step to take to move forward. The study sought to establish the respondents' views on the extent to which they embraced given risk-taking aspects. The findings as presented in table 4.4 revealed that a majority of the respondents agreed to a great extent that careful decision making, taking manageable risk, careful analysis of the risks and taking calculated moves affect the survival of business as was shown by 32%, 30% and 28% respectively. The findings compare with those by Penchev and Salopaju (2011) that risk taking is a major factor of firm performance and sustainability but put a crossword that the risks taken by the entrepreneurs should be manageable and have effects that can be cured if they turn otherwise.

Table 4.4: Risk-Taking Aspects and SME survival

Aspect	Very low extent	Low extent	Uncertain	Great extent	Very great extent
Taking calculated move	7%	22%	38%	28%	5%
Careful analysis of the risks	7%	22%	31%	28%	12%
Careful decision making	8%	20%	32%	32%	8%
Taking manageable risk	12%	17%	30%	30%	11%

4.3 Survival of SMEs

4.3.1 Plan to close business in near future

Based on the turn of events, entrepreneurs might decide to close their businesses but will not do it immediately opting to wait until things are too hot to handle then quit the enterprise. In this regard therefore, the study sought to find out the views of the respondents on their possibility to close their businesses. The responses presented in table 4.5 revealed that 53% of the respondents had plans to close their businesses in the near future whilst 47% did not have plans to close their businesses in the near future. The respondents were asked to state the reasons as to why they were planning to close their enterprises. They cited reasons such as declining profit margins, lack of capacity to continue doing the business, commitment to do other things and focus on other business.

Table 4.5: Plans to close the Enterprise

Select	Frequency	Percent
Yes	165	52.9
No	147	47.1
Total	312	100.0

4.3.2 Survival Tactics Applied

The study sought to find out the tactics that the entrepreneurs put in place to sustain their businesses and prolong their existence. The respondents were asked to agree or disagree with the given options which included diversification, merging and acquisition, investment of the profits, as well as offering more time to the businesses. The findings as presented in table 4.6 revealed that the bigger portion of the respondents indicated that they used diversification, merging and

acquisition, giving much of the time to the business and strategizing for its growth and investing back the profits to the business as survival tactics as was shown by 80%,74% and 73% respectively. The findings imply that majority of the SMEs are geared towards adopting tactics that are meant to enhance their performance and lengthen their operations in the market. As argued by Sohl (2012), the tactics used by businesses to enhance their growth and performance need to be well strategized as a way of making them fruitful and effective.

Table 4.6: Survival Tactics Applied

Tactic	Yes		No	
	Frequency	Percentage	Frequency	Percentage
Diversification	250	80	62	20
Merging and acquisition	232	74	80	26
Investing back the profits to the business	230	73	82	26
Giving much of the time to the business and strategizing for its growth	230	73	82	27

4.4 Inferential Analysis of Risk-taking Competency and Survival of SMEs in Kenya

H_a: Risk-taking competency has effect on the survival of SMEs in Kenya

The study carried out inferential analysis in a bid to establish the relationship between risk-taking competency and survival of SMEs in Kenya. The linear regression analysis shows a relationship between the dependent variable which is SME survival and independent variable which is risk taking competency. The coefficient of determination R^2 and correlation coefficient R shows the degree of association between risk taking competency and survival of SMEs in Kenya. The results of the linear regression indicate that $R^2=.285$ and $R= .534$ this is an indication that there is a strong linear relationship between risk taking competency and survival of SMES in Kenya. The findings concur with those by Caliendo, et al. (2010) who found that risk taking competency among the entrepreneurs influences firm growth and survival positively. Inferences can therefore be made that tendency of a firm to engage in and support careful decision making and take calculated moves enhances their ability to continue operating for a longer period of time.

Table 4.7: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.534 ^a	.285	.283	.31650

a. Predictors: (Constant), RISK-TAKING

b. Dependent Variable: SURVIVAL

Table 4.8 shows the results of ANOVA test which reveal that risk-taking competency has a positive and significant effect on survival of SMEs since the P-value is 0.000 which is less than the standard 0.05 level of significance.

Table 4.8: ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	12.248	1	12.248	122.269	.000 ^b
	Residual	30.653	306	.100		
	Total	42.901	307			

a. Dependent Variable: SURVIVAL

b. Predictors: (Constant), RISK-TAKING

The model for the variable was $Y_s = \beta_0 + \beta_1 X_1$ which now becomes $Y_s = 1.257_0 + 0.300X_1$. This implies that a unit change in networking competency can explain up to 30% of SME survival as shown in table 4.9.

Table 4.9: Coefficients of Risk Taking Competency and SME survival

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.257	.077		16.364	.000
	Risk Taking	.300	.027	.534	11.058	.000

a. Dependent Variable: SURVIVAL

5.0 CONCLUSIONS

The purpose of this study was to investigate the effect of risk-taking competency on survival of SMEs in Kenya. Based on previous studies, risk-taking competency was expected to have positive relation with survival of SMEs in Kenya. The study affirmed this by concluding that risk-taking competency has a significant positive effect on survival of SMEs in Kenya. Continued business survival is hinged on how entrepreneurs perceive and manage risks in their enterprises. The attitude of entrepreneurs is to take risks only after carefully analyzing the situation in hand and therefore go only go for those risks they can manage and understand as success in risk-taking is widely acknowledged as being more of design than of luck. In so doing, entrepreneurs are able to exploit the risk to their advantage and generate value which enhances profitability and hence survival.

6.0 RECOMMENDATIONS

Risk taking enhances firm performance through widening the possibility of obtaining better ideas and strategies to gain competitive advantage. In this regard therefore, the SMEs should as well adopt risk-taking strategies through taking calculated moves in their operations as well as carefully analysing the available options so as to increase the chances of landing into the best option since success in risk taking is more as a result of design than luck. The firm management should always make careful decisions as well as taking manageable routes which do not put them at more volatile risks. In overall therefore the study recommends that entrepreneurs should have a template for dealing with risks that give them advantage over the competition.

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