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SERVICES FOR SCIENCE AND EDUCATION

Entrepreneurial Inclination and Organisational Performance of Kenyan Small and Medium Enterprises: The Mediating Role of Business Model Innovation

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ABSTRACT

This study investigated the effect of entrepreneurial inclination on Kenyan Small and Medium Enterprises (SMEs) performance and whether this effect was mediated through Business Model Innovation (BMI). Primary data were collected from a sample of 221 SMEs that had been ranked among the Top 100 medium enterprises in Kenya between 2008 and 2019 through Klynveld Peat Marwick Goerdeler (KPMG) and Nation Media Group yearly surveys. Data accepted from 134 top executives of the SMEs was analysed through regression analysis. The results revealed that entrepreneurial inclination indirectly influenced organisational performance through its positive effect on BMI. There was no evidence that entrepreneurial inclination independent of BMI influenced organisational performance. Thus, it was concluded that entrepreneurial inclination positively contributed to organisational performance through its favourable effect on BMI. The study adds to the literature on entrepreneurial inclination and organisational performance by linking them to BMI. The study advises industry practitioners and policymakers to encourage entrepreneurial conduct and BMI practices to improve organisational performance. Further studies are required to address the identified gaps.

Keywords: Business model innovation, entrepreneurial inclination, small and medium enterprises, performance, Kenya

INTRODUCTION

Entrepreneurial inclination has often been depicted as the panacea of organisational performance with Gupta and Wales (2017) positing that the substance of entrepreneurial inclination is attested in organisational performance. Putniņš and Sauka (2019) observed that entrepreneurial inclination can enhance organisational performance. Concomitantly, some studies have provided evidence indicating that the influence of entrepreneurial inclination on the performance of enterprises was not significant (Messersmith and Wales, 2011), meaning that the debate concerning the effects of entrepreneurial inclination on organisational performance is not yet settled. It has been argued that the association between entrepreneurial inclination and organisational performance is not straightforward (Markin et al., 2018; Wiklund and Shepherd, 2005). Therefore, it is important to find and evaluate mediator variables that explain how entrepreneurial inclination influences organisational performance (Covin and Wales, 2019). This study aimed to contribute to a better understanding of the role of entrepreneurial inclination on organisational performance by assessing BMI as a mechanism by which entrepreneurial inclination is linked to organisational performance. Small and Medium Enterprises (SMEs) in Kenya provided the context of the study.

SMEs have often been described as the engine that drives economic development and employment opportunities at different levels of economic development globally (Rotar et al., 2019). According to Zafar and Mustafa (2017), SMEs account for over 55 % of the Gross Domestic Product (GDP) and 65 % of total employment opportunities in high-income countries and 95 % and 70 % of total employment opportunities and GDP, respectively, in middle-income countries. In low-income countries, 60 % of GDP and 70 % of employment opportunities are attributed to SMEs. In Kenya, while SMEs constitute about 98 % of all businesses, their contribution to GDP and employment at 25 % and 50 %, respectively, (Ministry of Industrialization and Enterprise Development, 2015) reflects poor individual performance, suggesting a need to be adequately examined for comprehending possible factors that could lead to the attainment of their full potential. Additionally, SMEs experience high mortality with studies reporting that 70% of new businesses do not survive their 3rd anniversary (Douglas et al., 2017).

Prior studies suggest that SMEs' long-term survival and success depend on creating and sustaining competitive advantage (Anwar, 2018). Entrepreneurial inclination has been recognised as vital for the survival and growth of enterprises and the economic advancement of countries (Morris, 1998). Kenya's national industrialisation policy identifies innovation as critical in addressing rapid changes in consumer behaviour as well as enhancing organisational performance and competitiveness (the Republic of Kenya, 2012). According to Bashir and Verma (2017), Business Model Innovation (BMI) is a source of sustained competitive advantage and better performance compared to product and service innovation which is susceptible to duplication and rapid obsolescence (Zott and Amit, 2012). However, BMI literature is just burgeoning and therefore, needs discovery and assessment of potential triggers and consequences (Foss and Saebi, 2017). Additionally, evidence linking organisational performance to BMI is mostly based on case studies with a focus on well-established technology-driven firms in advanced economies like the United States of America (USA) (Hossain, 2017).

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THEORETICAL FRAMEWORK

Organisational Performance

The question of why some organisations succeeds where others have failed remains one of the critical questions among scholars and industry practitioners. Thus, finding and comprehending factors that enhance business performance remains an important issue for industry practitioners as it allows them to execute suitable measures to enhance the performance of their businesses (Richard et al., 2009). Although there is no clear definition of what organisational performance is, a substantial body of literature considers organisational performance as the extent to which an organisation achieves its desired results (Abu-Jarad et al., 2010; Goshu and Kitaw, 2017). According to Kaplan and Norton (1992), organisational performance denotes the ability of an organisation to achieve its set goals and objectives. Singh et al. (2016, p.215) considered organisational performance as "a multidimensional construct covering financial performance indicators, customer-related outcomes, innovation and internal organizational processes." Thus, organisational performance may entail achieving set financial and non-financial performance organisational targets.

While financial information is considered the most objective measure of organisational performance, it is difficult to obtain such information from SME managers as they are not compelled to publicise their information (Dess and Robinson, 1984). Thus, most studies on SMEs' performance have resorted to subjective measures as a practical substitute for objective measures. Scholars have since established that subjective measures are highly correlated with objective measures (Singh et al., 2016; Rauch et al., 2009), thus, achieving the intended purpose. Wales (2016) recommends the extension of performance measurement in entrepreneurial inclination studies beyond the economic metrics to evidence an enterprise's success in creating value for internal as well as external stakeholders. Andreini and Bettinelli (2017) also revealed the dominance of economic performance measurement metrics in BMI studies, pointing out that economic metrics provide a partial representation of organisational performance. The need to satisfy multiple stakeholder groups interested in an organisation's business activities means that reliance on financial measures alone is not sufficient (Elkington, 1994; Hubbard, 2009). Organisational stakeholders include anyone who can impact or be impacted by the organisation's activities (Freeman, 1984). Thus, organisational performance goes beyond meeting the needs of investors, employees and suppliers, to incorporate the needs of the communities in which the organisation operates, government and non-governmental organisations among others. Financial performance measures have been criticised for being backwards-looking instead of being futuristic. They focus on short-term instead of long-term results (Abu-Jarad et al., 2010). As a result, several performance measurements including the balanced scorecard (Kaplan and Norton, 1992) and triple bottom line (Elkington, 1994) have been devised. An adjustment to the balanced scorecard and triple bottom line resulted in the sustainable balance scorecard (Hubbard, 2009) integrating environmental performance, social performance and economic performance into a composed measure of performance. Chang and Cheng (2019) defined environmental performance as the measure of the amount of resources such as water and energy a firm uses in its production process as well as the accompanying waste, air emissions and chemical residues. Social performance denotes the impact a firm's operations have on the communities in which it operates while economic performance entails a firm's profitability, technology level, quality assurance, and on-time delivery among other items.

Entrepreneurial Inclination

According to Miller, (1983, p. 771), "an entrepreneurial company engages in product market innovation, undertakes somewhat risky ventures, and is first to come up with 'proactive' innovations, beating competitors to the punch." Noting that "entrepreneurship simply refers to new entry", Lee and Peterson (2000) explain that a firm's entrepreneurial inclination refers to the "entrepreneurial process, namely, how entrepreneurship is undertaken—methods, practices, and decision-making styles used to act entrepreneurially." Thus, entrepreneurial inclination is demonstrated by innovativeness, risk taking, and proactiveness occurring simultaneously in an enterprise (Okeyo et al., 2016). According to Lee and Peterson, innovativeness in an organisation is attested by creative thinking, experimentation, and embracing novel ideas to generate new opportunities, solutions, and technologies. Risk taking is characterized by a willingness to invest substantially in projects that have high but uncertain returns and profitability potential (Miller and Friesen, 1978). Whereas, proactiveness is demonstrated by an enterprise's tendency to venture into new markets aiming to exploit first mover advantage (Lumpkin and Dess, 1996).

Lumpkin and Dess (1996, p.136), while describing entrepreneurial inclination as "the processes, practices, and decision-making activities that lead to new entry", added the inclination towards autonomy and aggressiveness towards competition on the first three elements and asserted that the now five elements of entrepreneurial inclination are context specific and can vary independently, meaning that possession of any one or a combination of the elements will qualify an enterprise to be considered entrepreneurially inclined. While scholars prefer leaving the choice between the two dominant conceptualisations to individual researchers depending on the research problem (Covin and Wales, 2012; Wales, 2016), for the sake of knowledge development, researchers are advised to adopt one and apply it consistently in their work (Covin and Wales, 2019; Gupta and Dutta, 2018). Covin and Slevin's (1989) perspective of entrepreneurial inclination as a gestalt construct composed of innovativeness, risk taking and proactiveness was applied to this study.

Putniński and Sauka (2019) explain why entrepreneurial inclination affects organisational performance based on risk-return trade-off, which suggests a significant positive relationship between risk and stock market yield (Ghysels et al., 2005). According to Putniński and Sauka, risk taking which is determined by the level of innovativeness and proactiveness is directly related to enterprise performance. Thus, innovativeness and proactiveness determine the level of risk adoption which in turn determines performance. According to Tang et al. (2008), innovativeness and risk-taking behaviour is a result of proactiveness and the perceived existence of opportunities in the industry. Whereas, numerous studies have suggested that entrepreneurial inclination positively influences organisational performance (Rauch et al., 2009; Soares and Perin, 2019), others have reported a non-significant relationship (Asemokha et al., 2019; Messersmith and Wales, 2011; Baker and Sinkula, 2009). Various explanations such as the definition of entrepreneurial inclination, sample characteristics and methodological approaches have been linked to the mixed findings (Gupta and Dutta, 2018; Okeyo et al., 2016; Soares and Perin, 2019). As a result, calls to find and analyse mediator variables in the entrepreneurial inclination–performance relationships have been loud (Covin and Wales, 2019; Markin et al., 2018; Wales et al., 2013) suggesting that entrepreneurial inclination on its own does not influence organisational performance. This agrees with Wiklund and Shepherd's

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(2005) observation that entrepreneurial inclination and performance link may not be fully explicated by examining it as simple direct link.

Business Model Innovation

Scholars such as Massa et al. (2017) consider BMI an extension of business model research, defined as "a story about how an organization creates, delivers, and captures value" (Kaplan, (2012, p.39). Accordingly, BMI is attained through the execution of changes affecting the core components of an enterprise's business model, that is value creation, value proposition, and value capture components (Clauss, 2017). According to Clauss, the value creation component elucidates the resources including capabilities and processes involved within the value chain in generating value. Value proposition refers to what is being presented to the market and how it is offered to satisfy customers' needs. Value capture concerns how the activities of the business can be converted into revenue, focusing on how revenue is generated to cover costs so that the company can attain sustainable profits. Hence, BMI is described as the "design or architecture of the value creation, delivery, and capture mechanisms" of a business (Teece, 2010: 179). Consistent with Zott and Amit's (2012) perspective of BMI as an activity system comprising content, structure and governance elements, BMI is achieved by varying business activities, connecting them in new ways, or varying the parties involved in business activities (Snihur et al., 2021), in that order.

Chesbrough (2010, p.354) emphasises the critical role of BMI in the successful commercialisation of new products by asserting that "a mediocre technology pursued within a great business model may be more valuable that a great technology explored via a mediocre business model." Although BMI has been suggested to be a source of sustainable competitive advantage and superior performance (Bashir and Verma, 2017), it has been observed that BMI literature is just beginning and therefore a need to find and examine its triggers and outcomes (Foss and Saebi, 2017). According to Andreini and Bettinelli (2017), BMI studies have mainly been done in Europe, the United States of America (USA), and Asia, with minimal efforts to comprehend BMI practices in Africa. Additionally, prior studies on BMI have been conceptual and based on specific firms (Hossain, 2017) which Clauss (2017) attributed to a lack of measurement scale to enable empirical studies.

Description of Small and Medium Enterprises

The description of SMEs differs with different economies and sectors adopting different metrics ranging from employee headcount to a combination of annual turnover or total assets in the definitions (Berisha and Pula, 2015). For example, the World Bank has adopted 10 to 300 for employee headcount and 100,000 U.S dollars to 15 million for both annual turnover and total assets (the Independent Evaluation Group, 2019) while the European Union has adopted 10 to 250 for the employee headcount and 10 million to 50 million Euros for both annual turnover and total assets (European Commission, 2005). According to Hatten (2011), the size of a business is determined by the industry in which it functions and not necessarily by the employee headcount. "In North America, the Small Business Act states that a small business is independently owned and operated and not dominant in its field of operation but recognises that the definition will vary from industry to industry to reflect industry differences." (Lee-Ross and Lashley, 2009. p.9).

In Kenya, while small enterprises are defined as those with 9 to 49 employees (the Republic of Kenya, 2012a), medium enterprises are not defined, with some studies adopting 50 to 99 as the employee headcount for medium enterprises (Douglas et al., 2017; Wairimu, 2015), thus SMEs have 9 to 99 employees. The Klynveld Peat Marwick Goerdeler (KPMG) and the Nation Media Group (NMG) consider medium enterprises as those with total revenue of 50 million to one billion yearly without mentioning employee headcount as a factor determining the size of an enterprise.

The importance of SMEs to the economy of Kenya is well acknowledged. Thus, efforts to enhance the competitiveness and performance of SMEs are crucial not only for Kenya's economic agenda but the attainment of the United Nations Sustainable Development Goals—the Global Goals (International Trade Centre, 2019). However, SMEs are faced with increased competition, especially from China and India, posing a major barrier to the realisation of attractiveness and higher performance (Kenya Institute for Public Policy Research and Analysis, 2017). Kiveu et al. (2019), assert that SMEs in Kenya lack competitiveness which has negatively affected their survival and growth, leading to the 'missing middle' phenomenon, a situation where small enterprises fail to progress to the status of medium enterprises (Smallbone, 2008), thus, a bulk of enterprises falling under micro and small. According to Mwangi (2016), medium enterprises constitute a paltry 0.7 % of all micro, small and medium enterprises confirming that small enterprises do not mature to become medium enterprises.

For SMEs to fully contribute to Kenya's economic development and attainment of the Global Goals, they ought to adopt strategies that would enable the realisation of sustainable attractiveness and higher performance. While the literature has shown that entrepreneurial inclination can enhance organisational performance (Rauch et al., 2009; Soares and Perin, 2019), most of the attestation is derived from studies conducted in developed countries (Gupta and Dutta, 2018). Hence, the findings might not be generalised to a developing country like Kenya as observed by Wiklund and Shepherd (2005) that the effect of entrepreneurial inclination on performance may not be the same in different forms of environments. Additionally, evidence of contradictory findings abounds with some studies suggesting that entrepreneurial inclination does not influence enterprise performance (Messersmith and Wales, 2011; Baker and Sinkula, 2009; Stam and Elfring, 2008) contrary to the reported positive effect. This study sought to fill the gaps in the literature by assessing BMI as a mediator element in the entrepreneurial inclination and performance link in line with calls to find and evaluate direct consequences of entrepreneurial inclination other than enterprise performance and also find triggers and outcomes of BMI. The study in an evolving economy as Kenya addressed the contextual gap where most studies of entrepreneurial inclination and BMI were conducted in countries other than Africa. Further, this study is among the first few empirical studies (Clauss et al., 2019) that assessed the applicability of the BMI assessment scale devised by Clauss (2017).

The anchor theories for this study were the Resource-Based View and Schumpeter's entrepreneurship theory. Porter (1990) defined competitive advantage as a firm's strategic advantage over its industry rivals, which enables it to outperform its competition. According to Barney (1991), the competitive advantage of a business entity is derived from the possession of strategic resources which are defined as tangible and intangible assets that are valuable, rare,

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inimitable, and non-substitutable. According to Hussain et al. (2017), entrepreneurial inclination is viewed as organisational capabilities suggesting that entrepreneurial inclination provides SMEs with capabilities required to better utilise their limited resources. According to Wales et al. (2021), an entrepreneurial style of management enables an organisation to develop new configurations that allow the exploitation of new possibilities and, as such, entrepreneurial inclination functions as a dynamic capability (Bouncken et al., 2016), which by way of trial and error, identifies new and better ways of doing business to remain competitive and profitable (Afuah, 2014), thus BMI. According to Schumpeter (1934, 1942), innovation is the soul of entrepreneurship. It entails coming up with new or improved products, production processes, sources of supplies, creation of new demand, and new forms of organization (Mehmood et al., 2019; Śledzik, 2013). According to Ndemo and Aiko (2016), incessant innovation is critical for organisations to remain relevant and enhance performance. This study advances the notion that entrepreneurial inclination is a capability—possession which gives an enterprise a competitive advantage that enables BMI which results in enhanced and sustainable firm performance. Literature has linked entrepreneurial inclination to organisational performance through its effect on innovation. For example, Veidal and Korneliussen (2013) assessed the effect of entrepreneurial inclination on organizational innovation and the subsequent outcome on firm performance based on small-scale firms in Norway. The study showed that corporate innovation was directly influenced by entrepreneurial inclination and that firm performance was influenced by corporate innovation. However, BMI goes beyond technological innovations (Baden-Fuller and Haefliger, 2013). It entails the innovation of the core elements of an enterprise's business model which extend beyond its boundaries (Bouncken et al., 2016). Thus, BMI intentionally aims at renewing the core business instead of focusing on products and service innovations which are mainly internally focused (Zott and Amit, 2012). According to Chesbrough (2010), it requires a good business model to successfully commercialise a new product or technology, suggesting the mediation role of BMI in the successful commercialisation of an enterprise's products. Thus, the conceptual model shown in Figure 1 below, where, entrepreneurial inclination, BMI, and organisational performance are represented as independent, mediating, and dependent variables in that order.

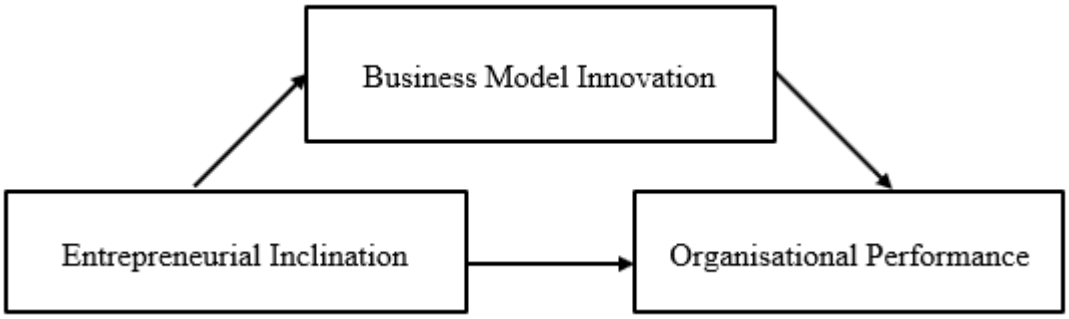


Figure 1: Conceptualised Mediated Model linking Entrepreneurial Inclination to Organisational Performance through Business Model Innovation

Formulation of Study Hypotheses

Entrepreneurial Inclination on Performance of Enterprises in Kenya:

Entrepreneurial inclination has received extensive attention since the works of Mintzberg (1973) and has been observed to be among the key drivers of enterprise performance (Rauch

et al., 2009; Soares and Perin, 2019). While confirming that entrepreneurial inclination positively influences small business performance, Wiklund and Shepherd (2005) caution that reliance on the main effect only may be misleading, arguing that the relationship could be more complex than assumed. In Kenya, like in other evolving economies, studies to uncover the role of entrepreneurial inclination on SMEs' performance have been made, though to a limited extent. For example, Katialem et al. (2018) investigated the effect of entrepreneurial inclination on the growth of SMEs in Nairobi City County. Relying on data received from two hundred and one respondents, regression analysis results showed that separately innovativeness, competitive aggressiveness and autonomy had a positive and significant influence on performance while risk taking and proactiveness had no significant influence on performance.

Chenuos and Maru (2015) investigated the influence of entrepreneurial inclination on enterprise performance. Relying on a sample of three hundred and thirty small and micro enterprises in Uasin Gishu County, they established that independently, innovativeness and proactiveness had a significant influence on performance while risk taking negatively affected performance. Mkalama et al. (2021) on the other hand investigated entrepreneurial inclination as a determinant of innovativeness in manufacturing SMEs in Kenya. While their study determined that overall entrepreneurial inclination had a significant effect on innovativeness, individual dimensions, that is, risk taking, proactiveness, autonomy and competitive aggressiveness did not have a significant influence on innovativeness. Thus,

- H1: The influence of entrepreneurial inclination on enterprise performance is direct and positive.

Entrepreneurial Inclination on Performance through BMI:

Bouncken et al. (2016), analysed two hundred and ninety-nine service firms in Germany to determine whether BMI is triggered by entrepreneurial inclination arguing that entrepreneurial inclination acts as a dynamic capability enabling service firms to innovate their business models. Using the co-variance-based structural equation modelling process, the results of the analysis indicated that BMI in service firms is triggered by entrepreneurial inclination, especially in a turbulent environment. Further, their study established that the competitive performance of the firms is favourably linked to BMI, meaning that BMI mediates the entrepreneurial inclination-performance link.

Asemokha et al. (2019) investigated the mediating effects of BMI on entrepreneurial inclination on enterprise performance in terms of profitability, return on investment, and firm reputation, in addition to the ability to enhance the competence and capability of international Finish SMEs. Applying ordinary least squares regression analysis on data received from ninety-five SMEs operating internationally, it was established that entrepreneurial inclination indirectly influenced enterprise performance through its positive effect on BMI. In addition, there was no evidence that entrepreneurial inclination influenced enterprise performance independent of its effect on BMI.

Analysis of data received from four hundred Spanish SMEs, Ferreras-Méndez et al. (2021) study showed that entrepreneurial inclination had both independent and mediated effects on NPD performance. The study indicated that BMI partially mediated the effect of entrepreneurial inclination on NPD performance. However, contrary to the study by Asemokha and colleagues

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whose study did not show evidence of an independent effect, Ferreras-Méndez and colleagues showed that entrepreneurial inclination had an independent positive and significant effect on NPD performance. Thus,

- H2: Business model innovation mediates the influence of entrepreneurial inclination on enterprise performance.

METHODOLOGY

The data used in this study was collected for a PhD thesis undertaken at the University of Nairobi, Kenya. The study targeted SMEs that had been ranked in the Top 100 medium enterprises by KPMG and NMG between 2008 and 2019 (inclusive). Through stratified random sampling, two hundred and twenty-one enterprises from diverse industries were selected to participate in the survey. A self-administered questionnaire was the tool employed to obtain primary data from apex executives of the enterprises who acted as the key respondents. Apex executives were purposively selected because they were considered to possess the required information because of their responsibilities in the organisation (Hussain et al., 2017; Snihur and Wiklund, 2019). The questionnaire items were adapted from validated scales, that is, entrepreneurial inclination (Covin and Slevin, 1989), BMI (Clauss, 2017) and enterprise performance (Chang and Cheng, 2019) and were measured on a five-point Likert scale. One hundred and thirty-four validly completed questionnaires were received from the respondents representing 60.6 % of the sample. This was considered acceptable based on Hair et al. (2010) recommendation that 100 observations provide an adequate sample for regression analysis.

ANALYSIS AND RESULTS

Data Quality, Validity and Reliability of Measurement Instrument

Data analysis commenced by assessing the quality of data, reliability and validity of the measurement instrument. Table 1 below provides indices confirming the results of normality and multicollinearity tests (tolerance level and Variance Inflation Factor [VIF]), linear association among variables (correlation coefficients [r]), and sampling adequacy tests based on Kaiser-Meyer-Olkin (KMO) and Bartlett's test for confirmatory factor analysis. Values for tolerance levels and VIF indices indicated that multicollinearity among independent variables was not a problem. According to Daoud (2017), variables are highly correlated when VIF is greater than five and a tolerance level of less than 0.1 suggests a presence of multicollinearity (Lin, 2008).

Data distribution for all variables was normal as indicated by skewness and kurtosis values that fell between the range of minus one and one. Thus, the data normality threshold was attained for all variables (Hair et al., 2014). Assessment of linearity showed that entrepreneurial inclination was moderately associated with BMI ($r = 0.502$) while its association with enterprise performance was positive and low (0.309). There was a positive and moderate association ($r = 0.667$) between BMI and enterprise performance. Thus, nonlinearity was not a problem. Assessment of sampling adequacy for confirmatory factor analysis showed KMO values that were above 0.50 and significant Bartlett's test Sphericity as indicated by Chi-square values that were below 0.05 significance level for all variables. According to Williams et al. (2012), sampling adequacy is indicated by KMO values above 0.5 and significant in Bartlett's test suggesting that confirmatory factor analysis can be performed based on the survey data.

Table 1: Assessing Reliability, Multicollinearity, Linearity and Sampling Adequacy

Construct	a^	k	Tolerance Level	VIF	KMO	Bartlett's Test	Correlations		
							1	2	3
Entrepreneurial Inclination	-0.313	0.451	0.736	1.359	0.747	$X^2 = 498.463$, $P < 0.05$	1		
Business Model Innovation	-0.373	0.094	0.711	1.407	0.896	$X^2 = 2740.386$, $P < 0.05$	.502**	1	
Organisational Performance	-0.320	0.009			0.809	$X^2 = 907.588$, $P < 0.05$	.309**	.667**	1

Key: a^ = skewness, k = kurtosis

Table 2, Table 3 and Table 4 below provide coefficient of variation (CoV), standardised factor loading (FL), Average Variance Extracted (AVE), Cronbach's alpha and composite reliability (CR) for assessing data dispersion around the mean (CoV), convergent validity (FL and AVE) and internal consistency and reliability (Cronbach's alpha and CR), for entrepreneurial inclination, BMI and organisational performance, respectively. The study showed that the computed CoV (standard deviation divided by the mean) for BMI was about 12.77 %. The calculated CoV for enterprise performance was approximately 14.64 % and that of entrepreneurial inclination was 14.95%. Thus, the dispersion of data from the mean for all the study variables as measured by the respective CoV was low, an indication that the studied elements were not significantly different. Reed et al. (2002) and Kelley (2007) suggest that the CoV is a better measure of the level of data dispersion from the mean, as compared to the standard deviation which is influenced by the magnitude of the mean. The values for factor loadings for all variables as shown in Table 2, Table 3, and Table 4 below were above 0.50 and the computed AVE values were above 0.50 for all items except two subdimensions under BMI that achieved AVE values of 0.47 and 43, and one dimension under organisational performance that attained AVE of 0.44. Cronbach's alpha coefficients and CR values for all variables attained the recommended minimum value of 0.70 an indication that internal consistency and reliability were attained for all variables (Hair et al., 2014). Thus, the measures attained reliability and validity. The items were coded for ease of organisation and data management.

Table 2: Assessing Data Dispersion, Reliability and Validity of Entrepreneurial Inclination Measures

Construct	Cronbach's alpha	Dimensions	Item code	Mean	STD	CoV (%)	FL	AVE	CR
Entrepreneurial inclination	0.773	Proactiveness	PRO_2	4.27	0.615	14	0.77	0.61	0.82
			PRO_1	4.13	0.723	17	0.65		
			PRO_3	4.16	0.797	19	0.91		
		Risk Taking	RIS_3	2.78	1.317	47	0.80	0.59	0.81
			RIS_2	3.17	1.277	40	0.82		
			RIS_1	3.27	1.233	38	0.68		
		Innovativeness	INN_2	4.09	0.845	21	0.73	0.58	0.81
			INN_3	4.12	0.832	20	0.79		
			INN_1	4.35	0.652	15	0.77		

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Table 4: Assessing Data Dispersion, Reliability and Validity of Business Model Innovation Measures

Construct	Cronbach's alpha	Subdimensions	Item code	Mean	STD	CoV	FL	AVE	CR
Business model innovation	0.946	New customer relationships	VPR_12	4.32	0.700	16	0.83	0.67	0.86
			VPR_11	4.19	0.761	18	0.84		
			VPR_10	4.21	0.684	16	0.78		
		New channels	VPR_9	3.51	1.002	29	0.77	0.72	0.88
			VPR_7	3.87	0.808	21	0.83		
			VPR_8	3.74	0.866	23	0.93		
		New capabilities	VCR_1	4.08	0.786	19	0.80	0.62	0.83
			VCR_2	4.07	0.700	17	0.82		
			VCR_3	4.11	0.679	17	0.73		
		New offerings/New customers and markets	VPR_4	4.22	0.742	18	0.75	0.52	0.88
			VPR_1	4.14	0.706	17	0.77		
			VPR_2	4.16	0.714	17	0.86		
			VPR_5	3.87	0.857	22	0.69		
			VPR_6	4.15	0.827	20	0.65		
			VPR_3	4.22	0.679	16	0.75		
			VCA_1	3.91	0.905	23	0.55		
		New cost structure	VCA_6	4.01	0.858	21	0.64	0.52	0.76
			VCA_7	4.15	0.688	17	0.79		
			VCA_5	4.08	0.694	17	0.72		
		New partnerships	VCR_7	3.71	1.017	27	0.80	0.68	
			VCR_8	3.77	1.003	27	0.91		
			VCR_9	3.61	1.061	29	0.76		
		New processes	VCR_10	4.14	0.757	18	0.72	0.61	0.82
			VCR_12	3.99	0.880	22	0.77		
			VCR_13	4.03	0.785	19	0.84		
		New revenue models	VCA_3	3.31	1.098	33	0.66	0.43	0.69
			VCA_4	3.25	1.060	33	0.51		
			VCA_2	4.01	0.880	22	0.78		
		New technology/equipment	VCR_5	4.01	0.790	20	0.84	0.61	0.82
			VCR_6	4.19	0.710	17	0.74		
			VCR_4	4.17	0741	18	0.76		
		New cost structure	VCR_11	3.72	1.016	27	0.55	0.47	0.63
			VCA_8	3.96	0.784	20	0.80		

Table 3: Assessing Data Dispersion, Reliability and Validity of Organisational Performance Measures

Construct	Cronbach's alpha	Dimensions	Item code	Mean	STD	CoV	FL	AVE	CR
Organisational Performance	0.854	Internal processes performance view	IPV_1	4.36	0.630	14	0.63	0.44	0.88
			IPV_2	4.24	0.758	18	0.80		
			IPV_3	3.85	0.751	20	0.52		

			IPV_4	3.95	0.844	21	0.65		
			IPV_5	3.92	0.823	21	0.74		
			IPV_6	3.49	0.964	28	0.58		
		Social performance view	SPV_1	3.23	1.156	36	0.93	0.64	0.83
			SPV_2	3.42	1.152	34	0.96		
			SPV_3	3.76	1.042	28	0.38		
		Ecological performance view	EPV_1	4.12	0.997	24	0.82	0.59	0.81
			EPV_2	3.93	1.215	31	0.80		
			EPV_3	3.96	1.072	27	0.67		
		Financial performance view	FPV_1	3.31	1.036	31	0.71	0.54	0.78
			FPV_2	3.50	1.002	29	0.87		
			FPV_3	3.76	0.869	23	0.60		

Hypotheses Testing

Hayes' PROCESS MACRO (Model 4) in SPSS was applied to run regression analysis. Model 4 has the capability of simultaneously assessing the direct and indirect effects of a predictor variable on the outcome variable (Hayes, 2018), thus,

$$\text{Hypothesis (H1):} \quad OP = \beta_0 + \beta_1 EI + \varepsilon,$$

$$\text{Hypothesis (H2):} \quad BMI = \beta_0 + \beta_1 EI + \varepsilon$$

$$OP = \beta_0 + \beta_1 EI + \beta_2 BMI + \varepsilon$$

Where: OP is organisational performance, EI is entrepreneurial inclination, BMI is business model innovation, Ɛ is residual, and β is regression constant. The study applied Davidson-MacKinnon's Heteroscedasticity-consistent (HC3) inference (MacKinnon and White, 1985) in the analysis to cure potential heteroscedasticity which is said to be common in cross-sectional studies (Long and Ervin, 2000).

Entrepreneurial Inclination on Organisational Performance

A simple linear regression was executed to assess the effect of entrepreneurial inclination on organisational performance. The results as shown in Table 5 below provided evidence of positive and significant effect of entrepreneurial inclination (EI = 0.301, P < 0.05) on organisational performance. The model linking entrepreneurial inclination to organisational performance was significant and low since the coefficient of determination (R^2) was 0.96 and p < 0.05 suggesting that entrepreneurial inclination accounted for 9.6% of the variance in organisational performance.

Table 5: Model Coefficients for Entrepreneurial Inclination on Organisational Performance

Model Summary	R	R-squared	MSE	F(HC3)	df1	df2	p
	0.309	0.096	0.280	13.626	1.000	132.000	0.000
Model		Coeff.	SE(HC3)	t	p	LLCI	ULCI
Constant		2.639	0.318	8.301	0.000	2.010	3.268
EI		0.301	0.081	3.691	0.000	0.140	0.462

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Mediating Effect of BMI on the Effect of Entrepreneurial Inclination on Organisational Performance

On mediation analysis, the results as shown in Table 6 and Figure 2 below indicated a direct and favourable effect of entrepreneurial inclination (a = 0.445) on BMI which subsequently had a favourable effect on organisational performance (b = 0.749). A five thousand bootstrap confidence interval (BootCI) for the indirect effect (ab = 0.334) was entirely above zero (BootCI = 0.213 to 0.453) as shown in Table 7 below meaning that the effect of entrepreneurial inclination on organisational performance was mediated through BMI. There was no evidence that entrepreneurial inclination influenced organisational performance independent of its effect on BMI (c′ = -0.033, P > 0.05). The model linking entrepreneurial inclination to BMI was significant and low in intensity (R^2 = 0.252, p < 0.05) while the model linking BMI to organisational performance was significant and moderate (R^2 = 0.446, p < 0.05). That is, entrepreneurial inclination accounted for 25.2% of the variance in BMI and BMI represented 46.6% of the variance in organisational performance.

Table 6: Model Coefficients of Mediated Effect of Entrepreneurial Inclination on Organisational Performance Through Business Model Innovation

Triggers	Outcome Variable					
	BMI			Organisational Performance		
	Coefficient	SE(HC3)	p-value	Coefficient	SE(HC3)	p-value
EI	.445	.075	.000	-.033	.069	.633
BMI	-	-	-	.749	.084	.000
Constant	2.266	.294	.000	.940	.339	.006
Model Summary	R^2 = .252 F(HC3) = 35.596, p-value = .000			R^2 = .446 F(HC3) = 46.416, p-value = .000		

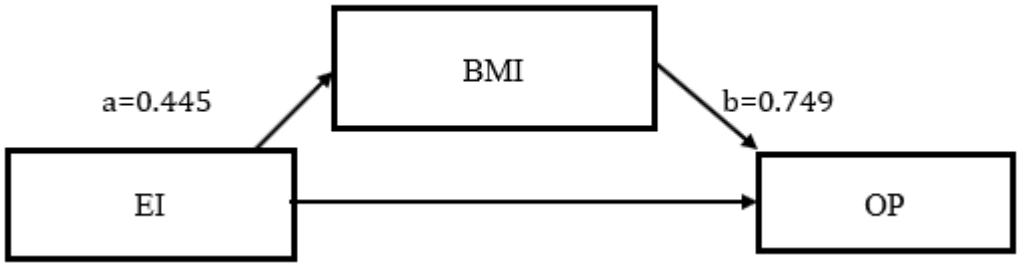


Figure: 3: Simple Mediation Path Diagram

Table 7: Mediated Effect of Entrepreneurial Inclination on Enterprise Performance through BMI

Effect	BootSE	BootLLCI	BootULCI
.334	.062	.213	.453

DISCUSSION AND CONCLUSION

This study was necessitated by the need to shed more light on the role of entrepreneurial inclination on organisational performance by positioning BMI as a mediating variable. Although most prior studies observed a positive and significant influence of entrepreneurial inclination on organisational performance (Rauch et al., 2009; Soares and Perin, 2019), the existence of

studies that have reported contrary findings (Wiklund and Shepherd, 2005) leads to a conclusion that the debate about entrepreneurial inclination as an influencer of organisational performance is not yet settled and therefore, a need for further studies to disentangle the paradox. Relying on data received from one hundred and thirty-four SME executives in Kenya, regression analysis results indicated that entrepreneurial inclination's positive and significant influence on organisational performance was achieved through its positive and significant influence on BMI. Thus, entrepreneurial inclination influenced BMI and BMI in turn influenced organisational performance, confirming that BMI mediated the entrepreneurial inclination-performance relationship. There was no evidence to suggest that entrepreneurial inclination separate from BMI influenced organisational performance. These findings are consistent with Chesbrough's (2010) averment that new technology requires a good business model to be successfully commercialised and provide evidence in support of scholars who have doubted the existence of a direct entrepreneurial inclination-performance relationship (Covin and Wales, 2019; Markin et al., 2018; Wiklund and Shepherd, 2005). The current study confirms Asemokha et al. (2019) empirical observations that while entrepreneurial inclination influenced enterprise performance through its effect on BMI, separately, entrepreneurial inclination does not influence organisational performance.

This study provides empirical evidence that entrepreneurial inclination influences organisational performance through its positive and significant effect on BMI. There was no evidence to indicate that entrepreneurial inclination away from BMI had a significant influence on organisational performance. Based on the results of the study, the researchers concluded that the influence of entrepreneurial inclination on organisational performance is entirely mediated through BMI. Thus, while entrepreneurial inclination is essential it is not enough to influence SMEs' performance. This study's findings partially explicate why contradictory findings abound in the studies investigating the entrepreneurial inclination-performance link.

CONTRIBUTION TO RESEARCH

Extant studies evaluating entrepreneurial inclination as a direct influencer of organisational performance have been critiqued as failing to offer in-depth knowledge about entrepreneurial inclination and performance links (Wiklund and Shepherd, 2005). Thus, advocates of the entrepreneurial inclination-performance link have invited researchers to incorporate intervening variables in the assessment of the relationship (Covin and Wales, 2019; Markin et al., 2018). This study accepted the invitation and explored BMI as an intervening element in the entrepreneurial inclination and performance relationship. The study examined the independent and indirect influence of entrepreneurial inclination on organisational performance with BMI as the intervening factor. Prior studies examining the indirect entrepreneurial inclination-performance link mainly focused on the role of learning orientation and innovativeness (Soares and Perin, 2019) while giving little attention to the role of BMI (Asemokha et al., 2019).

Concomitantly, proponents of BMI research have appealed to researchers to explore triggers and outcomes of BMI, observing that BMI research is still in the infancy stage and lacking a theoretical foundation (Foss and Saebi, 2017). By linking entrepreneurial inclination to BMI and BMI to organisational performance, this study enriches the literature on BMI by identifying triggers and consequences of BMI. Incorporating entrepreneurial inclination, BMI and

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organisational performance in the same model, this study offers a novel conceptualisation in the context of an evolving economy such as Kenya where BMI and entrepreneurial inclination research are uncommon as observed by Andreini and Bettinelli (2017) as well as Gupta and Dutta (2018). By establishing that entrepreneurial inclination independently does not influence organisational performance, this study partially explains why there are mixed findings about entrepreneurial inclination and organisational performance in a background where a majority of the studies focused on the direct entrepreneurial inclination-performance relationship (Soares and Perin, 2019). Additionally, this study provides evidence that the BMI evaluation scale originated by Clauss (2017) can be applied in SMEs from diverse industries and therefore has the potential to increase empirical research on BMI.

PRACTICAL IMPLICATIONS

On the practical front, the results of this study suggest possible impacts on managers and policymakers interested in SMEs' performance. By bringing out the benefits of BMI in SMEs, the results of this study encourage managers to proactively engage in BMI as a way of enhancing the performance of enterprises. This is important as it suggests that an enterprise's BMI is not cast in stone—it can always be revised to address customers' unmet needs, improve operations and ensure profitable revenue streams. Concomitantly, to maximise the value of BMI to the enterprises, the managers should embrace entrepreneurial inclination because it has a positive influence on BMI which in turn positively influences organisational performance. Thus, managers should encourage creativity and experimentation in product and technological innovations, be proactive in seeking new markets, thus "blue ocean strategy" (Kim and Mauborgne, 2005) and be ready to invest substantial resources to attain high returns. The results of the study showed that SMEs in Kenya regardless of industry are entrepreneurially inclined and have embraced BMI practices which have contributed to enhanced performance in the form of environmental, social, economic and improved internal processes. Managers need to note that innovativeness, risk taking and proclivity without focusing on meeting customer needs, improving operations and proper pricing and costing may not be sufficient to enhance organisational performance.

Being entrepreneurially inclined and engaging in BMI enhance SMEs' potential to contribute towards the realisation of Kenya's Vision 2030 aspirations of becoming "a globally competitive and prosperous nation with a high quality of life by 2030" (the Republic of Kenya, 2007, p. 144), generate employment and attainment of the Global Goals. This calls for the board as an internal policy organ to offer conditions that encourage creativity and experimentation, exploration of new markets and investment in projects that have the potential for high returns though uncertain. The government on the other hand should formulate and implement nationwide policies that reward creativity and experimentation, exploration and venturing into unchartered markets as well as risk taking in addition to encouraging BMI. For example, the government can use fiscal policies comprising taxation and government spending to promote entrepreneurial inclination and BMI in SMEs in Kenya which in turn will lead to competitiveness and superior performance of SMEs. Thus, positively contributing to the attainment of Vision 2030 aspirations, creating more quality employment opportunities and reducing poverty in line with the Global Goals.

LIMITATIONS AND FUTURE DIRECTION

The sampled SMEs in this study were only those that participated and were listed among Kenya's Top 100 medium enterprises in the KPMG and NMG annual surveys. This might limit the generalisation of the study findings. Studies incorporating other SMEs including those that were not ranked could result in more generalisable findings. Secondly, this study was a cross-sectional survey and therefore did not offer an opportunity to study the elements over a while to observe changes that might occur in the studied variables in the long run. Studies adopting time-series panel data could provide a much deeper understanding as they allow observation of changes in the studied elements over a longer time. Third, the study relied on a single respondent for both independent and dependent variables meaning that the effects of common method variance could not be completely ruled. There is a need to adopt measurement scales that allow multiple respondents to provide data in the organisation. Fourth, the study did not assess moderator elements that could impact the observed relationships between the variables. Studies considering incorporating potential moderator variables such as the external environment are encouraged.

Despite the identified limitations, the study's immense contribution to theory, practice and methodology cannot be overlooked. Identifying BMI as a mediator variable through which entrepreneurial inclination channels its influence on enterprise performance extends entrepreneurial inclination and performance research beyond the direct effect relationship research in the context of an evolving economy like Kenya where BMI and entrepreneurial inclination studies are limited.

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