EFFECT OF ENTREPRENEURIAL ORIENTATION ON FINANCIAL PERFORMANCE OF AGRO DEALER FIRMS IN KAKAMEGA COUNTY, KENYA

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ABSTRACT

The Government of Kenya has been implementing programmes with the aim of increasing agricultural productivity and rural incomes and thus increasing farmer's access to modern farming inputs such as improved seed varieties and fertilizers, delivered mostly through agro-dealers. Despite this, agro- dealers face a challenge of satisfying the needs of these farmers due to heterogeneous environment they live in. The general objective of the study was to establish the effect of Entrepreneurial Orientation on the financial performance of agro dealer firms in Kakamega County, Kenya. The study adopted a cross-sectional research design. The study population included all the 277 agro dealers registered under the regulatory body, Pest Control and Products Board (PCPB), some of who are members of an existing Kakamega county agro-dealers association and the Agrochemical Association of Kenya (AAK). Data was analyzed using both descriptive statistics and inferential statistics. Descriptive statistics such as frequencies, percentages mean and standard deviation were used. Multiple regression was used to examine the relationship between each of the constructs of entrepreneurial orientation and financial performance of agro dealer firms. The findings showed that there was a significant relationship between entrepreneurial orientation and financial performance of agro dealer firms in Kakamega County. There was also partial mediating effect of county policies and infrastructure on financial performance of agro dealer firms. Part of the impact on financial performance is directly as a result of entrepreneurial orientation while part of the impact is through the mediating effect of county policies and infrastructure.

Key words: Entrepreneurial Orientation, Financial Performance, Agro Dealer Firms

INTRODUCTION

Agriculture is the pillar of Kenya's economy, contributing approximately 25% of the GDP and employing 75% of the national labor force (Gachuhi & Awuor, 2019). Over 80% of the Kenyan population live in rural areas and make their livelihoods on small-scale sustenance farming (Gachuhi & Awuor, 2019). The agriculture sector contributes 51 percent of Kenya's GDP (26 percent directly and 25 percent indirectly) and accounts for 60 percent of employment and 65 percent of exports (Fitawek & Hendriks, 2021). The sector is dominated by smallholder production on farms of between 0.2 and 3 hectares, which account for 78 percent of total agricultural output and 70 percent of the commercial output (Fitawek & Hendriks, 2021). Despite agriculture being the back-borne of this country many farmers have mostly relied on cheap acquired uncertified seeds which end up with low production (Gachuhi & Awuor, 2019).

This has prompted the government of Kenya to come up with innovative approaches aimed of revitalizing the agricultural sector through use of modern farming technologies such as improved seed varieties and fertilizer (Odame & Muange, 2011).

Entrepreneurship is the ability and readiness to develop, organize and run a business enterprise, along with any of its uncertainties in order to make a profit (Agrawal, 2020). The entrepreneurs are often known as a source of new ideas or innovators, and bring new ideas in the market by replacing old with a new invention (Borowski, 2021). However, entrepreneurship is not an easy vocation, and it does not always guarantee a hundred percent success (Bergner, 2020). There are several critical success factors that must be put in place to enable the entrepreneur achieve a measure of success (Bergner, 2020). Most current entrepreneurial literatures tend to unequivocally argue that most entrepreneurial failures or small scale business failures are due essentially to inadequacy of financial resources (Saka, 2019). Such research outcomes have no doubt influenced the government policies on providing more financial resources and financial agencies to enhance entrepreneurial development (Saka, 2019). This has led the sustained negligence in considering other equally important variables that do contribute to successful entrepreneurship.

Entrepreneurial orientation has been acknowledged as a key determinant for a firm's growth and profitability (Zarrouk *et al*., 2020). It has been related to high firm growth, superior financial performance, and longevity (Ferreira *et al*., 2013). High adoption of Innovativeness, risk-taking, and pro-activeness is seen as a key ingredient to the success of firms (Mwai *et al*., 2018). Entrepreneurs with a high entrepreneurial orientation are more likely to perform better than those that lack such an orientation (Amankwah-Amoah *et al*., 2019). Various studies that on the relationship between entrepreneurial orientation and financial performance lead to the conclusion that increased entrepreneurial orientation leads to improved financial performance, which suggests that the correlation between entrepreneurial orientation and financial performance is significant (Al-Henzab *et al*., 2018). According to Wang *et al*. (2017) a successful entrepreneurial orientation need to address entrepreneur's ability to discover new ideas that will help in development of new highly demanded products, project business future through pro-activeness which enables entrepreneurs discover new market opportunities and have a competitive advantage, and ability to take up some risks that have indecisive incomes but with an interest of obtaining high returns that will contribute towards positive growth of business enterprises. For a competitive advantage, modern entrepreneurs need to assume and effectively manage greater risks than ever before and autonomy where independent decision by an individual or a team which is used to come up an idea and carrying it through to completion (Tajeddini & Mueller, 2012).

Financial performance indicators include profitability, revenue (sales volumes), return on investments, and cash flows, whereas the non-financial measures include; the management of

human resources (staff turnover, absentee rates, competence surveys); product and service quality; brand awareness, and company profile (brand loyalty, name awareness, perceived quality, patents or trademarks, customer satisfaction, number of new products) (Nuhiu *et al*., 2017). The concept of financial performance has been captured in numerous areas of research as a measure for the success of any business venture over time (Gupta & Wales, 2017). Usually, financial performance is viewed from a different perspective based on context with diverse indicators (Henrekson & Sanandaji, 2020). From a firms' perspective, financial performance explains the value delivered to customers and shareholders (Mena *et al*., 2019). In measuring the firm financial performance of small and medium enterprises, both subjective and objective measures can be used (Fowowe, 2017). Objective measures are obtained from the firm's annual accounts or financial records. In contrast, subjective measures involve seeking the perception of owner/managers on overall financial performance relative to that of competitors during a certain time period (Mahmudova & Kovács, 2018). Objective measures are difficult to obtain because owners/managers are generally conservative and unwilling to release actual financial information to outsiders (Fowowe, 2017). Thus, the use of subjective measures of firm financial performance is consistent with empirical studies (Fowowe, 2017). The perception of owner/managers has been found to be highly consistent with how firms essentially perform as indicated by objective measures (Mahmudova & Kovács, 2018). In this study, subjective measures of financial performance will be assessed by asking owners/managers of agro-processing SMEs to rate their satisfaction with sales volume and profitability relative to competitors over the past five years.
In Kenya, Kiprotich et al. (2015) sought to examine the effect of Entrepreneurial Orientation on the financial performance of SMEs majority of which were owned by women and exhibited that the relationship is both significant and positive when the two variables of Entrepreneurial Orientation and enterprises owned by women. Otieno (2012) focused on the manufacturing firms in Kenya and how they leverage EO and stated that EO has a positive effect on manufacturing firms' financial performance. Studies by Kuratko et al. (2015) have investigated emerging issues in entrepreneurship orientation since entrepreneurship is a recurring theme in management research. For instance, while concentrating on the role of EO on the growth of SMEs in Kerugoya, Mwangi, and Ngugi (2014) found out that the individual dimensions of EO: firms' innovation; risk-taking; pro-activeness; and entrepreneurial management competence have a significant influence on the growth of SMEs.

Kakamega is a town in western Kenya lying about 30 km north of the Equator. It is the headquarters of Kakamega County that has a population of 1,867,579. Kakamega is 52 km north of Kisumu, the tenth largest city in Kenya. The average elevation of Kakamega is 1,535 metres. Agro-dealer networks in Kakamega County give poor farmers access to basic farm supplies that are otherwise beyond their reach. County government officials have classified Agro dealers into four broad distribution categories based on the volumes and products sold (Tinsley and Agapitova, 2018). Kakamega county and KEPHIS use these categories to provide licenses to agro dealers and other input distributors. Wholesalers are the largest distributors of inputs in the value chain. Stockists (also known as retailers) are the last point of sale for farmers. Stockists buy their inputs in small volumes from wholesalers. General shops usually buy their seed from wholesalers, while Hardware shops usually buy their seed from wholesalers (Wanyonyi et al., 2021). In the context of this study, the need to establish whether agribusiness firms are required to be autonomous, innovative, aggressive, proactive, and ready to take risks to survive in the competitive market will be investigated. Entrepreneurial orientation is thus a measure of intervention on agro dealer firms' strategy making practices which is critical in enhancing their financial performance.

Statement of the Problem

Small and Medium Enterprises (SMEs) play a key economic role in many countries of the world. Their contribution towards economic development, income generation and poverty alleviation has been widely documented. Background information of the study indicates that SMEs face constant threat of failure and most fail to develop into large enterprises or never grow over a long period of time (Leboea, 2017). Ligthelm, 2010 furthers indicates that in every ten SMEs six of them will most likely fail within the first few months into operation, over 60% fail annually while most fail to survive to their third year while active in operation. (Leboea, 2017) points out that many countries are not using entrepreneurial potential fully, coupled by lack of ability among African countries to recognize and seize business opportunities. Most SMEs are usually low margin with very little differentiation and can be termed as survival or necessity driven (Mwai et al., 2018), which implies that SMEs in Kenya may be lacking EO. Entrepreneurial orientation has been acknowledged as a key determinant towards firm’s growth, profitability and longevity (Perera et al., 2019). High adoption of innovativeness, risk-taking, competitive aggressiveness, pro-activeness and being autonomous is seen as a key element to success of firms (Perera et al., 2019). Can lack of EO among Kenyan SMEs account for their low survival rate and stagnation? The literature available shows that EO is a key element towards SMEs growth. Most of the studies done on the influence of EO have focused on other enterprises and less on agro dealers (Perera et al., 2019). Kenyan agro dealer SMEs contribute to the economy, yet there is insignicant empirical evidence available on the influence of EO on financial performance of agro dealer SMEs in Kenya, and particularly Kakamega County, the study area. This study aimed at filling that gap.

Significance of the Study

The information acquired from this study was useful to policy-makers both in the national and county governments, especially in strengthening policy considerations in the agri-business sector. Such policy improvement may be handy in enhancing the guidelines on improving the financial performance and effectiveness of agribusinesses to improve their efficiency for the benefit of all stakeholders in the sector. Further, the study acted as an impetus to reignite interest in this critical area of research and the critical role of agro dealers in addressing food insecurity.

Lessons learned from this study and the recommendations for the future were of help the management in agro dealers firms to understand the strategic and tactical ways of dealing with challenges in the adoption and implementation of strategic management practices. The study also provided background information to research organizations and scholars who would further research this area in future. The study also facilitated individual researchers to identify gaps in the current research and facilitate further inquisitiveness. The study enhanced the researchers' professional knowledge and assist in acquiring skills that were enable the generation of ideas and practical ways of enhancing profitability in agro dealer firms. The study also provided results that could significantly impact improved profitability and create more excellent opportunities that agro dealer firms could adopt. This study generated knowledge that is likely to be used to sensitize policy makers to explore the role of rural based enterprises (specifically agro-dealers) on how to improve their firms financial performance by practicing entrepreneurial orientation and attaining food security in Kenya by providing the missing linkage between rural farmers and supply companies (or manufacturers), agricultural specialists, researchers and extension officers.

LITERATURE REVIEW

Ansir and Cahyono (2014) studied on the influence of autonomy to firm financial performance. Findings indicated that autonomy had a significant contribution in the achievement of the financial performance of small and medium businesses. Rupp et al. (2018) suggested that autonomy provided by firms would motivate employees to work in a positive way that could well without giving autonomy to their employees. Yu et al. (2019) indicated that entrepreneurs are associated with more of a degree of freedom in combining and organizing resources. There are two types of autonomy previously described by previous researchers. The first type of autonomy refers to important decision making where a vision is driven to implementation through individual leadership while the second type of autonomy refers to the individual autonomy that enables entrepreneurial activities and decision making at lower levels of an enterprise (Kotisova & Císařová, 2021). According to Dragnić (2014), the levels of autonomy in Micro and Small Enterprises depend on the firm size, type of management or ownership. In a firm in which the prime decision maker is the owner or manager, autonomy is implied by the rights of ownership (De Jong et al., 2015).

Ngugi (2014) conducted a study on influence of intellectual capital on the growth of small and medium enterprises in Kenya. The findings of the study revealed that the components of Intellectual Capital such as managerial skills, entrepreneurial skills, and innovativeness of the owner/managers have major positive significance contribution to the growth of SMEs in Kenya. Kivuitu and Karugu (2020) studied the effect of entrepreneurial orientation on financial performance of small and medium sized enterprises in Nairobi City County, Kenya. Based on the findings, the study concluded that entrepreneurial orientation is useful as a Predictor of financial performance of SMEs. Innovativeness had positive significant effect on financial performance of SMEs. This implies that behaviors associated with innovativeness when taken as an overall strategic may indeed help SMEs in Kenya to grow. Further, the results suggests that EO-oriented activities within an organization results in better financial performance and also assists owners of SMEs to make better decision regarding the choice of strategic resources acquired.

Cho, Y. H and Lee (2018) argued that the driving force to an economic development and a social change is innovation that disrupts the existing products or markets. Similarly, Demirel and Danisman (2019) indicated that innovation increased profits for the company; innovation increases the company's market share, increases savings for the company and reduces operating cost of the small and medium manufacturing enterprises. According to Teece et al. (2016), efforts in innovation possibly generate impacts some of which do not necessarily imply better financial performance. Therefore, firms' efforts may lead to new products but will not necessarily contribute to financial gains in the short term, reflecting the risky and costly nature of innovation.

Mwangi, and Ngugi (2014) studied the affect of entrepreneurial orientation on growth of micro and small enterprises in Kerugoya, Kenya. The findings suggested that firms with an EO often engage in risky activities, such as high leveraging and large resource commitments in the desire of gaining high returns by pursuing opportunities in the market. Kiprotich et al. (2015) studied on moderating effect of social networking on the relationship between entrepreneurial orientation and financial performance of SMEs in Nakuru County, Kenya. The findings indicated that risk-taking, pro-activeness and innovativeness were significant in affecting financial performance of SMEs. Also the results revealed that social networking positively moderates the relationship between risk-taking proactiveness and financial performance of SMEs. Firms that engage in risk taking behaviour are described as firms that are bold and aggressive in pursuing opportunities, such as incurring heavy debt or making large resource commitments to obtain high returns by taking advantage of opportunities provided by the environment (Rank & Strenge, 2018).

Ibrahim and Madichie (2014) suggested that proactiveness includes the identification and evaluation of new opportunities, and monitoring market trends and introduction of new products in the market ahead of their competitors. The terms proactiveness and competitive aggressiveness are often used interchangeably. However, Achtenhagen (2020) distinguished between them, indicating that proactiveness refers to a firm's reaction to opportunities in the market place whereas competitive aggressiveness refers to a firm's response to a competitor's challenges. Ferreira et al. (2017) argued that pro-activeness may be critical to an Entrepreneurial Orientation because it proposes a forward- looking perspective that is accompanied by innovative and entrepreneurial activity. Pro-activeness relates to market opportunity in entrepreneurship by seizing initiative and acting opportunistically in order to shape the environment, that is, to affect trends and, perhaps, even to create demand (Achtenhagen, 2020).

According to Gupta (2015), competitive aggressiveness is an important dimension of an Entrepreneurial Orientation. From the original theory of Entrepreneurial Orientation, an entrepreneurial firm is one that gets involved in product-market innovation, undertakes somewhat risky ventures, and is first to come up with proactive innovations, beating competitors in the market (Gupta, 2015) Previous study by Kithaka (2016) has however argued that more aggressiveness is not always positive as businesses may damage their reputation and lose goodwill by being too aggressive and that competitive aggressiveness is a strategy best used in moderation. Firms that are highly engaged in competitive aggressiveness are intensive, forceful, and combative, implying willingness to plot and execute competitive actions as the firm directly challenges rivals (Kithaka, 2016).

RESEARCH DESIGN AND METHODOLOGY

The study adopted a cross-sectional research design. The study population included all the 277 agro dealers registered under the regulatory body, Pest Control and Products Board (PCPB), some of who are members of an existing Kakamega county agro-dealers association and the Agrochemical Association of Kenya (AAK). Data was analyzed using both descriptive statistics and inferential statistics. Descriptive statistics such as frequencies, percentages mean and standard deviation were used. Multiple regression was used to examine the relationship between each of the constructs of entrepreneurial orientation and financial performance of agro dealer firms.

Data Analysis, presentation and Discussion of the Findings

The results showed that majority of the agro dealers were male (66.06%) compared to female represented by 33.94%. This implied that agro dealers in Kakamega County both men and women engaged in entrepreneurship provided it is an activity, which earns them a living. Age distribution among agro dealers was found to vary; 6.5 % of agro dealers were in age range of below 25 years, 31.41% were in age bracket of 25-35 years, 31.41% were in age bracket of 36-45, 21.6% were in age bracket of 46-55 while 9.03% were 56 years of age and above. This meant that entrepreneurial activities in different ventures are performed and conducted by individuals in different age groups either youth, young or adults.

The findings also showed that most agro dealers in Kakamega County were literate; 19.14% of respondents had university level of education, college 37.18%, secondary education 36.10 while primary education had7.58% of respondents in Kakamega County. Most of the firms (49.82%) had turnover of 1 million and below, 24.19% had turnover between 1 million and 2 million, 10.83% had turnover between 2 million and 3 million, 7.58% had turnover between 3 million and 4 million, 3.61% had turnover between 4 million and 10 million, 2.91% had turnover between 10 million and 20 million while 1.81% had turnover above 20 million.

Regression analysis was done at 95% confidence interval to establish the relationship between entrepreneurial orientation and financial performance of agro dealer firms in Kakamega County, Kenya. Entrepreneurial orientation was measured in terms of autonomy, innovativeness, pro-activeness, risk-taking and competitive aggressiveness while financial performance of agro dealer firms was measured in terms of sales volumes/annual turnover and profitability.

Table 1 Regression Analysis

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	11.289	1.554		7.263	.000
	AUTONOMY	.134	.035	.258	3.860	.000
	INNOVATIVENESS	.079	.033	.157	2.364	.019
	RISK TAKING	.023	.030	.061	.789	.043
	PROACTIVENESS	.098	.036	.208	2.728	.007
	COMPETITIVE AGGRESSIVENESS	.026	.029	.058	.897	.037

a. Dependent Variable: FINANCIAL PERFORMANCE

Table 1 presents the regression model showing the relationship between each of the determinants of entrepreneurial orientation and the financial performance of agro dealer firms. It is given as $Y = 11.289x_1 + 0.134x_2 + 0.079x_3 + 0.023x_4 + 0.098x_5 + 0.026x_6$.

Effect of Autonomy on Financial Performance

From Table 1 p-value was 0.000, which was less than 0.05. This indicated that there was significant relationship between autonomy and financial performance of agro dealer firms in Kakamega County. Increasing autonomy has an effect on financial performance of agro dealer firms. This is supported by Nasution et al. (2021) who indicated that work autonomy can increase job satisfaction in employees and be able to increase employee innovation behavior. The firm that can provide opportunities for their employees to develop and innovate without feeling pressured at work will provide satisfaction to these employees in working and advancing the company. However, excessive job autonomy can increase employees' job burnout, and cause unethical behavior of employees (Zhou, 2020). The study shows that increasing autonomy leads to positive effects while excessive job autonomy can also have negative effects.

Effect of Innovativeness on Financial Performance

Table 1 shows that the p-value was 0.019, which was less than 0.05. This indicated that there was significant relationship between innovativeness and financial performance of agro dealer firms in Kakamega County. According to Kithaka (2016), firms which are highly innovative grow, however an innovative strategy is essentially speculative, with returns unknowable in advance, and innovators run the risk of wasted resources if investment does not yield the expected results. Innovation possibly generates impacts some of which do not necessarily imply better financial performance. Therefore, firms' efforts may lead to new products but will not necessarily contribute to financial gains in the short term, reflecting the risky and costly nature of innovation.

Effect of Risk-taking on Financial Performance

From Table 1, the p-value was 0.043, which was less than 0.05. This indicated that there was significant relationship between risk-taking and financial performance of agro dealer firms in Kakamega County. This is supported by Pratono (2018) who not only confirmed the positive impact of risk-taking behavior on firm performance but also identify that impact of risk-taking behavior on firm performance is more effective at the low information technological turbulence than at the high one. However, Williams et al. (2021) argued that entrepreneurs are not typically risk seekers rather like any other rational individuals, they take steps to reduce risks, and this may involve developing strategies that may require higher tolerance for risk.

Effect of Proactiveness on Financial Performance

From Table 1, the p-value was 0.007, which was less than 0.05. This indicated that there was significant relationship between proactiveness and financial performance of agro dealer firms in Kakamega County. According to Ferreira *et al*. (2017) argued that pro-activeness may be critical to an Entrepreneurial Orientation because it proposes a forward- looking perspective that is accompanied by innovative and entrepreneurial activity. Pro-activeness relates to market opportunity in entrepreneurship by seizing initiative and acting opportunistically in order to shape the environment, that is, to affect trends and, perhaps, even to create demand.

Effect of Competitive Aggressiveness on Financial Performance

Table 1 shows that the p-value was 0.037, which was less than 0.05. This indicated that there was significant relationship between competitive aggressiveness and financial performance of agro dealer firms in Kakamega County. Firms that are highly engaged in competitive aggressiveness are intensive, forceful, and combative, implying willingness to plot and execute competitive actions as the firm directly challenges rivals. However, Kithaka (2016) argued that more aggressiveness is not always positive as businesses may damage their reputation and lose goodwill by being too aggressive and that competitive aggressiveness is a strategy best used in moderation.

Mediating Effect of County Policies and Infrastructure on Financial performance

To determine whether a mediating effect of county policies and infrastructure existed, a multiple regression model which entails the addition of a linear interaction term in the model was used.

Table 2 Model Summary

OUTCOME VARIABLE: County policies and infrastructure							
Model	**R**	**R Square**	**MSE**	**F Change**	**df1**	**df2**	**P**
1	.4722	.2230	13.6471	78.9128	1	275	.000
Model							
	Coeff	**se**	**t**	**p**	**LLCI**	**ULCI**	
Constant	18.9273	2.0061	9.4347	.0000	14.9780	22.8766	
Entrepreneurial orientation	.0798	.0090	8.8833	.0000	.0621	.0974	

From Table 2, the correlation between the observed and the predicted values of the county policies and infrastructure was 0.4722. The value of R^2 is 0.2230, implying that there is a variation of 22.30% in county policies and infrastructure which is being accounted for by changes in entrepreneurial orientation. A p-value of 0.000 shows that there is a significant relationship between entrepreneurial orientation and county policies & infrastructure in Kakamega County.

Table 3 Total Effect Model

Total effect of X on Y					
Effect	**se**	**t**	**p**	**LLCI**	**ULCI**
.0555	.0065	8.5149	.0000	.0426	.0683
Direct effect of X on Y					
Effect	**se**	**t**	**p**	**LLCI**	**ULCI**
.0362	.0070	5.1876	.0000	.0225	.0500
Indirect effect(s) of X on Y					
Effect	**BootSE**		**BootLLCI**		**BootULCI**
.0192	.0045		.0109		.0285

Table 3 provides the impact of entrepreneurial orientation on financial performance of agro dealer firms, but through the mediating variable: county policies and infrastructure. In establishing indirect effect between the variables, the values between bootstrap lower level confidence interval and bootstrap upper level confidence interval do not contain zero; therefore, there is a mediating effect of county policies and infrastructure on financial performance of agro dealer firms. There was a significant indirect effect of entrepreneurial orientation on financial performance of agro dealer firms through the mediating variable. The p-value for the direct effect of X on Y is 0.000, meaning that the direct effect is also significant. Therefore, there is partial mediating effect of county policies and infrastructure on financial performance of agro dealer firms. Part of the impact on financial performance is directly as a result of entrepreneurial orientation while part of the impact is through the mediating effect of county policies and infrastructure. In the event of multiplying the coefficients in Table 4.15 and in Table 4.16 (0.798*0.2413*0.555=0.1069), the result gives a positive number; this means that there is a complementary mediation in the model.

Conclusion

Entrepreneurial innovativeness is an important driver of firm financial performance of agro dealer firms in Kakamega County. The study findings confirmed that innovativeness is statistically significant in explaining firm financial performance. It is, therefore, evident that the tendency of a firm to be innovative has a direct relationship with the financial performance of the firm. Agro dealer firms that implement policies and procedures that promote innovativeness perform better than those that do not.

Entrepreneurial risk taking also impacts the financial performance of agro dealer firms in Kakamega County. It was concluded that owner/managers' characteristics (e.g. ability to create sustainable and wealth creating ventures, take risks and possess other psychological dispositions e.g. persistence, action orientation and self-confidence) are able to survive and compete with large firms in their industries.

The findings also indicated that proactiveness has a significant impact on the financial performance of agro dealer firms in Kakamega County. It was concluded that the entrepreneurial element of proactiveness leads to business success among agro dealer firms. The success of the firms is achieved because of the right management decisions, such as being first to market, ability to adapt quickly to changes in the market, ability to seize opportunities in new markets or with new products and services.

The findings demonstrated that there is partial mediating effect of county policies and infrastructure on financial performance of agro dealer firms. Accessible and inexpensive infrastructural support such as dedicated industrial zones, sewerage line systems, affordable internet services, airports, water supply systems help entrepreneurs and business owners to get quick market related information as well as required input resources for the improvement of business innovation and the firm financial performance.

Recommendations

Based on the study finding and discussion in this paper, it is recommended that firms should be autonomous by allowing freedom of ideas, continuously innovate, especially through new product development, being first to market with new products and in the use of creative new solutions that lead them to be recognized by competitors as leaders in innovation. Moreover, agro dealer owners/managers need to enhance risk-taking by encouraging staff to take risks with new ideas, willing to accept at least moderate levels of risk, engage in risky investments and have the courage to seize new opportunities in the market, even if this may involve great financial risks. In addition, agro dealers need to be proactive by searching for new opportunities which may or may not be related to the present line of operation, introduction of new products and brands, ahead of competition and strategically eliminating operations which are in the mature or declined stages of the life-cycle.

Agro dealers also need to be competitive aggressive by intensely and directly challenge competitors rather than avoid them. Finally, the government needs to set favourable policies for compliance by the agro dealers such as reduction in the tax and improvement of infrastructure for faster growth of agro dealer firms in Kakamega County.

The central government, in conjunction with County Governments, should therefore accelerate technology upgrading, provision of modern business infrastructure and reduce bureaucratic regulatory regime to agro dealer firms in order to spur their meaningful and faster growth.

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