EFFECT OF INNOVATIONS ON ENTERPRISE GROWTH OF SMALL AND MEDIUM ELECTRICAL MACHINERY ENTERPRISES IN NAIROBI COUNTY, KENYA

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ABSTRACT

The research study sought to investigate effect of innovations on enterprise growth of small and medium electrical machinery enterprises in Nairobi County, Kenya. Descriptive design was employed to study research objectives. The study found out that effect of innovations on enterprise growth is insignificant. The research study concluded that innovations were being practiced though at a low level of novelty and that innovation is very critical for growth and competitiveness. The study recommended that in order to mitigate the insignificance effect entrepreneurs should develop entrepreneurial and technical skills to up-scale their innovations.

Key Words: Enterprise Growth, Innovations, Electrical Machinery Enterprises, Novelty

Introduction

Small and medium enterprises (SMEs) have been recognized as major source of global socio-economic growth and small and medium electrical machinery enterprises are entrepreneurial as they apply creativity and innovations to enhance growth. Prior research has indicated that innovation products, innovation processes, innovation services, innovation technologies and innovation ideas are key influencers of growth of small and medium electrical machinery enterprises in Kenya. This research formed a basis for the measurement framework for effect of innovations on enterprise growth of small and medium electrical machinery enterprises in Nairobi County, Kenya. The research was designed to highlight among other things the driving forces behind innovations, the importance, not only of products, processes, services, technologies and ideas; but also of organizational and marketing practices, role of linkages and diffusion, and view of innovation as a system. Faced with the challenges of increased
globalization of markets and of technological change, SMEs need reinforced support through transnational research cooperation to enhance their innovation and research investment (Ebrahim, Ahmed & Taha, 2008). One very important trend to enable new knowledge creation and transfer in and to SMEs is the development of collaborative environments and networks to increase their innovation capabilities as a single unit but also the capabilities of the network as a whole through collective learning (Flores, 2006). SMEs, as an engine of growth, play a particularly important role in developing countries for poverty reduction which have attracted the attention of scholars in recent years (Talebi & Tajeddin, 2011). The trend indicates that new product development is based on innovation and there are still a lot of opportunities enhancing its exploration. The expected role of entrepreneurial small and medium electrical machinery entrepreneurs as the key source of competitive innovations was an expectation that reflects Schumpeter’s (1934, 1942) continuing influence as pointed out by Hyrsky and Tuunanen (1999).

To survive in a new competitive environment, no small and medium electrical machinery enterprises can afford to stand still. All have to be open to new ideas, new ways of working, new tools and equipment, and should be able to absorb and benefit from them. According to Talebi and Tajeddin (2011), a policy to enhance innovations must be present in a modern Small and Medium Enterprise (SME) policy as one of its main components. Small and Medium Enterprises (SMEs) are considered to be an engine for growth in both developed and developing countries (Sharif, Ahmad & Ismail, 2009). The benefits of vibrant small and medium electrical machinery enterprises include: the creation of employment opportunities; the strengthening of industrial linkages; the promotion of flexibility and innovation; and the generation of export revenues. To sustain growth, Kenya’s economy needs to be supported by its small and medium electrical machinery enterprises, because large scale enterprises may have negative as well as positive effects on its stability. Small and medium electrical machinery enterprises have the ability to innovate, diversify, and create new jobs.

In today’s competitive business environment, innovations were critical not only to facilitate differentiation, but also to reduce cost and add value for the customers (Juri & Idris, 2008). Kenya vision 2030 is the new country’s development blueprint covering the period 2008 to 2030 (Government of the Republic of Kenya, 2007). The aim will be making Kenya a newly industrializing, middle income country providing high quality life for all its citizens by the year 2030. This will be based on the creation of international competitiveness through more efficient productivity at the enterprise and household level, with government support. All the strategies and flagship projects will exploit knowledge in science; technology; and innovation in order to function more efficiently, improve social welfare, and also promote democratic governance. Kenya aims to become the provider of choice for basic manufactured goods for Eastern and Central Africa. This will be done through competitiveness in manufacturing in order to promote efficiencies. However, the Kenyan economy exhibited limited levels on innovations required to foster increased output and productivity improvements necessary for employment and wealth creation (Government of the Republic of Kenya, 2008). The performance of the small and medium electrical machinery enterprises sub-sector of the manufacturing sector in Kenya was negative.
Statement of the problem

In Kenya, approximately 503,500 graduates from a pool of 1,374,360 graduates from various tertiary academic institutions in Kenya enter the job market annually. More than 870,860 graduates remain unemployed annually because of the weak economic performance and the public sector reforms, which have adversely affected employment in Kenya. Enhancing levels of innovation and entrepreneurship to grow a more competitive economy is likely to narrow this gap. Universities and technical training institutions in Kenya having identified the significance of developing entrepreneurial potential are focusing on equipping students with competencies to contribute to business creation and to innovations within organizations they join, through the provision of transferable skills.

Manufacturing as a key sector in the Kenyan economy contributes substantially to growth in output, exports and employment. However, production in the small and medium electrical machinery enterprises sub-sector of the manufacturing sector was unsatisfactory. Based on the problematic performance in small and medium electrical machinery enterprises sub-sector of the manufacturing sector in Nairobi County, Kenya and considering that innovation of the small and medium electrical machinery enterprises is not about having more technological innovations but the right attitude and understanding how to make best out of innovations in a specific situation, small and medium electrical machinery enterprises have not achieved their growth target of 10% contribution to the gross domestic product. Hence, small and medium electrical machinery enterprises have not adequately supported Nairobi County’s social – economic development agenda. The small and medium electrical machinery enterprises are facing challenges of entrepreneurial innovations and entrepreneurial growth. There is little information to explain causes of these challenges.

One way of enhancing the performance of small and medium electrical machinery enterprises is through innovations. Yet, lack of information on the effect of innovations on enterprise growth of small and medium electrical machinery enterprises as the creation of better or more effective products, processes, services, technologies, or ideas that are readily available to markets, governments and society has made the small and medium electrical machinery enterprises not to realize their expected growth. There was an urgent need to determine the critical effect of innovations on enterprise growth of small and medium electrical machinery enterprises in Nairobi County in Kenya. This is important because for a country like Kenya that is endeavoring to industrialize by the year 2030, the competitiveness of the small and medium electrical machinery enterprises sub-sector is critical (Government of the Republic of Kenya, 2011).
Research objectives

The general objective of this study was to investigate the effect of innovations on enterprise growth of small and medium electrical machinery enterprises in Nairobi County, Kenya. This study was guided by the following five specific objectives:

1) To establish the effect of innovation products on enterprise growth of small and medium electrical machinery enterprises in Nairobi County, Kenya.
2) To determine the influence of innovation processes on enterprise growth of small and medium electrical machinery enterprises in Nairobi County, Kenya.
3) To examine the effect of innovation services on enterprise growth of small and medium electrical machinery enterprises in Nairobi County, Kenya.
4) To determine the influence of innovation technologies on enterprise growth of small and medium electrical machinery enterprises in Nairobi County, Kenya.
5) To investigate the effect of innovation ideas on enterprise growth of small and medium electrical machinery enterprises in Nairobi County, Kenya.

Literature Review

Conceptual framework

The conceptual framework of this research study is based on Kenyan experience, and drawn upon several works of professional and distinguished authors in entrepreneurship, innovation, and economic growth theories. The independent variables are innovation products, processes, services, technologies and ideas. The independent variables influence the dependent variable. The dependent variable is growth of the small and medium electrical machinery enterprises. Growth of small and medium electrical machinery enterprises was measured using number of employees, approximate total turnover and effect of innovations.

Innovation products

The effect of innovation products variable was guided by economic entrepreneurship theory that established the economic factors that enhanced entrepreneurial innovation behavior. The effect of innovation products was also steered by resource –based entrepreneurship theory that argues that access to resources by founders is an important predictor of opportunity based entrepreneurship and new venture growth (Alvarez & Businitz, 2001). Because innovation has long been argued to be an engine of growth; success in the future, as in the past, will surely lie in the ability to acquire and utilize knowledge and apply this to the development of new products. Trott (2012) claims that uncovering how to do these remains one of today’s most pressing management problems. According to O’Sullivan and Dooley (2009) product innovation is about making beneficial changes to physical products.
Gakure and Kirima (2011) have pointed out that SMEs are increasingly gaining prominence in the world as effective and efficient vehicles for job creation, poverty reduction and economic development. SMEs are creative and innovative in their dealings that lead to enhanced performance and competitiveness in the local, regional and international markets. Enterprises required particular and special consideration to unlock their potentials by putting in place mechanisms which encourage and facilitate enterprises to be innovative and become globally competitive. Enterprises achieved competitive advantage through acts of innovation, which could be manifested in a new product design, a new production process, a new marketing approach or a new way of doing business.

According to Bwisa (2011), Peter Drucker agreed with Schumpeter and elaborated that innovation is the means by which the entrepreneur either creates new wealth-producing resources or endows existing resources with enhanced potential for creating wealth. Successful innovation was a systematic, purposeful, visionary and mission-oriented activity. An entrepreneur systematically and purposefully tries to create new and different values and new and different satisfactions, to convert a material into a resource or combine existing resources in a new and more productive configuration.

On models of innovation, Bwisa (2011) identifies three schools of thought. They include social deterministic school, which argues that innovations are a result of a combination of external social factors and influences such as demographic changes, economic influences and cultural changes; individualistic school, which argues that innovations are a result of unique individual talents and innovators are born; and unexpected discovery school, which highlights unexpected discovery. The innovation products variable was operationalized by the following indicators: degree of satisfaction with products, level of contribution of products and level of development of new products.

**Innovation processes**

The effect of innovation processes variable was directed by sociological entrepreneurship theory, opportunity-based entrepreneurship theory and psychological entrepreneurship theory.

Relating to sociological theory of entrepreneurship, the level of analysis was the society. The social contexts that relates to entrepreneurial opportunity included: social networks, life course stage, ethnic identification and population ecology. Concerning opportunity-based entrepreneurship theory, the entrepreneur always searches for change, responds to it and exploits it as an opportunity. The hub of entrepreneurial management was the pursuit of opportunity without regard to resources currently controlled. According to Psychological entrepreneurship theory; risk taking, innovativeness, need for achievement and tolerance for ambiguity had positive and significant influence on entrepreneurial inclination.

Process innovation was viewed as the introduction of a new or significantly improved method for the production or delivery of output that added value to the organization (O’ Sullivan & Dooley, 2009). The term process refers to an interrelated set of activities designed to
transform inputs into a specified output for the customer. It implied a strong emphasis on how work is done within an organization rather than what an organization does (Davenport, 1992). Innovation processes results in organizational improvements such as lower stock levels, faster, more agile manufacturing processes and more responsive logistics. Talebi and Tajeddin (2011) explore capacity of SMEs in absorbing and managing knowledge as a prior condition to innovations and entrepreneurial growth. They examined the effects of experiential and formal knowledge on the development of SMEs absorptive capacity.

The innovation process within the SME is characterized by uncertainty and develops through a variety of heuristic search techniques. SMEs faced major challenges such as keeping the firm’s capabilities, resources and routines up to date, maintaining the owner/manager’s entrepreneurial and management competences and acquiring new knowledge, which raised issues concerning the source of information. ICT was seen as providing support for these processes, both internally and, also in relations, externally with other firms. The development of ICT – mediated formal and informal links between SMEs and the growth of virtual clusters or industrial districts fits the knowledge management approach, but it was an under – researched area, and as such, little is yet known about it.

A specific model of the process of innovation is that of Donald G. Marquis (1969) in Bwisa (2011), which suggests that implementable innovations originate from two broad spheres that include current state of the art that involves inventory of technical knowledge from which innovators base estimates of technical feasibility, and current state of social and economic utilization in which innovators could recognize existing and potential demand. A fusion of technical feasibility and recognized potential demand for the innovation would create a concept to be evaluated by referring to the two spheres. Innovation processes was depicted as the link between technology transfer and commercialization process. Innovation processes variable is operationalized by the following indicators: degree of satisfaction with processes, level of contribution of processes and level of development of new processes.

**Innovation services**

Innovation services variable was steered by sociological entrepreneurship theory and economic entrepreneurship theory. Sociological enterprise focused on the social context. In the sociological entrepreneurship theory, the level of analysis was the society (Landstrom, 1998). Reynolds (1991) identifies four social contexts that relates to entrepreneurial opportunity. The social networks focused on building relationships and bonds that promote trust and not opportunism. Life course stage context involves analyzing the life situation and characteristic of individuals who have decided to become entrepreneurs. Ethnic identification context, points out that an individual’s sociological background was one of the decisive push factors to become an entrepreneur. Population ecology context postulates that environmental factors played an important role in the survival of enterprises. The economic entrepreneurship theory, had deep roots in the classical and neo-classical theories of economics and the Austrian market process. These theories explored the economic factors that enhance entrepreneurial innovation behavior.
Service innovation was about making changes to intangible products. A key attribute of a service was a very high level of interaction with the end customer. The internet was a valuable resource on which new service relationships between organizations and their customers were being developed every day. The concept of service quality was of particular relevance to entrepreneurs. The unique characteristics of services, such as intangibility, customer contact, inhomogeneity and perishable production, also offered significant scope for innovation (O’sullivan & Dooley, 2009).

Braunerhjelm (2010) sheds light on recent advances in our understanding of the forces that underpinned the creation of knowledge, its diffusion and commercialization through innovation, and the role of the entrepreneur in the growth process. Braunerhjelm has pointed out that important policy implications referred to the design of regulation influencing knowledge production, ownership, entry barriers, labor mobility and financial markets. Knowledge creation matched incentives that induce mechanisms that convert knowledge into societal and useful needs. Despite the fact that there was a general presumption within the economic discipline that micro-level processes played a vital role in the diffusion of knowledge, and thus the growth process, there was lack of stringent theoretical framework but also of empirical analyses to support this allegation. Innovation services variable was operationalized by degree of satisfaction with services, level of influence of services and level of introduction of new services.

**Innovation technologies**

Innovation technologies variable was governed by resource-based entrepreneurship theory and opportunity-based entrepreneurship theory. Clausen (2006) argues that people with financial capital were more able to acquire resources to effectively exploit entrepreneurial opportunities and set up a firm to do so. Drucker (1985) postulates that entrepreneurs did not cause change (as claimed by the Schumpeterian or Austrian school) but exploited the opportunities that change (in technology, consumer preferences etc.) created. Emerging technologies had the potential for significant innovation across the organization and could be the basis for innovative products, processes and services that could revolutionize the fortunes of an organization. Sources of innovation technologies could include universities, high technology startups and competing organizations. Technology was a high-level strategic thrust popular in many organizations (Hayes, Wheelwright & Clark, 1988) which deals with decisions about the technology used in the organization such as technological platforms employed in products and services, machinery and computer networks and telephone exchanges. Many organizations used technology as an enabler to enhance knowledge better, improve process efficiency and enhance product offerings.

In Kenya, growth in the manufacturing sector was widely viewed as a great vehicle for economic development, a fact taken up by Kenyan policy makers by setting a policy of ensuring industrialization by the year 2020. Magu (2011) contends that as evidence by the case of newly developed countries, meaningful industrial development was preceded by technological advancement. In Kenya, performance of the manufacturing sector had been on
a decline in the last decade. In the small and medium electrical machinery enterprises sub-sector, most of the enterprises had engaged in production of traditional electrical products, such as electric cables, lamps, electrodes and fans. Only a few had been involved in the manufacture of the more modern and high growth potential products such as computation, automation and communication equipment. Yet, studies in more successful economies such as USA and South Korea showed manufacture of modern and dynamic electrical/electronic products to be the growth vessel in the sub-sector.

Trott (2012) illustrates that Joseph A. Schumpeter was regarded to be the founder of modern growth theory which argues that sustained economic growth arose from competition among firms and that firms try to increase their profits by devoting resources to creating new products and developing new ways of making existing products. It was this economic theory that underpinned most innovation management theories. When entrepreneurs devoted their resources to creating new products they rarely did it as a single activity. Innovation technologies variable was operationalized by the following indicators: degree of satisfaction with innovation technologies, level of contribution of innovation technologies and level of development of new innovation technologies.

Innovation ideas

Innovation ideas variable is managed by the following entrepreneurship theories: sociological, opportunity-based, economic and psychological. The political system, government legislation, customers, employees and competition were some of the environmental factors that might have an impact on the survival of new enterprise or the success of the entrepreneur. The opportunity-based theory provides wide-ranging conceptual framework for entrepreneurship research. Entrepreneurs had an eye more for possibilities created by change than the problems. Entrepreneurs effectuated knowledge when they believed it would obtain some individually-defined benefits. The level of analysis in psychological theory was the individual. Personal characteristics explained entrepreneurship. Personality traits, need for achievement, locus of control, risk taking, innovativeness and tolerance for ambiguity characteristics had been found to be associated with entrepreneurial propensity.

O’sullivan and Dooley (2009) postulates that idea generation was the first stage of innovation process which relates to the creative activity of generating an opportunistic idea. This stage involved the continuous scanning of the internal and external environment for threats and opportunities that might be developed into an innovation by the organization. The stage involves mining the sources of innovation for new ideas and evaluating solutions to identified problems. An organizational culture that encouraged creativity and empowerment could significantly support this phase of the process.

The input typically stem from a technical insight about a service. In some cases ideas arose from observed problems that had occurred in the past or might occur in the future. Ideas could also be stimulated by the goals of the organization or an unanticipated opportunity.
Tidd, Bessant and Pavitt (2005) identifies aspects of leadership such as shared vision of the future, extensive communication, the desire to innovate and the achievement of high involvement in the innovation process as key components of an innovative organization.

According to Hisrich, Peters and Shepherd (2009) entrepreneurship could be conceptualized along a continuum ranging from entrepreneur at one end to administrator at the other. It could also be viewed in absolute terms, new firm versus no new firm, or in relative terms, more entrepreneurial versus less entrepreneurial. An important distinction was that between invention (opportunity discovery) and innovation (opportunity exploitation). Innovation, creating a new organization, product or process, might be further distinguished from imitation, entering an established market as pointed out by Ruef, Aldrich and Carter, (2003). Innovation is the improving (adding value) to something already existing; the successful implementation of novel and appropriate ideas; the commercialization of an invention (Trott, 2012; Bwisa, 2011). Innovation ideas variable is operationalized by degree of satisfaction with innovation ideas, level of influence of innovation ideas and level of conversion of new innovation ideas.

**Growth**

The over-arching theory that guided growth in this study was the entrepreneurial innovation theories. Diffusion of innovations theory sought to explain how, why and at what rate new ideas and technology spread through cultures. Growth is the dependent variable in this study. It is influenced or changed by innovation products, innovation processes, innovation services, innovation technologies and innovation ideas. These are the five independent variables in this study. Growth was expected to change as a result of the manipulation of the independent variables. Growth was preceded by independent variables so that the magnitude of change or effects could statistically be determined. Innovation was the technological precondition for growth (Eustace, 2009).

According to Njeru, Namusonge and Kihoro (2012) growth enterprises were entrepreneurial firms with high possibilities to grow. Yet, not all enterprises’ first and foremost objective was growth. Some enterprises were established merely to exploit a short-time opportunity. Other enterprises liked to maintain the enterprise at its existing size. Enterprises that were seeking growth were likely to be interested in innovation than those that were not. Enterprises whose objective was to grow the enterprise, innovation provided a means to achieving growth. Growth-oriented enterprises are characterized by a commitment to long-term growth than short-term profit. Measures of growth of enterprises variable include: employees, turnover, net assets and size. Growth of enterprises variable in this study was operationalized by the following indicators: annual employee increase, degree of satisfaction on levels of turnover and degree of satisfaction on innovation types.
Antecedent variables

The antecedent variables in this study are of two categories: entrepreneur’s characteristics such as age that was operationalized by years and education that was operationalized by highest level; and enterprise’s characteristics in terms of size that was operationalized by number of full time employees, age of enterprise that was operationalized by number of years that the enterprise had been in business and legal status that was operationalized by number of enterprises in the various legal forms. The antecedent variables came before the independent and dependent variables in a linear sequence. The antecedent variables did not interfere with the established relationship between the independent and dependent variables but they tended to clarify the influence that precedes such a relationship. However, all the variables, including the antecedent variables, were related in some logical time sequence. When the influence of the independent variable on the dependent variable was statistically removed, there should not be any relationship between the antecedent variable and the dependent variable.

Moderating variable

Innovation was the moderating variable. The moderating variable was operationalized by the extent to which enterprises used innovations. The moderating variable was a variable that had an effect on the relationship between the independent and dependent variables, but it was not related to or affected by the independent variable. The moderating variable came between other variables and moderated their relationships.

Research Methodology

To meet the research objectives, the study employed descriptive design so as to get important and in-depth information on effect of innovations on enterprise growth of small and medium electrical machinery enterprises in Nairobi County, Kenya.

Research Findings and Discussions

Effect of innovation products

The study sought to establish the effect of innovation products on enterprise growth of small and medium electrical machinery enterprises in Nairobi County, Kenya. The results of the study indicate that innovation products contributed insignificantly to enterprise growth due to the fact that the products could not meet the customer demands and that other enterprises offered similar products hence stiff competition. The respondents were again asked to state problems leading to insignificance contribution of innovation products to the growth. Most respondents indicated that they lack capacity, entrepreneurial and technical skills to produce or modify products. The results of the study indicated that the main effect of insignificance contribution of innovation products to growth is that it reduced market share, reduced market
quality, reduced range of products and lack of quality and improved products. The result of the study reveals that the ultimate effect of the problem on the enterprise growth was that the overall objective of innovation products contributing significantly to enterprise growth cannot be achieved. In addition, the small and medium electrical machinery enterprises in Nairobi County, Kenya will not compete significantly in local, regional and international markets and that the positive aim of increasing range of products and services could not be realized.

**Influence of innovation processes**

The research study sought to determine the influence of innovation processes on enterprise growth of small and medium electrical machinery enterprises in Nairobi County, Kenya. On the insignificance contribution of innovation processes to growth, most respondents indicated that other enterprises processed similar products and that there existed inadequate production capacity in some enterprises consequently the insignificance of production processes. The study realized that lack of capacity to produce, production of products by other enterprises and lack of technical and entrepreneurial skills were the main causes of insignificance contribution of innovation processes to growth. The findings showed that reduced production capacity, reduced flexibility of production methods, reduced market share and increased production costs per unit of labor, electricity and materials are the key effects that was realized as a result of insignificance contribution of innovation processes to growth. The study finally analyzed that the ultimate effect the insignificance contribution of innovation processes to growth were; that the objective of increasing range of products could not be achieved, that competition into the local, regional and international market could not be realized and that the objectives of increasing production methods and techniques could not be ascertained.

**Effect of innovation services**

The research study sought to examine the effect of innovation services on enterprise growth of small and medium electrical machinery enterprises in Nairobi County, Kenya. The results of the study reveal that the insignificance contribution of innovation services to growth is as a result of the services being new to small and medium electrical machinery enterprises in Nairobi County, customer expectation not being met, innovation services available not being utilized and the lack of adequate service provision in the small and medium electrical machinery enterprises. In addition, the results of the study suggest that lack of technical and entrepreneurial skills and insufficient service provision capacity were the causes that led to the insignificance of innovation services to growth of small and medium electrical machinery enterprises in Nairobi County, Kenya. The results of the research study indicate that reduced service range and poor quality, unimproved flexibility of service provision were the effects of insignificance contribution of innovation services to growth of small and medium electrical machinery enterprises in Nairobi County, Kenya. Conversely; results of the research study deduce that the production cost per unit of labor, materials and energy increase, objective of increasing capacity services not being attained, and that competition in the local, regional and
international market not being achieved as ultimate effect on the insignificance contribution of innovation services to growth of the small and medium electrical machinery enterprises in Nairobi County, Kenya.

**Influence of innovation technologies**

The research study sought to determine the influence of innovation technologies on enterprise growth of small and medium electrical machinery enterprises in Nairobi County, Kenya. The results of the study indicate that innovation technologies contributed insignificantly to enterprise growth of small and medium electrical machinery enterprises in Nairobi County due to low technologies used, advanced and expensive technologies applied. The study found that lack of technical and entrepreneurial skills, inadequate resources and lack of capacity were the causes of insignificance contribution of innovation technologies to growth of small and medium electrical machinery enterprises in Nairobi County. The results of the study found that reduced product and services quality and reduced services variety were the effects responsible for insignificance contribution of innovation technologies to growth of small and medium electrical machinery enterprises in Nairobi County. The research study revealed that reduced technological capacities, turnover, and employment and lack of objectives to replace outdated products and services were the ultimate effect of insignificance contribution of innovation technologies to growth.

**Effect of innovation ideas**

The research study sought to investigate the effect of innovation ideas on enterprise growth of small and medium electrical machinery enterprises in Nairobi County, Kenya. The results of the study indicate that insufficient usage of existing institutional and other cross cutting sources for innovation ideas, lack of cooperation with innovative learning institutions and failure to link with other enterprises as the key factors that led to insignificance of innovative ideas to growth of small and medium electrical machinery enterprises in Nairobi County. In relation to the findings, study revealed that inadequate linkage with other enterprises, lack of creativity and innovation culture, failure to involve universities and relevant cross cutting research institutions for innovation ideas and lack of a policy framework as being responsible for insignificance contribution of innovation ideas to growth of small and medium electrical machinery enterprises in Nairobi County. The respondents noted that the insignificance contribution of innovation ideas resulted to reduced business opportunities, lack of growth on range and quality of products or services and insufficient technical and entrepreneurial skills. The study noted that the mentioned effects ultimately led to failure of the small and medium electrical machinery enterprises to compete in the local, regional and international markets and lack of product or services quality.
Conclusions

The results of the research study have pointed out principal investigations in regard to effect of innovations capacity of the County and implications to the attainment of the specific objectives of the study. The purpose of the study was to investigate effect of innovations on enterprise growth of small and medium electrical machinery enterprises in Nairobi County in Kenya. The research study found that most of the small and medium electrical machinery enterprises in Nairobi County had embraced innovations as key drivers of their growth and competitiveness. This was evident as exhibited by the high prevalence of innovations in a significant number of surveyed small and medium electrical machinery enterprises in Nairobi County in Kenya, though at the lowest level of novelty. Despite the fact that the culture of innovations is taking root in small and medium electrical machinery enterprises in Nairobi County in Kenya more still needs to be done in the sub-sector for the purpose of realizing significant and sustainable growth and competitiveness. The research study concluded that innovations contributed insignificantly to growth of small and medium electrical machinery enterprises in Nairobi County in Kenya due to the fact that the innovations could not meet the customer demands and that small and medium electrical machinery enterprises in Nairobi County in Kenya offered similar products hence stiff competition.

Recommendations

The research study recommends that in order to mitigate insignificance effect of innovations on enterprise growth of small and medium electrical machinery enterprises in Nairobi County in Kenya entrepreneurs in sub-sector should develop relevant entrepreneurial and technical skills to enable them do business in a new and different way to add value and ultimately grow their businesses and compete in the local, regional and international markets.

References


