

ABSTRACT

Evidence is emerging that the dominant link between entrepreneur characteristics and firm performance is influenced by several other factors. There are indications of a link between entrepreneur characteristics, competitive strategy and firm level institutions to create and enhance competitive advantage and overall firm performance. However, available empirical evidence supporting such multi-dimensional interaction is minimal and inconclusive since most studies have concentrated on the individual and isolated effects of various factors on firm performance. Based on the gaps and unresolved issues in previous studies, this study addressed the main question: what is the influence of competitive strategy and firm level institutions on the relationship between entrepreneur characteristics and performance? Hinged on the institutional theory, resource based view and theories relating to entrepreneur characteristics, the study addressed the key question by targeting firms in the non-timber forest products sub-sector that have often received less focus by studies aimed at establishing performance determinants. The study was conducted as a cross-sectional survey covering 314 small and medium enterprises in nine counties, Kenya. The Pearson correlation coefficients, coefficient of determination, F statistic, and the t-value and their significance levels were used in presenting the fit of the models and the relationships between variables. It was observed that firm performance was significantly affected by entrepreneur characteristics of age, managerial skills, industry experience and social skills. In addition, there was significant link of entrepreneur characteristics of age, gender, education, managerial skills, and social skills with competitive strategy. On the other hand, the three competitive strategy drivers of uniqueness, focus and cost exhibited significant relationship with firm performance. There was a significant moderating effect of firm level institutions in the relationship between competitive strategy and firm performance. Equally, there was partial mediating effect by competitive strategy of the relationship between entrepreneur characteristics and performance. All the null hypotheses were rejected and the objectives achieved. It was thus concluded that a multi-dimensional link existed with entrepreneur characteristics, competitive strategy, firm level institutions and firm performance as the linkages. The relationship between entrepreneur characteristics and firm performance depended on competitive strategy and firm level institutions indicating that firms require resources, appropriate strategy choices and firm level institutional framework, and owners/managers with appropriate personal characteristics to enhance their competitiveness and performance. This study conceptualized with mediating and moderating effects on the relationship between entrepreneur characteristics and performance shade light on the theoretical argument that entrepreneurial dynamics are shaped by resources as well as institutional systems and structures put in place at firm level. It was necessary, therefore, that firms match their strategic decisions with characteristics of owners/managers, and the internal institutional framework to enhance their competitiveness and performance. The observation that firms run by relatively young and skilled entrepreneurs had high levels of application of competitive strategy and better performance calls for policy measures to encourage the many well trained but unemployed young people to engage in businesses. Equally, training programmes including incubation to equip the practitioners with necessary theoretical and practical capacities to enhance application of competitive strategy, and manifestation of firm level institutions were necessary.