

Assessing the Relationship between Perceived Business Alertness and Business Performance

Phelista Wangui Njeru & Professor Henry M. Bwisa
Jomo Kenyatta University of Agriculture and Technology
P.O Box 62000-00200, Nairobi, Kenya
School Of Human Resource Development
Entrepreneurship and Procurement Department
E- mail: phelistawangui2004@gmail.com
E- mail: bwihem@gmail.com

Dr. John M. Kihoro
Jomo Kenyatta University of Agriculture and Technology
P.O Box 62000-00200, Nairobi, Kenya
Faculty of Science; Statistics and Actuarial Science Department
E- mail: Kihoro-jm@yahoo.com,
E- mail: kjm@fsc.jkuat.ac.ke

Abstract

This study was set to explore the relationship between perceived business alertness and business performance. According to Kirzner (1997) any individual having an “antenna” that permits recognition of gaps within the market is one having business alertness. These individuals have a “unique preparedness” that enables them to consistently scan the environment ready to discover new opportunities. Rate of market growth, market share, and number of products introduced to the market, rate of increase of employee, office increase and increase in sales volumes were used as performance indicators. Data was collected from 220 out of 625 entrepreneurs in the industrial area Nairobi making a sample size of 36.8 %. The measurement instrument was subjected to a reliability test using the cronbach alpha which gave a 0.8357 level of reliability and consistency. Pearson’s correlation analysis revealed that business alertness of the entrepreneurs significantly increased all performance indicators.

Key words: business alertness, business performance

1. Introduction

1.1 Background information

Business alertness is defined as an individual’s ability to identify opportunities which are over looked by others. It is composed of judgment aspect which focuses on evaluating the new changes, shifts and information and deciding if they would reflect a business opportunity with profit potentials or not. It involves scanning the environment, searching for information and connecting varied information after evaluating whether new information represents an opportunity (Kirzner, 1979). There has been tremendous growth of entrepreneurial activities globally and hence the concept of the role of the entrepreneurs in increasing the potential of business performance has gained interest. Similarly there has

been need to understand the traits possessed by entrepreneurs that are likely to promote business growth potential. Observations reveal that not all entrepreneurs perform the same in business even when exposed to similar business environment and even with same access to resources.

As Churchill and Lewis ,(1983), puts it, only about 30% of businesses are able to survive beyond 3years after starting and only a small fraction of these grow to maturity stage. This makes the researcher seek to investigate what causes the varied performance and what do those performing entrepreneurs well have that the others don't? (Churchill & Lewis, 1983; Scott & Bruce, 1987; Cooper, A. & Gascon, F. 1992). It is of particular importance to understand how individuals identify new entrepreneurial opportunities. The entrepreneur's trait of interest is the capability to identify opportunities and also being able to take advantage of those opportunities to grow a venture which is referred to as business alertness.

There is a strong relationship between environmental munificence and alertness especially when the entrepreneurs have high levels of self-efficacy in performing the roles and tasks of new venture creation. In turn, entrepreneurial alertness is related to continuance, behavioural and affective commitment of entrepreneurs.

Entrepreneurial alertness can be measured through three antecedents: awareness, motivation, and capability. These antecedents and the consequences of entrepreneurial alertness were investigated in the context of a self-employment franchise chain. The results showed that several factors including environmental scanning (the indicator of awareness), psychological ownership (the indicator of motivation), prior performance, level of education, and working duration in the franchise (the indicator of capability) affect the entrepreneurial alertness and therefore consequently influence the likelihood of entrepreneurial action (Baumol, W. J. 1968; Bosma, N., Jones, K., Autio, E., Levie, J., 2007. There is a strong relationship between entrepreneurial alertness and business performance. This entrepreneurial capability is essential for continual success since it creates a culture of proactiveness, quick response to business environmental changes, creates a competitive advantage and enables entrepreneurs develop strategic recompense((Gaglio,2007).

Business performance can be measured through an organisation level of efficiency and effectiveness in input - output processes. An organisation that is able to aggregate information for its advantage is one that is business alert and performing well. It is able to set appropriate targets, develop performance measures and formulate plans and strategies to achieve a competitive edge. Such an organisation is able to set Performance measures and systems that ensure growth. Market growth, market share, change in the number of employees, products, offices and sales volumes are used as performance indicators. Not all entrepreneurs have the ability to perceive correctly the signals of change and market dynamism yet this perceived ability determines the quality of the decision made and the fate of the enterprise (Gaglio,2007). Gaglio, 2007, says that business alertness is not enough and it needs a basis of interpretation, which includes the ability to analyze the changes and decide on the means needed to achieve the desired end.

According to (Westhead & Wright 1998; Westhead et al, 2005) some people have the ability to absorb and discover entrepreneurial opportunities easily while others do not and this determines their response to market dynamisms and performance. Kirzner, (1997), called this state of mind that enables the hunch, or the spontaneous learning, 'business alertness'.

Government agencies, non government organizations as well as private investors have tremendously tried to create proper environment and provide resources and support to different ventures to assist them grow.

Despite of all this assistance, 70% of ventures hardly make up to their third birthday as Churchill; Neil, C. & Virginia (1983), says. The question is , what causes some entrepreneurs manage to grow their ventures while others are unable to do the same in a similar environment and exposed to similar access to resources and what do these performing entrepreneurs have that the non performing ones don't have? The critical issue is, does business alertness of the entrepreneur affect business performance?. This forms the objective of this research paper.

2. Literature Review

The concept of alertness attracted attention as early as 1934. Schumpeter, (1934), equated it to innovativeness. He defined entrepreneurs as innovators who implement entrepreneurial changes within markets, where entrepreneurial change manifests itself in five dimension i.e. introduction of a new or improved product, introduction of a new method of production, venturing into a new market, exploitation of a new source of supply and organization of business management processes. Schumpeter's definition therefore equates entrepreneurship to the capability of an individual to bring new ideas that lead to commercializable opportunities. This capability could be as a result of prior experiences, personal disposition, and changes in the broader environment, gaining specific information, and being a frustrated user, a concept also fronted by Gaglio, Katz and Shane. (Gaglio and Katz, 2001; Shane, 2000; Shepherd, McMullen and Jennings, 2007; Tripsas, 2008).

More than 50 years later, Kirzner, (1997), defined alertness as an individual's ability to identify opportunities which are overlooked by others. In further developing the boundaries of alertness, he argued that an important component of alertness is the aspect of judgment which focuses on evaluating the new changes, shifts, and information and deciding if they would reflect a business opportunity with profit potentials. He said that alertness consists of three distinct elements: scanning and searching for information, connecting previously-disparate information, and making evaluations on the existence of profitable business opportunities.

Schumpeter and Kirzner's strongly opposed each other on this concept of entrepreneurship motivation. According to Kirzner (1997), as well as Elliott, (2008), the economic system always worked towards the market equilibrium. Kirzner (1997), made a presumption that every market is in a state of disequilibrium, and entrepreneurs are motivated by the need to minimize this disequilibrium and move toward some kind of balance a concept that Schumpeter in his theory of economic innovation disagreed with. To Schumpeter, the entrepreneurship creates dynamic force (creative destruction) that goes against the static economic system which leads to disequilibrium. He says that entrepreneurs hate a state of equilibrium and will always look for new ways to things. Whereas the economist's assumption is that the market forces shall always be propelled toward creating an economic equilibrium, Schumpeter brings in the entrepreneurship dynamics hence agreeing with Kirzner's concept of an economy forcing itself towards equilibrium.

According to Kirzner, (1997), 'when an innovator has discovered something new, that something was metaphorically waiting to be discovered.' Thus, De Bono (1980), is right in claiming that an opportunity is often something you do not yet know that you want to do and can do. There are questions to be asked, such as: why do some people recognize opportunities but not others? Does opportunity identification end with better venture performance?

The answer could be yes since according to Kirzner (1999), Alertness has the potential to add value to a business in a substantial manner. Discovering new opportunities has been linked to personal awareness, skills, and insights (Kirzner, 1999; Kaish and Gilad, 1991). Alertness as a process and perspective helps entrepreneurs to be more aware of changes, shifts, opportunities, and overlooked possibilities. Alertness and the development of creative – cognition enable a person to organize and interpret information in various domains of knowledge related to the development of new opportunities says Kaish and Gilad, (1991). Business Alertness has been linked to Innovations. Innovation is said to be introduction of something new such as a product, process, service, technology, strategy, or managerial practice as well as improvement of the same.

The Interest in alertness has never waned. A number of other scholars have extended Schumpeter's and Kirzner's arguments. Tony Fu-Lai Yu, (1999), elaborated on Kirzner's concepts of entrepreneurial alertness and discovery in the subjectivist perspective. Specifically it argues that the entrepreneurial discovery process is associated with the actor's interpretation framework, or the stock of knowledge, which is derived from everyday life experiences. According to Tony Fu-Lai, (1999), discovery in this context means that the actor interprets incoming information in a way different from perceptions of the general public. Two kinds of entrepreneurial discovery, namely ordinary and extraordinary were discussed. In terms of mental constructs, ordinary discovery is a 'backward' interpretation in a sense that the entrepreneur endeavors to exploit profit opportunities by doing some things better. This type of discovery largely promotes change within an existing situation. Extraordinary discovery is a 'forward' interpretation that involves a new dimension of interpreting events. In this case, the entrepreneur explores profit opportunities by doing some things drastically different from the traditional. This type of discovery enhances revolutionary change to the economy and this shows high level of entrepreneurial alertness. Alertness leads individuals to make discoveries that are valuable in the satisfaction of human wants. The role of entrepreneurs lies in their alertness to hitherto unnoticed opportunities. Through their alertness, entrepreneurs can discover and exploit situations in which they are able to sell for high prices that which they can buy for low prices (Yu 1999).

According to Shane and Venkataraman, (2000), entrepreneurship as an activity involves the discovery, evaluation, and exploitation of opportunities to introduce new goods and services, ways of organizing, marketing, process, and raw materials by organizing efforts that had previously not existed. These researchers also define entrepreneurial opportunities as "those situations in which new goods, services, raw materials, and organizing methods can be introduced and sold at greater than their cost of production (Shane and Venkataraman 2000). To them opportunity identification does not include social fields of entrepreneurship or causes such as innovation or prior knowledge but rather it must have an economic aspects. They ask, can this state of alertness solely be explained by an intangible input that is tied to relatively permanent function in a firm? The answer is No. Demsetz, (1983), equates alertness to 'luck' since it cannot be attributed to any firm's resource and it can't be repeated with consistency over time. Irrespective of this, business alertness is essential for continued success. Proactive firms pay attention to environmental trends and respond quickly to opportunities making them play ahead of competitors in all aspects (Kaish & Gilad, 2009).

Opportunity identification represents a unique entrepreneurial behavior that is not found in every individual that ventures into business. It is a dynamic process that involves a creative – cognitive trait in the entrepreneur. The elements of opportunity recognition include an internal creative quality, environmental dynamics, and entrepreneur's ability to create novel ideas as opposed to just copying other

people's ideas. Entrepreneurial alertness is a distinctive set of perceptual and information-processing skills considered to be the cognitive engine driving the opportunity identification process (Kaish & Gilad, 2009). Baron, (2006), Shane and Venkatramun, (2007), agreed with Schumpeter, (1952), that the capability of an individual to bring new ideas that lead to commercializable products is what makes the difference between two entrepreneurs and he called this entrepreneurial awareness. This awareness is exhibited as entrepreneurial prowess by an individual (Baron, 2006).

Given the growth and role of entrepreneurship today, the debate has gained even more momentum. Scholars increasingly seek to understand how new entrepreneurial opportunities get developed. Discussions of the emergences of new entrepreneurial opportunities often include "eureka" moments. One concept that is starting to gain some grip involves the assumption that entrepreneurs tend to be more alert to possibilities for new entrepreneurial ventures rather than growing an existing venture. Those already in business enterprises are not more creative – cognitive, are not aggressively seeking information with an aim of performing better and if such better performance happens, it cannot be related to a proactive alertness activity (Gunning, P.1997).

As described in this paper, it is observed that, in order to identify opportunities, entrepreneurs need some kind of mental schema, or, as some researchers have called it, "human capital" (Becker, 1975). Some researchers suggest that habitual entrepreneurs with more experience develop an entrepreneurial mindset that prompts them to search for and pursue opportunities, and only the very best of these opportunities (McGrath & Mac Millan 2000). According to these researchers, such entrepreneurs are given to change through an act or acts of external intervention and their pursuance to opportunities can be influenced by the market challenges that propel creativity to remain afloat. (Gaglio and Katz, 2006). Gaglio (2004), introduced two new terms: veridical perception, which requires the entrepreneur to perceive the changing situation accurately and not be susceptible to the kinds of distortion that can arise from the uncertainty that change may produce, and veridical interpretation, which involves correctly determining the real causes of the change and correctly inferring their practical, social, and commercial implications, while avoiding the delusion of seeing possibilities where none really exist. The veridical perception is what she called alertness. The entrepreneur's alertness possibility is not enough to create a new venture and instead the entrepreneur must possess the necessary resources to transfer his vision from planning to performance and she calls this 'veridical interpretation.'

The performance of the firm is affected by the firm entrepreneurial alertness (Covin and Slevin, 1991; Dess, Lumpkin and Covin, 1997; Rauch, Wiklund, Frese, and Lumpkin, 2004). However, the relationship between entrepreneurial alertness and performance is contingent upon the environmental variables of dynamism, hostility, heterogeneity and munificence (Lumpkin and Dess, 1996; Dess, Lumpkin and Covin, 1997; and Wiklund, 1998).

There has always been more than one way of doing something. This means that there has always been existing opportunities to be identified and recognized. The issue is, "does every venturer have that ability to identify and recognize business opportunities and is the ability inherent or learnt from experience"?

A research conducted in the industrial area Nairobi observed that business alertness contributed positively to business performance and that those entrepreneurs proved to be high on business alertness were scored highly on performance indicators. Alertness has been defined as the process of identifying and utilizing opportunities to create new products, services, or work practices (Van de Ven, 1986). Alert entrepreneurs

are likely to discover something new, and to increase innovations of their firms. It is widely observed that some businesses offer products or services that are truly novel and that they present new and different combinations of resources (Schumpeter, 1934), whereas others provide products or services that are nearly imitations of existing offerings, reproduced with incremental variations (Kirzner, 1997).

The varied ventures performance shall always be determined by how business alert the entrepreneur is or is not. Alertness is a concept that has the potential to add substantially to our understanding of how new ideas get initiated and pursued. It focuses on receiving new information, creativity, and making extensions in logic. It accounts for how information is applied or extended. According to Lehrer, (2008) alertness is an association that allows an individual to consider multiple options and possibilities and to make unique connections and rather than minimizing distractions and focusing on the relevant details of multiple pieces of information, association enables individuals to connect to the big picture so that distant and unprecedented connections can be made for better performance (Lehrer, 2008).

As the debate rages on scholars liked McMullen and Shepherd, (2006); Von Mises, (1999), have helped in understanding alertness and its implications to a business venture. Building on work developed by Kirzner (1973; 1979), Von Mises, (1999), in his paper entitled ‘review of Austrian Economics’, (1999), said that individuals that have an “antenna” that permits recognition of gaps with limited clues are said to be having business alertness. These individuals have a “unique preparedness” that allow them to consistently scan the environment ready to discover opportunities. Scholars have continued to advance arguments that alertness involves a proactive stance based on a number of cognitive capacities and processes such as prior knowledge and experiences, pattern recognition, information processing skills, and social interactions (Ardichvili, Cardozo and Ray, 2007; Baron, 2006; Csikszentmihalyi, 2006; Gaglio and Katz, 2001; Shane 2003). An article by McMullen and Shepherd (2006), argues that entrepreneurship fundamentally involves action and that alertness is not entrepreneurial unless it involves judgment and a movement toward action.

Palich and Bagby (1995) claimed that decision-makers in general and entrepreneurs in particular, use cognitive heuristics when confronted with large amounts of information. It may be that the use of heuristics in assessing new ventures can lead to higher levels of optimism and lower levels of risk perception, thus predisposing the decision-maker towards entrepreneurial ventures. Gaglio, (2004), explains that identification of opportunities is caused by disequilibrium of the regular process of life that will be noted only by entrepreneurs having business alertness mind hence supporting the psychological trait theory which proposes that being creative – cognitive, innovative and alert to the business environment is inherent. The challenge is in judging if there are other dispositions and experiences that impact alertness in individuals. However, whether alertness is inherent or not is beyond the scope of this research.

Alertness levels also may impact the type of opportunities that are put forth. Social cognition theory suggests that the decision and inference process can be improved with training and the appropriate inferential techniques (Fiske and Taylor, 2008). Thus, alertness represents a capability that can be learned and improved, and may offer guidance to aspiring entrepreneurs. Alertness has been central in the context of the recently developing area of “opportunity” in entrepreneurship research. Some of this research argues that either opportunities are Discovered or are created .Some scholars categorize alertness in three areas i.e. opportunity recognition, opportunity discovery, and opportunity creation (Sarasvathy et al., 2003). This research paper is concerned with opportunity discovery and creation.

Despite its potential, alertness remains understudied due to an ambiguous understanding of the term and particularly because of major measurement issues. Alertness has taken varied meanings depending on different researchers and authors. A study by J. Tang and K. Michele, (2010) developed a theoretical measure of business alertness. They advance arguments that alertness involves a proactive stance based on a number of cognitive capacities and processes such as prior knowledge and experiences, pattern recognition, information processing skills, and social interactions (Ardichvili, Cardozo and Ray, 2003; Baron, 2006; Csikszentmihalyi, 1996; Gaglio and Katz, 2001; Shane 2003). They developed a scale with solid psychometric properties measuring alertness including antecedents and outcomes through three studies. Study 1 used students' responses to initial item generation to assess content adequacy; Study 2 employed a uniquely different sample of business-persons to assess reliability, dimensionality, and factor structure; and Study 3 assesses responses from entrepreneur-target respondents to examine convergent validity. The developed alertness scale allowed the researchers to empirically examine central research questions in entrepreneurship such as: Why do some persons but not others recognize opportunities for new products or services that can be profitably exploited and does greater alertness enhance the probability that a new venture will be pursued and grown?(Baron, 2004).

However, Brown and Kirchoff, (1997), failed to identify any direct impact of business alertness to performance. It is not clear whether entrepreneurial alertness as a process is associated with the individual's interpretational framework, or the stock of knowledge derived from everyday life experiences. To them, not always shall entrepreneur having business alert mind interprets the incoming information in a way different from perceptions of the general public. He may not necessarily have an extraordinary mental constructs, which focuses not on profit opportunity exploits but on creating change within the existing situation and interpreting events that drastically cause a difference from the traditional way of doing things. It may therefore not be correct to empirically associate the level of business alertness to any change in business performance (Y.B.Choi, 2003).

2.1 Critique of the Literature Review

Despite its potential, alertness remains understudied due to an ambiguous understanding of the term and particularly because of major measurement issues. Measuring an individual level of alertness would call for an experiment on individual without them being aware yet all studies in the literature review have based their arguments on theoretical and opinions of some respondents. Claiming that business alertness affects performance is a matter of perception. Isolating business alertness as a factor and measuring its effect on performance is not practical as performance is a function of many variables.

3. Research methodology

3.1 Research Design

The researcher used exploratory research to understand the relationship between the perceived business alertness and business performance. Both quantitative and qualitative approaches were used. The quantitative analysis assisted the researcher obtain the quantifiable data on the variations in performance between various entrepreneurs while the qualitative analysis sought to measure the specific traits that exist in various entrepreneurs that were used to classify them either as having business alertness or not. The researcher used the correlation analysis to establish the relationship between the variables in the study. The analysis enabled the researcher to examine whether or not the expected relationships existed and to what extent.

3.2 Population

The target population was all small and medium sized manufacturing firms in Nairobi Industrial Area distributed across 6 sectors and involved in the production and distribution processes. The sectors included ; food and beverage 214, leather and footwear 43, motor vehicle accessories 104 , plastics and rubber 44 , textile and apparels 112 and wood and furniture 108. From the directorate of Kenya association of manufacturers of 2008, there are a total of 625 firms that formed the target population (KAM, 2008).The population was chosen since it was operating in the same area and hence exposed to the same business environment and resource access.

3.3 sampling Design

Sampling is the process of selecting a representative number of items out of the target population. The sample selected should have the attributes of the population from which it was obtained. The researcher used a two stage sampling approach, the first was stratified sampling method which enabled the researcher divide the firms according to sub-sector and in the second stage, and simple random sampling was used. One of the characteristics of small and medium enterprise in Kenya is that they employ between 10 and 100 employees. These firms were either autonomous or running branch entities in other towns and must be registered by the registrar of companies as a private Limited Company.

3.4 Sample Size

The population was large and stratified and therefore to get the sample size for the proportions, the researcher calculated the sample size using a procedure by C. Kothari,(2007),

$$e = Z\alpha \sqrt{\frac{pq}{n}}$$
 Where $\alpha=0.05$ and $Z \alpha=1.96$ since it yielded good representation of the population. Two hundred and fifteen (215) small manufacturers were sampled in their respective strata which made 36.8 % sample size. (C. Kothari, 2007).

3.5 Data collection Instrument

The researcher developed and used questionnaires since the sample was large and widely scattered. The instrument had both open and closed ended questions. Before the questionnaires were administered to the top management of the selected firms, the researcher tested its reliability by conducting a pilot research on thirty entrepreneurs in Thika town. The findings of this pilot testing revealed that the researcher could not measure the effects of the independent variable on firm's performance as the firms were from varied industries and hence facing different business challenges and with different target markets. This necessitated the amendment of the original questionnaire to enable the researcher place all the firms on a level where the independent variable's effects could be measured in any firm irrespective of the sector it belonged.

3.6 Testing data Reliability

Reliability and internal consistency of the measurement tool was done using Cronbach's alpha .This is a measure of internal consistency, that is, how closely related a set of items are. A "high" value of alpha (reliability coefficient of 0.70 and above) is often used as evidence that the items measure the desired objective.

The high value of alpha indicates internal consistency. The value obtained was 0.8357 which means that the measurement instrument was reliable.(See table 1)

3.7 Firm Performance

The performance in this case was in terms of the profitability, sales volume, growth, market share, increased returns on investment, number of employees and general expansion indicators. These were expected to have been triggered by alertness to business opportunities. This called for adapting the new Processes, creating the necessary infrastructures and technological changes in the environment.

3.8 Hypothesis Testing

The following null and alternative hypothesis were developed to assess if business alertness has any significant effect on business performance.

H₀: Business Alertness has no significant effect on business performance

H₁: Business Alertness has significant effect on business performance

3.9 Data Analysis

According to Sekara, (2003), there are three objectives in data analysis; getting a feel for the data, testing the goodness of the data and testing the hypothesis developed for the data. A feel for the data gives the researcher a good idea of how well the respondents have reacted to the items in the questionnaire and how good the items were able to measures the relationship between the variables. Descriptive statistics such as the rate of response, the frequency distribution, the mean and the standard deviation were used at the first stage. Establishing the goodness of the data leads to credibility to all subsequent analysis and findings since it measures the reliability and validity of the measures used in the study (Sekaran, 2003). The researcher used the Pearson's Correlation Analysis to establish the relationship between the dependent and the independent variable. To measure reliability or the consistency of the measuring instrument, the researcher used Cronbach's alpha obtaining a value of 0.8357, higher than the acceptable value of 0.700. Cronbach's alpha (α) was chosen since it provided unbiased estimate of the test items.

$$\alpha = \frac{K \cdot \bar{C}}{(\bar{V} + (K - 1) \cdot \bar{C})}$$

Where;

K is the number of components under test,

\bar{V} Is the average variance,

\bar{C} Is the average of all covariance between the components across the sample items.

To measure the relationship between the variables, the researcher used the Model.

$$Y = \beta_0 + \beta_1 X + \epsilon$$

Where; Y is the business performance, X is business alertness

This assisted the researcher to establish the extent and the direction of the relationship between the independent and the dependent variable.

4. Research Findings

Business alertness was found to be positively correlated to business performance. It had an impact on all the performance indicators and to the business as a whole. The rating of items measuring the level of business alertness was done. A total of 219 respondents answered the fourteen items. The rating was done on a Likert scale of 1-5, ranging from strongly agreed to strongly disagree. Any one that responded strongly agreed was accorded 5 points, while any one strongly disagreeing was accorded one point.

The means scores on business alertness were done from a maximum of 219 respondents. The responses were rated using a score ranging from 1-5, where the lowest mean was 1 and highest was 5. The first item scored a mean of 4.13 and standard deviation of 0.915. This was the highest mean score and the lowest standard deviation indicating that the respondents had similar views on the interaction item. It implies that the entrepreneurs strongly believed that getting new information is key and this is a sign of being business alert. The lowest mean was 3.52 with a standard deviation of 1.066 indicating a higher variation of opinions by entrepreneurs. From the scale, any entrepreneur that scored less than 3.5 was considered to be low in business alertness while any that scored a mean of 3.5 and above was rated high in business alertness.

All the 219 entrepreneurs scored a mean of 3.5 and above and hence using the 14 items the entrepreneurs are all high on business alertness. Although all the entrepreneurs were scored above the business alertness acceptable mark, the entrepreneurs performed variably. The performance was rated as very high, moderate and low.

The Pearson's correlation analysis was done to test the hypothesis H_0 . Business alertness was found to have a significant effect on business performance, where $r(210)=0.262$, at a $p\text{-value}<0.001$. The researcher therefore rejected H_0 and accepted H_1 .

4.1 Discussion

This findings are in agreement with Lehrer (2008), who argued that business alertness enables one to consider multiple options and connect to the big picture so that distant and unprecedented connections can be made for better performance (Lehrer, 2008). Although Kirzner (1997) indicates that any individual having an "antenna" that permits recognition of gaps within the market is one having business alertness, Shane and Venkatramun (2007), argues that its business alertness isn't as a result of unique and inherent trait but it is a capability that results from prior experiences, personal disposition, changes in the broader environment, gaining specific information, and being a frustrated user (Galio and Katz, 2001; Shane, 2000; Shepherd, McMullen and Jennings, 2007; Tripsas, 2008).

Similarly Schumpeter and usher, (1959), in their article on invention, innovation and technology development in the economic journal, claims that what brings change in processes and output is the innovativeness by entrepreneurs. To them business alertness is a reflection of innovation. This claim is in agreement with this study. Those entrepreneurs scoring high on innovativeness also scored high in business alertness as well as in performance.

According to Brown & Kirchoff, (1997), there is no empirical evidence that business alertness will lead to better performance. To them, response to the market dynamics is just luck and not a function that can be repeated, replicated and made consistently. It is therefore difficult to indicate how much of business alertness is required for a certain level of performance.

5. Summary, Conclusions and Recommendations

5.1 Introduction

The purpose to this study was to assess the effect of business alertness to business performance of small manufacturers. The positive changes on the market growth, market share, number of employees, products, offices and sales volumes were considered as indicators of better performance brought about by being business alert on the side of the entrepreneur. Business alertness was considered to be a pre-requisite to better performance. The characteristics of the entrepreneurs like age, gender and level of education were not considered in the study although the researcher felt that such could have been moderating factors that could strengthen or weaken the independent variable. The study addressed the research question on the relationship between alertness and the firm's performance. The hypothesis was to be tested for acceptance or rejection on the basis of the study findings.

The study was conducted in Nairobi industrial area where 230 small manufacturing firms were sampled out of a population of 625 registered firms. Out of 230 firms, 220 entrepreneurs responded.

5.2 Conclusion

Given Pearson's correlation analysis result, where $r(210)=0.262$, at a $p\text{-value}<0.001$ it can be concluded that business alertness is positively correlated to business performance. The research found out that the entrepreneurs with high levels of business alertness also performed better than those that had low level of this variable. Having tested the hypothesis, the researchers rejected H_0 , and accepted its alternative hypothesis.

5.3 Recommendations

Two types of recommendations are provided, namely, recommendations for action and recommendations further research.

5.3.1 Recommendations for Action

a). In the past, the government and other stake holders have laid their business support emphasis on provision of capital, training and other programmes. Irrespective of all these efforts, only a minority have been able to increase their entrepreneurial activities and grow their ventures. Having found out, that business alertness is positively correlated to business performance, the researchers therefore recommends to the government and all other stake holders to lay strategies that promote business alertness in individuals. Such strategies could be creating opportunities that expose individuals to new things and new information to challenge them to explore and venture into new horizons.

b).The objective of the study was to assess the relationship between Business Alertness and the firm's performance. The researcher recommends that the Kenya manufacturers' association being the body in contact with manufacturers, programme awareness forums, exhibitions and use organized workshops to pass new information to their members. The association can also use the electronic and print media to bring out business ideas to the public and reward entrepreneurs for their new business ideas.

c). Networks that can promote the entrepreneurial search for information should be established by all stakeholders and especially the Kenya manufacturers' association since it opens new horizons and promote business alertness of the small and medium manufacturers.

d). Forums for learning like exhibitions and trade fairs should be promoted and the manufacturers encouraged to participate.

e). Award those firms that have shown the highest levels of business alertness and encourage continuous adoption of the dynamic technology.

5.3.2 Recommendation for further research

(a) Although the research has revealed that the entrepreneurial alertness extensively affect the business performance, it's not clear how the entrepreneur acquires such trait. Could it be an inherent trait or could it be environmentally acquired and this should be an area for further research.

(b) The current study has shown that the government and other stakeholders have emphasized on capital provision and improving business environment to enhance performance. There is a gap to investigate as to what exactly contributes most to the business performance, whether it's just the entrepreneurial alertness or a combination of mitigating factors like capital, training and others. This too needs further investigation.

(c) The role of government policies in areas of training and its effect on business performance should be investigated. These policies could have an impact on creating entrepreneurial alertness in Kenya.

(d) From the literature review, business alertness sets in motion creativity and innovativeness going back and forth in cyclical motion. The cycle once set in motion goes back and forth making the individual more and more entrepreneurial. It's not clear what sets the motion rolling in an individual, whether it's one's mind, exposure, challenge or even sudden availability of resources. Therefore further research may be needed to investigate what sets this motion.

e) Although the researcher has rejected H_0 and accepted the alternative hypothesis, there is no evidence that business performance is entirely dependent on this independent variable. There has been no clear measuring scale of the level of business alertness in an individual and most of the conclusions are mere opinions. As such further research need to be carried out to establish a scale to show how much of business alertness really contributes to a certain level of business performance.

f) Although the level of education looked like it was a mitigating factor to performance, the researcher had not included it in the scope. Further research is needed to determine if this factor enhances the level of business alertness.

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Tables

Table 1: Reliability Test Results

Gender	Cronbach's Alpha	NO. of Items
.	0.729	14
Male	0.858	14
Female	0.946	14
Total	0.8357	28

Table 2: Mean scores on business alertness

	N	Min	Max	Mean	Std. Deviation
Believe interaction with others to acquire new information is key	219	1	5	4.13	0.915
Often see new combinations of people, materials or products	218	1	5	3.82	1.043
Can distinguish between Profitable / non profitable opportunities	219	1	5	3.79	1.063
Reading newspapers/trade publications regularly helps	219	1	5	3.76	1.104
I look for new business ideas as i go about day-to-day activities	219	1	5	3.76	1.100
Have a special alertness toward profitable opportunities	218	1	5	3.74	1.077
Always keep an eye out for new business ideas	219	1	5	3.74	1.11
actively looking for new information	218	1	5	3.72	1.073
Good at "connecting dots"	217	1	5	3.64	1.163
Have a knack for telling high value opportunities	219	1	5	3.63	1.123
Able to select the good opportunities from multiple ones	218	1	5	3.61	1.103
Browse the internet	219	1	5	3.55	1.162
Seeing potential new business opportunities comes very naturally	218	1	5	3.53	1.108
Often make novel connections	218	1	5	3.52	1.066

Table 3: Pearson's correlation analysis results

	r	p-value	verdict
A) market performance	.262**	<0.000	REJECT HO
B) Employee performance	-0.032	0.638	ACCEPT HO
C) product performance	.251**	<0.000	REJECT HO
D) office performance	-.193**	0.005	REJECT HO
E) sales performance	.278*	0.013	ACCEPT HO
