Rethinking Autonomy in Entrepreneurial Orientation: Implications for MSME Growth and Sustainable Development in Kenya

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Abstract

The primary objective of this research is to investigate how Entrepreneurial Orientation (EO) influences the growth of Micro, Small, and Medium Enterprises (MSMEs) in Kenya, with particular attention to the autonomy dimension. Although MSMEs contribute significantly to national employment and economic output, many still face persistent barriers that restrict their growth and sustainability. In developing economies, their expansion is often constrained by inadequate resources, institutional challenges, and managerial weaknesses. While the EO construct has been extensively examined, the autonomy aspect—defined as the freedom to make independent decisions and pursue opportunities—remains insufficiently explored within varying contextual settings. Guided by Schumpeterian entrepreneurship and risk-taking theories, this study assesses how autonomy affects MSME performance in the Kenyan context. The research adopts a sequential mixed-methods design, focusing on manufacturing and innovation-driven firms located in Nairobi City County. Using stratified random sampling, data were collected from 284 enterprises. The results indicate a significant negative relationship between autonomy and firm growth ($r = 0.576$; $\beta = –0.381$, $p < 0.001$). Although autonomy theoretically supports innovation and opportunity recognition, excessive decentralization of decision-making appears to undermine strategic focus and overall performance. The findings suggest that autonomy is a context-dependent component of EO rather than a universally beneficial driver of growth. From a practical perspective, the study emphasizes the need for calibrated autonomy—striking a balance between individual initiative and managerial control. Policy recommendations include enhancing managerial competencies and governance structures to optimize the advantages of autonomy. Overall, the study advances Sustainable Development Goal 8 by highlighting that effective MSME growth depends on integrating entrepreneurial freedom with strong strategic oversight.

Keywords: Autonomy, Entrepreneurial Orientation, MSMEs, Kenya, Growth, Sustainable Development Goal 8

1. INTRODUCTION

Micro, small, and medium-sized enterprises (MSMEs) are globally recognized as crucial drivers of innovation and employment, contributing roughly half of total global output (OECD, 2023; OECD, 2024; Kot, Haque, & Baloch, 2020). In Kenya, MSMEs form the backbone of the private sector, playing a central role in promoting inclusive growth and poverty reduction. Despite their significance, their expansion is hindered by persistent structural and institutional barriers such as limited managerial capacity and operational inefficiencies (Ndicu, Barasa, & Ngui, 2023; Lagat & Njaramba, 2024). These challenges constrain competitiveness, stifle

innovation, and limit MSMEs' ability to scale sustainably, thereby impeding Kenya's overall economic transformation.

Entrepreneurial Orientation (EO) provides a strategic lens through which firms can strengthen adaptability, competitiveness, and growth, particularly under conditions of uncertainty (Miller, 1983; Lumpkin & Dess, 1996; Covin & Wales, 2019). EO embodies the strategic behaviours and decision-making tendencies of firms—particularly in terms of innovativeness, proactiveness, and risk-taking. Empirical evidence indicates that firms with a pronounced Entrepreneurial Orientation tend to perform better, particularly under volatile, uncertain market conditions, where flexibility and innovation are essential for survival (Dubey et al., 2019; Asad et al., 2023; Cheng, Wu, & Xiao, 2025). Yet, studies on EO in developing economies, including Kenya, have predominantly emphasized innovativeness, proactiveness, and risk-taking, while giving limited attention to autonomy as an independent construct (Wach et al., 2023; Akinwale, Adelowo, & Surujlal, 2025).

Autonomy—the freedom to make decisions and pursue opportunities without undue external constraint—is a foundational element of entrepreneurial behaviour (Lumpkin & Dess, 1996; Covin & Wales, 2019). It enables entrepreneurs to respond quickly to market shifts, seize emerging opportunities, and sustain innovation. In the Kenyan context, where MSMEs are often managed directly by owner-entrepreneurs, autonomy becomes central to how firms navigate uncertainty and institutional challenges. The ability to act independently allows entrepreneurs to experiment, take initiative, and make context-specific decisions that formal institutions or rigid hierarchies might otherwise constrain. Despite its theoretical importance, autonomy remains underexplored in empirical research on MSME growth, creating a gap in understanding how independent decision-making shapes firm performance.

This study examines the role of autonomy in influencing MSME growth in Kenya. It explores whether independent decision-making and managerial self-direction enhance performance within environments characterized by limited resources and institutional inefficiencies. By situating autonomy within the broader EO framework, the study advances entrepreneurship scholarship and highlights autonomy as a decisive driver of MSME competitiveness and sustainability. The findings are anticipated to generate insights that strengthen MSMEs' capacity for resilient and sustainable growth, in accordance with contemporary development priorities that emphasize innovation and entrepreneurial dynamism.

2. LITERATURE REVIEW

2.1 Theoretical Foundations

Schumpeterian Entrepreneurship Theory

Schumpeter (1934) described entrepreneurs as transformative agents who stimulate market change through innovative recombination's of products, processes, and organizational structures. Central to this view is the notion of *creative destruction*, whereby entrepreneurs dismantle established routines and replace them with innovative alternatives (Kalantaridis, 2004; Kirchhoff, 1997). Autonomy is integral to this process: without independence, entrepreneurs lack the discretion to depart from convention and pursue innovation (McCraw, 2007; Michaelides, 2009).

For Kenyan MSMEs, Schumpeter's perspective remains relevant. Operating in environments marked by uncertainty and institutional voids, owner-managers depend on autonomy to make rapid decisions, experiment with new approaches, and adapt to market dynamics. In this sense, autonomy is not only a condition for innovation but also a strategic requirement for firm survival and growth (Lumpkin & Dess, 1996; Covin & Wales, 2019).

Risk-Taking Theory of Entrepreneurship

The risk-taking perspective extends this understanding by highlighting decision-making under uncertainty. Cantillon (1755/2010) and Knight (1921) emphasized that entrepreneurs differ from others by their willingness to bear market risks, while McClelland (1961) argued that entrepreneurs typically pursue moderate, calculated risks driven by achievement motivation. Autonomy underpins this process: entrepreneurs must be free to assess alternatives and commit resources independently (Sitkin & Pablo, 1992; Wiklund & Shepherd, 2005).

For MSMEs in volatile and resource-constrained contexts such as Kenya, autonomy allows owner-managers to evaluate risks swiftly, mobilize limited resources, and act on opportunities others may ignore. Thus, risk-taking theory reinforces the notion that autonomy is not merely a personal trait but a strategic necessity for navigating uncertainty and sustaining growth.

The Resource-Based View Theory

The Resource-Based View (RBV) represents a key theoretical framework in strategic management, focusing on how a firm's internal resources and capabilities form the foundation for sustained competitive advantage (Kraaijenbrink, Spender, & Groen, 2010). It emphasizes the role of unique, firm-specific resources and capabilities as the foundation of superior performance (Barney, 1991). From this perspective, a firm's resources yield superior performance when they possess characteristics that make them valuable, distinctive, difficult to imitate, and not easily replaced (Barney, 1991; Lee et al., 2001). Within this framework, autonomy can be regarded as an intangible organizational capability that enables firms to adapt swiftly, foster innovation, and make effective use of internal knowledge. However, autonomy alone does not guarantee performance advantages—it must be integrated with complementary resources such as managerial competence, communication systems, and learning orientation (Grant, 1996; Newbert, 2007).

For Kenyan MSMEs, where tangible assets are often limited, autonomy represents a non-material yet strategic capability that can foster adaptability and creativity. Nonetheless, its value depends on whether firms possess the organizational structure and leadership capacity to channel independent action toward coherent strategic objectives. Thus, RBV helps explain why autonomy's impact may vary: it yields positive outcomes only when aligned with other firm-specific resources and competencies.

Contingency Theory

The contingency theory of the firm arises from the concept of co-alignment and is frequently characterized as the configuration, fit, or consistency approach within organizational research (Donaldson, 2001; Venkatraman & Prescott, 1990). In the context of EO, this perspective suggests that the benefits of autonomy depend on how well it fits the firm's operating environment and organizational design.

For Kenyan MSMEs, which often operate in uncertain, dynamic, resource-constrained conditions, centralized decision-making may sometimes yield better outcomes by ensuring efficiency and coordination, whereas in more stable or structured firms, autonomy may foster innovation and responsiveness. Contingency theory, therefore, provides a useful lens for interpreting the study's finding that autonomy can negatively affect firm growth when

misaligned with contextual realities. It underscores that the relationship between EO and performance is situationally dependent, shaped by the interaction between entrepreneurial behaviour and environmental contingencies.

Together, these four theories provide a multidimensional framework for understanding autonomy as both an enabler and constraint within entrepreneurial orientation. Schumpeterian and risk-taking theories explain why autonomy is essential for innovation and opportunity exploitation, while the RBV and contingency theory clarify when and under what conditions autonomy contributes positively to firm performance. In combination, they position autonomy as a context-dependent strategic capability—one that enhances MSME growth only when aligned with firm resources, managerial competence, and environmental demands.

2.2 Empirical Review of Literature

Entrepreneurial Orientation (EO) is commonly understood as a multidimensional concept integrating innovativeness, risk-taking, proactiveness, competitive aggressiveness, and autonomy (Lumpkin & Dess, 1996). While significant scholarly attention has focused on the first three dimensions, autonomy remains the least examined and most inconsistently understood component, particularly in emerging economies. Autonomy describes the extent to which individuals or teams have the discretion and freedom to generate and execute entrepreneurial initiatives (Lumpkin & Dess, 2001). Despite its conceptual importance as a driver of creativity, flexibility, and initiative, empirical evidence on its influence on firm performance remains fragmented and often contradictory.

Studies outside Africa generally emphasize the positive influence of autonomy on organizational outcomes. For instance, Pratono, Ratih, and Arshad (2018) analyzed 390 Indonesian SMEs and observed that higher levels of autonomy enhanced performance by improving pricing capabilities under technological turbulence. Using structural equation modeling (SEM), they reported both direct and indirect effects (SE = 0.039; t = 3.723), mediated by pricing capability (SE = 0.042; t = 11.71). However, the study omitted key diagnostic assessments—such as linearity, normality, heteroscedasticity, and multicollinearity—raising concerns about statistical robustness.

In a related context, Messikh (2023) examined 103 Algerian family-owned enterprises and found that entrepreneurial autonomy positively influenced firm outcomes, accounting for 12.6% of performance variance. Nonetheless, the small sample and descriptive–correlational

approach constrains generalizability to contexts such as Kenya. Conversely, other research finds autonomy to be a weak or insignificant predictor of performance. Górska-Warsewicz (2024), drawing on data from 266 Polish firms, observed that innovativeness, proactiveness, and competitive aggressiveness significantly affected performance, whereas risk-taking and autonomy were insignificant. Although the study applied partial least squares structural equation modeling (PLS-SEM), it lacked a clear theoretical rationale, limiting interpretive depth. To address such limitations, the current study is grounded in multiple theoretical perspectives, including Schumpeterian entrepreneurship theory, risk-taking theory, the resource-based view (RBV), competitive advantage theory, and life-cycle theory. This pluralism strengthens conceptual grounding and enables a more comprehensive interpretation of autonomy within the EO framework.

Evidence from African contexts remains mixed. Kapaya, Mpogole, and Kisumbe (2018), using SEM and cluster analysis among 143 Tanzanian SMEs, found that autonomy was the sole EO dimension significantly associated with business performance, accounting for 6.1% of the model. However, the relationship was negative, suggesting potential measurement or contextual misalignment. Oni, Agbobli, and Iwu (2019), in a South African study of 268 SMEs, reported that innovativeness, risk-taking, and proactiveness were positively related to performance, whereas autonomy was not significantly related ($p = 0.24$). Similarly, Usoroh (2021), examining 388 Nigerian SMEs, found that autonomy was positively but insignificantly related to SME growth ($t = 1.634$). These studies, which rely on cross-sectional data and self-reported performance measures, share methodological weaknesses that limit causal inference and heighten common-method bias.

Kenyan studies provide further insight yet reveal inconsistencies. Waithaka (2017), studying agro-based manufacturing SMEs in Kiambu County, identified a strong positive association between autonomy and firm performance ($r = 0.652$), with regression results showing autonomy accounted for 42.5% of performance variance. Similarly, Osore, Ngugi, and Ogollah (2020) found that EO dimensions—autonomy, risk-taking, proactiveness, and competitive aggressiveness—had significant effects on the performance of both conventional and Islamic banks, suggesting autonomy's relevance across sectors. Conversely, Kiwara, Gathungu, Ogutu, and Njihia (2023), focusing on dairy micro- and small-scale enterprises in the same county, analyzed only the aggregate EO-performance relationship without distinguishing individual dimensions. The study's cross-sectional design, limited geographic scope, and reliance on quantitative data also constrain explanatory power. More recently, George (2025) examined

154 agro-dealers in Dodoma City, Tanzania, and reported that autonomy did not exert a statistically significant influence on business performance ($\beta = 0.015$). However, correlation analysis indicated a weak yet positive association ($p < 0.05$), which George attributed to centralized decision-making structures, recommending greater delegation of authority to improve responsiveness.

Collectively, these studies highlight three persistent challenges in autonomy research. First, methodological limitations are widespread: many rely on descriptive statistics, cross-sectional surveys, or single-informant data without adequate diagnostic testing. Some report inflated coefficients, while others, like Pratono et al. (2018), omit key assumption checks. Few incorporate qualitative insights to explain how and why autonomy affects performance, weakening generalizability. Second, conceptual inconsistency persists in how autonomy is modeled and measured. Some scholars treat EO as a composite construct, obscuring autonomy's unique contribution, while others disaggregate dimensions but overlook contextual moderators such as market turbulence, managerial experience, or institutional support. Autonomy is also inconsistently framed—as managerial discretion at the individual level or as a structural firm attribute—producing divergent findings (Kapaya et al., 2018). Third, contextual narrowness remains evident. Most studies focus on specific sectors or regions, limiting external validity. Moreover, few explicitly link autonomy to structural constraints facing MSMEs in Africa, such as financial limitations, regulatory barriers, and centralized owner–manager decision-making.

These weaknesses have produced a fragmented and theoretically shallow literature. While studies such as Waithaka (2017) and Messikh (2023) suggest that autonomy enhances performance by fostering initiative and flexibility, evidence from Górska-Warsewicz (2024), Oni et al. (2019), and George (2025) indicates weak or insignificant effects, suggesting that autonomy's influence is context-dependent. In settings of uncertainty and resource scarcity, excessive autonomy may diffuse strategic focus and weaken coordination; in more structured, resource-rich environments, it may promote innovation and competitiveness. The lack of clarity about autonomy's strategic value leaves entrepreneurs and policymakers uncertain about its value in resource-constrained MSME ecosystems.

In response, the current study advances the autonomy–performance debate in three ways. First, it isolates autonomy from the broader EO construct to assess its unique contribution to MSME growth. Second, it strengthens methodological rigour by complementing inferential analysis

with diagnostic tests, such as factor analysis, variance inflation factors (VIFs), and normality checks, to ensure construct validity and model reliability. Third, it employs a sequential mixed-methods design that quantifies the autonomy–growth link while qualitatively exploring how entrepreneurs interpret and enact autonomy within Kenya's entrepreneurial landscape. This integrative design addresses methodological, conceptual, and contextual weaknesses in prior studies, offering a more credible and contextually grounded understanding of how autonomy shapes MSME performance in Kenya.

3. METHODOLOGY

The study employed a sequential mixed-methods approach, focusing on micro, small, and medium-sized enterprises (MSMEs), particularly manufacturing firms affiliated with the Kenya Association of Manufacturers and innovation driven start-ups in Nairobi City County. Respondents were owners or managers of these enterprises.

A stratified random sampling approach was utilized to ensure adequate representation of all subgroups within the target population. The population of 979 firms was divided into nine strata based on sub-sectors. The sample size of 284 MSMEs was derived using Yamane's (1967) finite population formula and was proportionally distributed across the strata before random selection. All ethical protocols were strictly observed throughout the study. Informed consent and participant anonymity were maintained at every stage, ensuring transparency, compliance with ethical guidelines, and safeguarding participant welfare.

Ethical considerations were rigorously upheld throughout the study. Participation was voluntary, and informed consent was obtained from all respondents. Confidentiality and anonymity were maintained, and participants were free to withdraw at any point. These procedures ensured transparency, adherence to ethical standards, and the protection of participant well-being.

Primary data were collected using structured questionnaires and semi-structured interview guides. The questionnaires were pilot-tested to establish validity, and both content and face validity were confirmed. Internal consistency reliability was evaluated using Cronbach's alpha, and all constructs recorded coefficients above 0.70, indicating acceptable reliability for the Entrepreneurial Orientation measures.

4. RESULTS AND DISCUSSION

Data were analyzed through both descriptive and inferential statistical procedures. Descriptive analysis—comprising frequencies, percentages, means, and standard deviations—was utilized to present and summarize the characteristics of the respondents and study variables. Inferential statistical techniques were subsequently applied to test the study's primary hypothesis, assessing how autonomy influences the growth and overall performance of micro, small, and medium-sized enterprises (MSMEs) in Kenya.

Response Rate and Demographic Information

The study targeted a sample of 284 micro, small, and medium-sized enterprises (MSMEs). Of these, 247 questionnaires were completed and returned, yielding a response rate of 87%. This rate aligns with methodological recommendations in existing literature; for example, Babbie (2020) suggests that a response rate above 70% is acceptable for descriptive research and ensures sufficient representativeness.

Background Information

In this study, an assessment was conducted to identify the general characteristics of Micro, Small, and Medium Enterprises (MSMEs). The analysis covered several aspects, including the type of business, the nature of its operations, the number of years the business has been active, the size of its workforce, and its annual sales. Such background information is essential, as it informs the design of sector-specific policies and support services, provides insights into market experience and stability, facilitates assessment of employment generation and job creation, and enables financial evaluations for creditworthiness and performance benchmarking.

The findings indicated that the majority of MSMEs were private limited companies (68.8%). Other forms of ownership included individually owned enterprises (22.3%) and partnerships (8.1%). Only 0.8% (n = 2) fell into other unspecified categories, which included public corporations. Regarding enterprise activities, 24.38% of MSMEs were engaged in chemical manufacturing, 17.41% in plastics and rubber, and 15.42% in motor vehicle accessories. Additional activities included food and beverage (14.43%), metal and allied industries (13.93%), textiles and apparel (6.47%), and leather and footwear (5.47%), with a smaller proportion (2.49%) of enterprises operating in engineering and construction.

In terms of years of operation, 46.0% of MSMEs had been in existence for more than 20 years, 13.0% for 16-20 years, 12.5% for 11-15 years, 30.0% for 6-10 years, and 13.5% for 2-5 years. Regarding employment, 30.35% of enterprises reported having between 10 and 49 employees, while 24.38% reported employing between 50 and 59 individuals. Annual sales data revealed that 49.25% of MSMEs generated revenues exceeding 10 million, 25.37% reported sales of between 5 and 10 million, 11.94% reported sales of between 2 and 3 million, and 5.47% reported sales of 1 million or less.

Further analysis of enterprise activities indicated that 21.1% (n = 52) were engaged in biotechnology, 17.4% (n = 43) in mechanics, and 14.6% (n = 36) in applied sciences. Food and beverage accounted for 13.8% (n = 34), while social innovation represented 11.7% (n = 29). The study also established that most enterprises (37.2%, n = 92) had been in operation for more than 20 years, underscoring their potential contribution to economic stability. Regarding employment, 23.1% (n = 57) reported having more than 100 employees, reflecting significant contributions to job creation. Finally, regarding annual sales, most enterprises (40.1%, n = 99) recorded revenues exceeding 10 million, while 21.1% (n = 52) reported sales between 5 and 10 million.

Descriptive Results of Autonomy

This section examines the role of autonomy within Micro, Small, and Medium Enterprises (MSMEs). Autonomy, a key component of entrepreneurial orientation (EO), reflects the extent to which individuals or teams within a firm have the freedom to make independent decisions and take initiative in business activities. In this study, autonomy was assessed using five indicators designed to capture the degree of self-direction and decision-making independence exercised within MSME operations. The results are presented in Table 1.

Table 1: Descriptive Analysis on Autonomy

Statement	SD	D	N	A	SA	M	SD
My firm's employees are given freedom and independence in doing their work without depending on the owner/manager direction.	0.80%	33.20%	15.00%	10.50%	40.50%	3.52	1.30
In this firm, individuals and/or teams pursuing business opportunities have to obtain approval from their managers before making decisions	6.90%	14.60%	15.00%	12.60%	51.00%	3.86	1.32
The owner/manager of this firm believes that the best results occur when individuals and/or teams decide for themselves what business opportunities to pursue.	5.30%	15.40%	18.60%	22.70%	38.10%	3.74	1.24
In this firm, the owner/manager (rather than employee initiatives and input) play a major role in identifying and selecting the entrepreneurial opportunities this firm pursues	4.00%	13.80%	16.20%	19.40%	46.60%	3.88	1.21
Employees in my firm are given authority and responsibility to act alone if they think it to be in the best interests of the business	3.60%	31.60%	13.80%	14.60%	36.40%	3.53	1.32
Overall Mean						**3.724**	

Note. SD=Strongly Disagree; D=Disagree; N=Neutral; A=Agree; SA=Strongly Agree; M = Mean; SD = Standard Deviation

The descriptive results (Table 1) indicate a moderate level of autonomy among MSMEs in Nairobi City County. Just over half of the respondents (51.0%) agreed that employees enjoy freedom and independence in carrying out their responsibilities without constant direction from the owner-manager (M = 3.52, SD = 1.30). However, a considerable share (33.2%) disagreed, suggesting that autonomy is unevenly practiced across firms.

At the same time, most respondents (63.6%) reported that employees and teams must still seek managerial approval before pursuing new business opportunities (M = 3.86, SD = 1.32). This points to the persistence of managerial oversight even where some autonomy is granted. Interestingly, 60.8% of owners/managers acknowledged that better results often come when individuals or groups are free to choose and act on business opportunities on their own initiative. (M = 3.74, SD = 1.24), though about one-fifth (20.7%) disagreed with this view.

The results further show that 66.0% of respondents perceived owners/managers as playing the dominant role in identifying entrepreneurial opportunities (M = 3.88, SD = 1.21). While employee input is valued, ultimate authority remains with management, reflecting a balance between empowerment and control. Similarly, just over half (51.0%) agreed that employees are given the authority to act alone when necessary (M = 3.50, SD = 1.32). However, 35.2% disagreed, underscoring that many firms still prefer tighter control over decision-making.

Overall, the findings reveal a moderate but cautious approach to autonomy**.** While empowerment and independence are recognized as valuable, managerial oversight continues to make a substantial contribution, particularly in strategic decisions. This implies that Kenyan MSMEs adopt a pragmatic balance between encouraging employee initiative and maintaining control to align actions with broader business goals.

These results align with Krauss et al. (2005), who argue that autonomy motivates individuals and teams to pursue their own ideas, and with Lumpkin, Cogliser, and Schneider (2009), who highlight its role in opportunity recognition and venture initiation. Consistent with this, Messikh (2023) reported a positive effect of autonomy on family firm performance in Algeria, while Usoroh (2021) observed a positive relationship between autonomy and SME growth in Nigeria, although the result was not statistically significant.

Descriptive Results of MSME Growth

This study measured business growth using indicators such as sales volume, asset value, and employee count. Respondents were asked to indicate their level of agreement with various growth-related statements using a five-point Likert scale. In addition, they provided information on their firms' sales performance, asset holdings, and workforce size covering approximately the past five years of operation.

The descriptive results in Table 4 indicate that most MSMEs reported positive growth across sales, assets, and employment. In terms of sales, 82% of respondents rated their growth as *better* or *much better* (M = 4.44, SD = 0.91), reflecting substantial expansion in sales volumes. Similarly, 81% reported improved asset growth (M = 4.45, SD = 0.94), suggesting that many firms successfully expanded their asset base, likely through reinvestment or improved access to financing.

Employee growth also showed an upward trend, with 78.8% of respondents indicating *better* or *much better* outcomes (M = 4.35, SD = 0.98). This points to workforce expansion consistent with growing operations and increased demand. Overall, the composite mean of 4.41 across the three indicators demonstrates a broadly positive growth trajectory among the MSMEs studied.

These findings highlight encouraging growth patterns in Kenyan MSMEs, particularly in sales and assets, and reinforce the sector's role as a driver of employment and economic development. The results suggest that many of these firms have been able to consolidate operations, expand capacity, and create new jobs despite the structural challenges typically faced in emerging markets.

Inferential Statistics

Correlation Analysis

To explore the link between autonomy and MSME growth, a Pearson correlation analysis was performed. As shown in Table 2, the findings indicated a moderate, negative, and statistically significant relationship between the two variables ($r = –0.576$, $p < 0.01$). These results indicate that when employees experience greater autonomy, MSMEs tend to exhibit comparatively lower growth levels. In other words, firms that decentralize decision-making may experience

slower growth compared to those where owner-managers retain tighter control. This finding contrasts with studies such as Pratono et al. (2018) and Messikh (2023), which reported positive effects of autonomy on performance, but resonates with evidence suggesting autonomy may not always yield growth benefits in resource-constrained or highly centralized contexts.

Table 2: Correlation between Autonomy and MSME Growth

Correlations			
		Autonomy	MSME Growth
Autonomy	Pearson Correlation	1	
	Sig. (2-tailed)		
MSME Growth	Pearson Correlation	-.576**	1
	Sig. (2-tailed)	.000	
** Correlation is significant at the 0.01 level (2-tailed).			

Hypothesis Testing

A simple linear regression analysis was performed to test the hypothesis at the 95% confidence level ($p < 0.05$). The model was defined as follows:

MSME Growth = $\beta_0 + \beta_1 X_1$ (Autonomy) + ε

Where:

MSME Growth = growth of micro, small, and medium enterprises (proxied by volume of sales, number of employees and assets base)

β_0 = constant (Y-intercept)

β_1 = regression coefficient measuring the effect of Autonomy on MSME Growth

X_1 = Autonomy

ε = error term

The hypothesis tested was stated as follows:

H_{01}: Autonomy has no significant effect on the growth of small and medium enterprises in Kenya

The regression results (Table 3) show that the model captured 33.1% of the variance in firm growth ($R^2 = 0.331$; Adjusted $R^2 = 0.329$). ANOVA outcomes (Table 4) further verified the model's statistical significance ($F = 121.454$, $p < 0.001$).

The regression model summary is presented in Table 3**.**

Table 3: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.576a	0.331	0.329	0.66476
a. Predictors: (Constant), Autonomy				

In Table 4, ANOVA results between autonomy and MSME growth are presented.

Table 4: Analysis of Variance (ANOVA)

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	53.671	1	53.671	121.454	.000[b]
	Residual	108.267	245	0.442		
	Total	161.938	246			
a. Dependent Variable: MSME Growth						
b. Predictors: (Constant), Autonomy						

Table 4 presents the ANOVA results, which demonstrate that the model significantly accounts for the effect of autonomy on MSME growth in Kenya. The *p*-value (0.000) was below the 0.05 level, confirming the model's statistical significance. This result provides strong evidence that autonomy is a significant predictor of firm growth among MSMEs in Kenya.

The regression coefficient between autonomy and MSME growth is presented in Table 5.

Table 5: Regression Coefficient Result

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.503	0.171		14.656	0.000
	Autonomy	-0.381	0.035	-0.576	11.021	0.000
a. Dependent Variable: MSME Growth						

As shown in Table 5, the regression analysis identified a negative, statistically significant association between autonomy and MSME growth in Kenya (β = –0.381, p = 0.001). This suggests that, when other variables are controlled for, a one-unit rise in autonomy corresponds to a 0.381-unit decline in MSME growth. The result suggests that excessive employee independence, in the absence of coordinated strategic oversight, may constrain the firm's ability to channel initiatives effectively, align decisions with long-term goals, and sustain collective performance. In other words, while autonomy theoretically fosters creativity and innovation (Lumpkin & Dess, 2001), within Kenyan MSMEs, it may paradoxically hinder growth when not accompanied by clear guidance, communication structures, and managerial control. The significant p-value (< 0.05) led to the rejection of the null hypothesis (H01), indicating that autonomy has a negative, statistically significant influence on the growth of MSMEs.

These findings suggest that within Kenya's entrepreneurial landscape, greater employee independence does not necessarily translate into improved firm performance. Instead, centralized decision-making by owner-managers may provide clearer direction, more efficient resource allocation, and tighter strategic coherence, all of which support growth in volatile or resource-constrained environments. These finding questions the traditional EO view that autonomy universally enhances performance and highlights the need to align an organization's internal design with its surrounding environment. Viewed through the lens of contingency theory, the value of autonomy is shaped by contextual factors: in environments marked by uncertainty, weak institutional frameworks, and limited managerial capacity, a more hierarchical structure may provide greater stability and coordination.

Grounded in the resource-based theory (Barney, 1991), autonomy can only yield competitive advantage when it is bundled with complementary capabilities such as skilled managers, communication mechanisms, and adequate financial and human capital. In many Kenyan MSMEs, these enabling resources are scarce, and authority is often concentrated in the owner-manager. Excessive autonomy under such conditions may fragment decision-making, diffuse accountability, and lead to uncoordinated market responses. Thus, the negative association observed here does not necessarily imply that autonomy is inherently detrimental, but rather that it operates as a conditional capability—its value contingent upon organizational maturity and resource configuration.

Empirically, the finding diverges from evidence in Algeria and Indonesia, where autonomy was found to positively influence firm performance (Messikh, 2023; Pratono, Ratih, & Arshad, 2018). The discrepancy may stem from differences in institutional environments and managerial capacity. In Indonesia, for instance, Pratono et al. (2018) observed that autonomy improved performance through pricing capability in technologically turbulent markets, suggesting that autonomy's effectiveness increases when firms possess the absorptive capacity to translate independence into strategic learning. In contrast, the current findings align more closely with results from South Africa and Tanzania, where Oni, Agbobli, and Iwu (2019) and Kapaya, Mpogole, and Kisumbe (2018) reported weak or negative effects of autonomy on SME performance. These similarities suggest that African MSMEs may experience diminishing returns from autonomy due to governance structures that centralize power and decision-making in founders or family owners, leaving little room for decentralized initiative.

These findings provide additional insight into Waithaka's (2017) study in Kenya, which reported a significant positive association between autonomy and the performance of SMEs operating in the agro-manufacturing industry. The contrast likely reflects contextual and sectoral variations. Manufacturing enterprises often require operational flexibility and continuous innovation, conditions under which autonomy enhances efficiency and adaptation. By contrast, service-based or early-stage firms—dominant among Kenyan MSMEs—may depend more heavily on founder-driven coordination to maintain financial discipline and consistent customer engagement. Firm maturity may therefore moderate autonomy's effect: while nascent enterprises benefit from centralized control that prevents decision redundancy, mature firms with formalized structures may derive more value from delegated decision-making and employee empowerment.

Taken together, the results indicate that autonomy's influence on MSME growth in Kenya is context-dependent rather than universal. Autonomy functions optimally only when balanced with managerial control, effective communication, and resource sufficiency. In small firms facing market volatility, strong leadership and centralized coordination appear to compensate for structural and informational weaknesses. For policymakers, these findings highlight the need to design MSME development programs that go beyond advocating decentralization. Building managerial competence, governance systems, and training that prepare employees to exercise informed autonomy could help convert independence into strategic advantage. For entrepreneurs, the lesson is to calibrate autonomy—granting decision latitude where

competence exists but maintaining oversight where experience or resources are limited. Achieving this balance between freedom and control may be critical to sustaining MSME growth and competitiveness in Kenya's dynamic economic environment.

5. CONCLUSION AND RECOMMENDATIONS

Based on the results, it can be inferred that autonomy, though conceptually central to Entrepreneurial Orientation, is not universally beneficial. In the Kenyan MSME context, it operates as a conditional capability rather than a guaranteed performance driver. Autonomy contributes positively only when supported by effective communication, delegation, and coordination systems. Where owner-managers retain concentrated control and management structures are weak, unmoderated autonomy may reduce efficiency and strategic focus. These findings extend EO theory by showing that the autonomy–growth relationship is context-dependent, reinforcing contingency theory and the resource-based view (RBV). Autonomy enhances performance when complementary resources—managerial competence, structural maturity, and learning capacity—exist. Without these, autonomy can undermine coherence and slow growth. Thus, autonomy should be viewed not as a static trait but as a dynamic, context-sensitive element of entrepreneurial orientation.

Recommendations for Practice

This study recommends that MSME owner-managers in Kenya strike a balance between employee autonomy and managerial oversight. While autonomy was found to negatively affect growth, it remains vital for innovation and decision-making. Managers should establish clear guidelines and frameworks that empower employees while aligning their actions with strategic objectives. Regular reviews and feedback mechanisms are also essential to maintain this balance and prevent misalignment.

Recommendation for Policy

For MSME owner-managers, the findings suggest that growth may be best supported by a balanced approach to autonomy: allowing employees to contribute ideas and take initiative, while retaining centralized oversight for strategic alignment and resource allocation. From a policy perspective, the findings underscore the importance of capacity-building programs that

strengthen managerial skills and decision-making systems, enabling firms to exercise autonomy in ways that enhance, rather than undermine, growth.

Aligned with the broader development agenda, these recommendations support the realization of Sustainable Development Goal 8, which promotes decent work and economic growth. They emphasize that MSME growth strategies in emerging economies should balance autonomy with resilience to foster inclusive and sustainable development.

Recommendations for Further Research

Future studies could extend the current analysis by incorporating moderating or mediating variables to gain deeper insight into the autonomy–growth relationship. For example, researchers might examine how specific dimensions of autonomy interact with contextual factors such as firm size, age, industry characteristics, or environmental conditions. Including such variables could clarify when and how autonomy contributes positively or negatively to MSME growth. Longitudinal research designs would also be valuable in exploring how the relationship between autonomy and firm growth evolves over time.

Overall, although autonomy remains a central dimension of entrepreneurial behaviour, its influence on MSME growth in Kenya appears more nuanced than previously assumed. Future Entrepreneurial Orientation research should therefore emphasize contextualization—particularly examining how firms can balance employee empowerment with managerial oversight to achieve sustainable and inclusive growth outcomes.

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