

# Entrepreneurial Competencies and Performance of Online Retail Enterprises in Kenya: Moderating role of Legal framework

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**Abstract:** Despite the transformative potential of online trading, retail enterprises in Kenya continue to experience uneven performance. These constraints undermine the sector's full potential and pose a significant barrier to broader national economic development. This study assessed the impact of entrepreneurial competencies on the performance of online retail enterprises in Kenya as well as the moderating role of the legal framework. Using a descriptive design, it targeted 495 employees from 165 registered online retail enterprises, with a sample size of 351 determined by Yamane's formula. Data was analysed using a triangulation approach. Regression analysis revealed that entrepreneurial competencies significantly and positively influence enterprise performance. From the findings, entrepreneurial competencies were found to have a significant positive influence on performance online retail enterprises in Kenya ( $p < 0.001$ ). The results show that the legal framework significantly influence performance on its own, its interaction with entrepreneurial competencies has a notable impact, with the interaction term showing a significant moderating role ( $p < 0.01$ ). To improve the performance of online retail enterprises, managers should focus on developing entrepreneurial competencies while advocating for supportive legal frameworks. Policymakers should update laws to support the digital economy, provide financial incentives, and enhance access to resources for small businesses. The study contributes to entrepreneurship theory by emphasizing the importance of human capital and government policies.

**Keywords:** Entrepreneurial Competencies, Enterprise Performance, Legal Framework, Online Retail Enterprises.

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## 1. INTRODUCTION

The rapid evolution of Information and Communications Technology (ICT), coupled with increasing internet penetration, has fundamentally transformed the landscape of online trading, fuelling the exponential growth of online retail enterprises over the past decade (Achiando, 2019; Orare & Nkirina, 2019). This digital revolution has accelerated the emergence of retail enterprises that deliver goods and services through online platforms, offering consumers enhanced efficiency, accessibility, and convenience (Paul & Rosenbaum, 2018; Bachoo, 2019). Wilden and Gudergan (2015) assert that the development of well-structured online trading strategies is instrumental in improving enterprise performance within highly competitive digital markets.

Performance, as conceptualized by Al-Hinn and Adaileh (2018), reflects the achievement of critical market objectives relative to strategic targets, often driven by the effective utilization of technological innovations to gain competitive advantage. It is a multidimensional construct, assessable through various indicators such as financial outcomes, corporate social responsibility, and employee retention (Jovanović et al., 2020). Among these, sales performance stands out as a practical metric, enabling standardized cross-enterprise comparisons while providing a direct indicator of return on

investment. Moreover, broader assessments of enterprise performance encompass dimensions such as market efficiency, customer loyalty, and service quality (Pekovic & Rolland, 2016).

Research by Azeem, Marsap, and Jilani (2015) demonstrated a strong link between online retailing and enhanced organizational performance, with improvements noted in operational efficiency, employee productivity, and customer satisfaction. Similarly, Onyemaechi, Achara, and Ogwulumba (2019) identified a significant positive correlation between the adoption of online retailing platforms and firm performance. However, this rapid expansion has also intensified market competition and introduced complex industry dynamics, which have negatively impacted the performance of numerous online retailers, particularly within developing economies in Africa (Nganga & Mbithi, 2020).

Many large-scale African online retail ventures face systemic challenges that hamper their growth and operational efficiency (Teuteberg, 2020). These challenges threaten critical business outcomes such as revenue growth, market expansion, and profitability. For example, in Rwanda, Jumia, a major player in the online retail space, ceased operations in 2017, citing a lack of sustainable profitability (International Trade Centre & Amsterdam University of Applied Sciences, 2020). Similarly, online retail enterprises in Kenya continue to encounter regulatory and structural constraints that undermine performance (Kiboro, 2018).

A substantial body of empirical literature underscores entrepreneurial competencies as key determinants of enterprise success (Kufwafwa, 2024; Liu et al., 2022; Zizile, 2018). Zizile (2018) emphasized that such competencies are closely linked to the sustainability and performance of small enterprises. These competencies, encompassing technical, industry-specific, and managerial capabilities, are essential for navigating the complex and dynamic digital marketplace. Technical competencies improve operational efficiency and customer interaction (Liu et al., 2022), industry competencies provide market intelligence for strategic decision-making (Githui & Njuru, 2024), and managerial competencies enable effective resource utilization and business optimization (Kufwafwa, 2024). Collectively, these capabilities contribute significantly to improved sales, profitability, and expansion potential.

Despite Kenya's notable progress in infrastructure and regulatory reform (Deloitte, 2019), the online retail sector's growth remains modest. A primary barrier lies in rigid institutional and legal frameworks that continue to constrain entrepreneurial development (Nganga & Mbithi, 2020). Given this, the effectiveness of entrepreneurial competencies is often moderated by the prevailing legal environment. This study, therefore, investigates the moderating role of legal frameworks in shaping the relationship between entrepreneurial competencies and enterprise performance.

### Statement of the Problem

Despite the advantages of online trading, the performance of online retail enterprises in Kenya has been inconsistent (Afreximbank, 2019; Cyttonn, 2018). These businesses have experienced low market penetration (25–30%) (Oniwe, Makoe & Mohamed, 2019), a 15% decline in market share between 2019 and 2020 (World Bank, 2020), and a 60% failure rate within the first year (Deloitte, 2019). Additionally, only 23% of Kenyans participate in online shopping, compared to a global average of 59% (Deloitte, 2019). This underperformance potentially hampers job creation, economic growth, income distribution, consumer confidence, and technological advancement. Literature indicates that online retailing can improve enterprise performance through entrepreneurial competencies that enhance efficiency and market reach (Soltanifar & Smailhodžić, 2021; Jovanović et al., 2020; Kunin et al., 2018; Caldwell, 2018). However, existing research reveals contextual, methodological, and conceptual gaps. Research by Sihotang et al. (2020) and Mivehch (2019) focused on entrepreneurs in Indonesia and Iran respectively, limiting applicability to Kenya. Methodologically, Weiger (2019) used a descriptive-qualitative approach, and Igwe et al. (2021) relied on correlation analysis, both limiting causal insights. Conceptually, some studies focused on narrow demographics or single performance determinants (Sihotang et al., 2020; Weiger, 2019). The current study addresses these gaps by evaluating entrepreneurial competencies and online retail enterprise performance in Kenya.

### Research Hypothesis

**H<sub>01</sub>:** *Entrepreneurial competencies do not have a statistically significant relationship with performance of online retail enterprises in Kenya*

**H<sub>02</sub>:** *Legal framework does not have a statistically significant moderating effect on the relationship between entrepreneurial competencies and performance of online retail enterprises in Kenya*

## 2. LITERATURE REVIEW

### Human Capital Entrepreneurship Theory

Human Capital Entrepreneurship Theory, developed by Gary Becker (1964), emphasizes the significance of human capital; education, training, and experience, in enhancing economic performance and entrepreneurship. Becker (1994) and Cassar (2006) argue that such investments yield returns in the form of increased sales, business growth, and profitability. Entrepreneurs with higher human capital are better positioned to manage, innovate, and make strategic decisions that enhance enterprise success (Becker, 1975; Anderson & Miller, 2003).

However, the theory faces several critiques. Netcoh (2016) notes it lacks clarity on how education and training translate into productivity and wages. Bassi and McMurrer (2008) highlight inconsistent human capital assessment across firms, while Pritchett (2001) questions the assumed direct link between education and economic growth, especially in weak institutional contexts. Bowles and Gintis (1975) criticize the theory for reducing economic skills to narrow metrics, overlooking broader socio-economic functions of education. Despite these limitations, the theory remains relevant to online retail enterprises, offering a valuable lens to understand how entrepreneurial competencies drives entrepreneurial performance. Given rapid technological change and market pressures, firms must strategically invest in human capital to stay competitive (Hillier et al., 2011). Skills in digital marketing, tech proficiency, and strategic management are particularly vital. Weiger (2019) reinforces that such competencies enhance performance in the online marketplace.

### The Political System Theory of Entrepreneurial Growth

The Political System Theory of Entrepreneurial Growth, introduced by Hoselitz (1917), emphasizes the critical role of the political environment in promoting entrepreneurship. It asserts that supportive laws, secure business conditions, equitable taxation, and pro-entrepreneurial policies contribute significantly to entrepreneurial activity (Belitski, Grigore, & Bratu, 2021). A strong legal framework, particularly in online retail, enhances enterprise performance by reducing transaction costs, offering investment incentives, and fostering a predictable business environment (Belitski et al., 2021). The theory also notes that common law systems typically provide better legal protection for enterprises than civil law systems, thereby supporting financial development and entrepreneurial stability (Stam, 2018). Legal and regulatory frameworks influence resource allocation and enterprise development through policy interventions. However, the theory faces critiques. Belwal, Shibli, and Belwal (2021) argue that consumer protection laws often inadequately address global online trading concerns and tend to serve elites rather than the broader public. This critique suggests the theory may overstate political influence by allowing bureaucratic responsibilities to be shaped by political agendas. In the context of online retail enterprises, evaluating the legal and political environment is essential for building supportive operational structures. The theory is relevant to this study as it explains how legal frameworks moderate the relationship between entrepreneurial competencies and performance.

### Empirical Literature Review

The entrepreneurial competency approach has emerged as a key framework for understanding the traits and skills essential for business success, particularly in the online retail sector. Empirical studies have emphasized the importance of competencies such as digital marketing, partnership development, and market-oriented skills in driving entrepreneurial performance. For instance, Sihotang et al. (2020) found that Indonesian women entrepreneurs in online business often struggled to leverage their professional capabilities, underscoring the need for targeted skill development. Weiger (2019) highlighted Jumia Travel's success in adapting to local markets through competency acquisition. Similarly, Ndururi, Mukulu, and Omwenga (2019) stressed the value of entrepreneurial knowledge and skill investments. In logistics, Ceok et al. (2017) identified key operational competencies like order accuracy and reverse logistics as performance drivers, while Musa et al. (2016) demonstrated the positive impact of social media marketing on SME performance in Malaysia. Okanga and Groenewald (2015) revealed inefficiencies in South Africa's online retail logistics and proposed strategic solutions to improve delivery systems. Collectively, these studies affirm that entrepreneurial competencies, efficient logistics, and strategic skill development are critical to enhancing online retail performance.

The political systems theory of entrepreneurship underscores the critical influence of legal frameworks on enterprise performance, particularly in the online retail sector. Research by Nganga and Mbithi (2020) highlights that a supportive legal environment enhances business outcomes, though selective enforcement can limit entrepreneurial potential. This study explores how legal frameworks moderate the relationship between entrepreneurial structures and performance in online

retail. Existing literature reveals varied regulatory challenges across regions: Dineo (2020) stresses the need for stronger online retail laws in South Africa, while Belwal et al. (2021) show that Oman's consumer protections are robust offline but inadequate online. Kwilinski et al. (2019) advocate for harmonizing Ukrainian laws with international norms to strengthen legal consistency, and Long (2019) points out the uncertainty created by vague regulations around competition law on digital platforms. These studies affirm that well-structured, internationally aligned legal frameworks are essential for enabling sustainable performance of online retail enterprises.

### 3. RESEARCH METHODOLOGY

Research philosophy refers to the set of underlying beliefs about how knowledge is generated and understood, guiding the researcher's approach to inquiry (Saunders, Lewis, & Thornhill, 2019). This study adopted a pragmatist philosophy, which values concepts and theories based on their practical utility and effectiveness in addressing real-world problems. Pragmatism integrates both objectivist and subjectivist perspectives, combining empirical evidence with contextual insights to inform action. It supports the use of both quantitative and qualitative methods to provide a holistic understanding of complex issues. In this study, a quantitative approach was employed to investigate the relationship between entrepreneurial competencies and the performance of online retail enterprises, while qualitative methods were used to explore contextual influences more deeply. This mixed-methods approach was selected to harness the generalizability of quantitative data alongside the rich, explanatory power of qualitative insights, ensuring a more comprehensive analysis of the research problem.

This study employed a cross-sectional research design, which is effective for collecting data at a single point in time (Creswell & Creswell, 2018). Chosen for its time and cost efficiency (Nazri, Aroosha, & Omar, 2016), this design allows simultaneous assessment of outcomes and exposures (Setia, 2016). Participants were selected based on defined inclusion and exclusion criteria aligned with the study's objectives. Often used as a preliminary step in quantitative research, the cross-sectional design offers a broad overview, helping to identify key variables for further investigation.

The target population for this study comprised all 165 registered online retail enterprises in Kenya. The unit of analysis was three key employees in each enterprise, the manager, business manager, and operations manager, resulting in a total population of 495 individuals. This approach ensured a representative sample reflective of the broader population.

In determining the sample size of the online enterprises, the study was informed by the formula suggested by Yamane (1967) which is expressed as;

$$n = \frac{N}{1+N(e^2)}$$

Where n is the sample size, N is the target population size and e is the level of precision (specifically  $\pm 5\%$  precision at 95% confidence level).

$$\text{Thus } n = \frac{165}{1+165 \cdot (0.05)^2} = \frac{165}{1+165 \cdot (0.025)} = \frac{165}{1+4.125} = \frac{165}{5.125} = 116.81 \approx 117$$

Thus, a total of 117 online retail enterprises participated in the study, with three key staff members engaged from each, resulting in a final sample size of 351 respondents. To ensure representative participation across the different categories, the study adopted a stratified proportionate random sampling technique (Parsons, 2017). This approach involved determining the sample size for each stratum based on its proportional representation within the overall target population. Subsequently, simple random sampling was applied within each stratum to select individual respondents, thereby enhancing the validity and generalizability of the findings.

In this study, semi-structured questionnaire, which featured both closed and open-ended questions, was used. The design of the questionnaire was meticulously considered, with particular attention given to the sequence of questions. The questionnaire was created using Google Forms and disseminated to respondents via their email addresses. For those businesses that could be reached in person, face-to-face administration was arranged. This approach facilitated efficient data collection while accommodating the unique operational characteristics of the online retail enterprises (Creswell & Creswell, 2018).

The study employed a mixed-methods approach, combining quantitative and qualitative analysis to achieve a comprehensive understanding of the research problem. The quantitative component utilized advanced statistical techniques, including descriptive and inferential statistics, to examine relationships and test hypotheses. Meanwhile, the qualitative data was analysed through systematic coding and thematic analysis, with triangulation used to enhance credibility by cross-

verifying data from multiple sources. This integration of numerical precision and contextual depth ensured a robust and multidimensional analysis.

Regression analysis was carried to establish a model to estimate the performance of the online retail enterprises in terms of the entrepreneurial competencies, using the equation:

$$Y = \beta_0 + \beta_1 X_1 + e \dots \dots \dots (1)$$

Where:

Y = Performance of online retail enterprises in Kenya

X<sub>1</sub> = Entrepreneurial competencies

β<sub>0</sub> is a constant (which is the value of dependent variable; Y, when the independent variable is zero).

β<sub>1</sub> is the regression coefficients or change induced by Entrepreneurial competencies

e = error term

Hierarchical regression analysis was used to test for moderating effects, with significance assessed through p-values and changes in R<sup>2</sup> (Baron & Kenny, 1986). The model used to test the moderating effect was;

$$Y = \beta_0 + \beta_1 X + \beta_2 Z + \beta_3 (X \cdot Z) + e \dots \dots \dots (2)$$

Where:

Y = Performance of online retail enterprises in Kenya

X = Entrepreneurial cooperation

Z = Legal Framework

β<sub>0</sub> is a constant (which is the value of dependent variable; Y, when all the Entrepreneurial cooperation e, legal framework are 0).

β<sub>1-3</sub> is the regression coefficients or change induced by Entrepreneurial cooperation, legal framework and product of Entrepreneurial cooperation and legal framework

#### 4. RESEARCH AND DISCUSSIONS

##### Descriptive Statistics

##### Entrepreneurial Competencies and Performance

The sought to ascertain the influence of entrepreneurial competencies on the performance of online retail enterprises in Kenya

The study then assessed the influence of entrepreneurial competencies on the performance of online retail enterprises in Kenya to obtain results in Table 1.

**Table 1: Entrepreneurial Competencies and Performance**

Item	NA	L	M	H	VH	M	SD
Online Entrepreneurial knowledge	0.00%	0.79%	25.00%	40.87%	33.33%	4.07	0.78
Personal Competency	0.00%	1.59%	24.21%	48.41%	25.79%	3.98	0.75
Opportunity competencies	0.00%	1.19%	17.06%	53.57%	28.17%	4.09	0.70
Strategic Competencies	0.00%	0.79%	20.24%	53.97%	25.00%	4.03	0.70
Management Competencies	0.00%	2.38%	18.65%	53.17%	25.79%	4.02	0.74
Relationship Competencies	0.79%	0.79%	15.08%	50.79%	32.54%	4.13	0.79
Commitment Competencies	0.40%	1.19%	16.27%	51.19%	30.95%	4.11	0.74
Technical competency	0.40%	3.57%	10.32%	54.37%	30.95%	4.12	0.76
Entrepreneurial Competencies and Performance	0.20%	1.54%	18.35%	50.79%	29.07%	4.07	0.74

**Key; NA=Not at all; L=Low; M= Moderate, H=High, VH= Very High; M= Mean; SD= Standard Deviation**

The findings indicated that entrepreneurial competencies played a critical role in enhancing the performance of online retail enterprises in Kenya. Respondents noted that having entrepreneurial knowledge in online trading, as well as staff expertise in understanding customer demands, greatly influenced business success. Recognizing and seizing trading opportunities, along with identifying customer needs, were also viewed as important contributors to performance. Strategic competencies such as developing vision, planning, goal setting, and the ability to communicate ideas effectively were seen as essential. Management skills related to resource handling, as well as strong interpersonal and communication abilities, were considered to have a notable impact on business outcomes. Motivation, dedication to enterprise goals, and the use of relevant technical skills further supported strong performance. Overall, the study found that personal, opportunity, strategic, management, relationship, commitment, and technical competencies significantly influenced the success of online retail enterprises in Kenya.

Based on qualitative responses, feedback from respondents revealed that entrepreneurial competencies had a significant impact on the performance of online retail enterprises in Kenya. Improved customer relations, driven by staff proficiency in computer use and effective communication, were highlighted as key contributors to increased sales and business growth. However, many respondents also pointed out notable challenges. A lack of adequate training and limited entrepreneurial skills among staff were cited as major obstacles that hindered business opportunities and restricted overall performance. The need for targeted training and development emerged as a central theme, with calls for structured programs to enhance technical, managerial, and customer service competencies. Respondents emphasized that success in online business demands a broad set of entrepreneurial skills across various departments. They stressed the importance of identifying critical competencies, investing in employee training, and integrating these skills into strategic planning and operations to improve market share and competitive advantage. Overall, the findings highlighted that a diverse range of entrepreneurial competencies, especially technical, industry-specific, and management-related skills were essential for driving the growth and effectiveness of online retail enterprises in Kenya. These results reinforce prior research emphasizing the importance of competency development in enhancing business performance.

These findings align with those reported by Sihotang et al. (2020), who identified partnership development as a core competency essential for enhancing the performance of online businesses. Therefore, it is evident that the mentioned competencies significantly influence the success and effectiveness of online retail enterprises in Kenya. In addition, research by Ndururi et al. (2019) emphasized that investment in market-oriented skills and the enhancement of entrepreneurial knowledge are crucial for achieving performance growth. This insight further supports the conclusion that comprehensive competency development is vital for improving the operational and financial performance of online retail businesses. In addition, research by Ndururi et al. (2019) emphasized that investment in market-oriented skills and the enhancement of entrepreneurial knowledge are crucial for achieving performance growth. This insight further supports the conclusion that comprehensive competency development is vital for improving the operational and financial performance of online retail businesses.

### Legal Framework and Performance

The fifth objective was to examine the determine the moderating effect of the legal framework on the relationship between entrepreneurial structure and performance of online retail enterprises in Kenya. The data analyzed from the response produced the results in Table 2.

**Table 2: Analysis by Legal Framework and Performance**

Item	SD	D	N	A	SA	M	SD
The performance of our enterprise has been adversely affected by government policy on online trading	4.76%	23.41%	25.79%	30.16%	14.68%	3.27	1.12
The government has sufficient legislation on online trading	5.95%	32.54%	28.57%	25.00%	7.54%	2.94	1.07
The available legislations on online business are supportive of online trading	8.73%	28.17%	29.37%	19.84%	13.10%	2.98	1.20
There are favourable regulations on online trading to enhance performance	8.33%	22.22%	33.33%	23.41%	10.71%	3.06	1.12
Online trading enterprises have formed bodies to address their legal issues and concerns	5.95%	27.78%	27.38%	25.79%	13.10%	3.12	1.14

Institutional structures provides equal opportunity for all online traders	operating 8.73%	27.38%	28.57%	23.02%	12.30%	3.03	1.16
The current tax regime provides a conducive environment for online traders	operating 12.70%	30.95%	30.56%	23.41%	2.38%	2.72	1.04
Legal Framework and Performance	7.88%	27.49%	29.08%	24.38%	10.54%	3.02	1.12

The findings revealed that a significant number of respondents viewed current government policies as hindering rather than supporting business performance. Many participants expressed concerns over the adequacy and effectiveness of existing legislation on online trading, suggesting that the legal framework may not fully align with the operational realities of digital enterprises. There was noticeable uncertainty among respondents regarding whether existing laws and regulations are supportive or beneficial to online retail. Many stakeholders felt uncertain or dissatisfied with how current legislation addresses the needs of the sector. While some respondents noted that online trading enterprises have started forming collective bodies to address legal challenges, this trend appears to be in its early stages. Concerns were also raised about fairness and equity within institutional structures, with some respondents questioning whether all online traders are given equal opportunities. The greatest dissatisfaction was expressed toward the current tax regime, which many believed creates an unfavorable environment for online business operations. Overall, the findings indicate that while a legal framework for online retail exists, it is often viewed as insufficient, inconsistently applied, or disconnected from the evolving needs of the sector. This underscores the need for policy reforms and more targeted legal support to enhance the performance and sustainability of online retail enterprises in Kenya.

### Regression Analysis and Hypothesis Testing

The study carried out regression analysis seeking to establish whether the entrepreneurial competencies was a suitable estimator of the performance of online retail enterprises in Kenya to obtain results in Table 3.

**Table 3: Regression Results of the Model**

#### Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.553 <sup>a</sup>	.305	.302	.0526769

a. Predictors: (Constant), Entrepreneurial competencies

b. Predictors: (Constant), Entrepreneurial competencies , Legal framework

c. Predictors: (Constant), Entrepreneurial competencies , Legal framework, Entrepreneurial competencies \* legal framework

#### ANOVA<sup>a</sup>

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.305	1	.305	109.848	<0.01 <sup>b</sup>
	Residual	.694	250	.003		
	Total	.999	251			
	Total	.999	251			

a. Dependent Variable: Performance of online retail enterprises in Kenya

b. Predictors: (Constant), Entrepreneurial competencies

c. Predictors: (Constant), Entrepreneurial competencies, Legal framework

d. Predictors: (Constant), Entrepreneurial competencies, Legal framework, Entrepreneurial competencies \* legal framework

#### Coefficients<sup>a</sup>

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	.000	.003		-.098	.922
	Entrepreneurial competencies	.542	.052	.553	10.481	<0.01

a. Dependent Variable: Performance of online retail enterprises in Kenya

Source: Research Data (2025)

According to Table 3 results, the coefficient of determination is .305. This means that 30.53% of changes in performance of online retail enterprises in Kenya is explained by entrepreneurial competencies.

Given that the p-value ( $p < 0.01$ ) is well below the 0.05 threshold, the null hypothesis is rejected to imply a significant relationship between entrepreneurial competencies and the performance of online retail enterprises in Kenya.

Based on the Table,

$$Y = 0.00 + .0542_1 + e \dots \dots \dots (3)$$

Thus, Performance of online retail enterprises in Kenya =  $0.000 + 0.542$  (entrepreneurial competencies) ..... (4).

### Test of Moderating Variable

Since entrepreneurial competencies was predictor of performance of online retail enterprises in Kenya, there was relationship to moderate. The results are in table 4.

**Table 4: Moderation Regression Results**

#### Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
2	.901 <sup>b</sup>	.811	.810	.0275154
3	.921 <sup>c</sup>	.848	.846	.0247502

b. Predictors: (Constant), Entrepreneurial competencies, Legal framework

c. Predictors: (Constant), Entrepreneurial competencies, Legal framework, Entrepreneurial competencies \* legal framework

#### ANOVA<sup>a</sup>

Model		Sum of Squares	df	Mean Square	F	Sig.
2	Regression	.810	2	.405	534.945	.000 <sup>c</sup>
	Residual	.189	249	.001		
	Total	.999	251			
3	Regression	.847	3	.282	460.685	.000 <sup>d</sup>
	Residual	.152	248	.001		
	Total	.999	251			

a. Dependent Variable: Performance of online retail enterprises in Kenya

c. Predictors: (Constant), Entrepreneurial competencies, Legal framework

d. Predictors: (Constant), Entrepreneurial competencies, Legal framework, Entrepreneurial competencies \* legal framework

#### Coefficients<sup>a</sup>

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
2	(Constant)	.000	.002		-.145	.885
	Entrepreneurial competencies	.458	.027	.467	16.822	.000
	Legal framework	.715	.028	.716	25.832	.000
3	(Constant)	.000	.002		-.157	.875
	Entrepreneurial competencies	.451	.025	.460	18.409	.000
	Legal framework	.386	.049	.387	7.826	.000
	Entrepreneurial competencies * legal framework	.382	.049	.382	7.730	.000

a. Dependent Variable: Performance of online retail enterprises in Kenya

Source: Research Data (2025)

The regression results presented in Table 4 demonstrate that the inclusion of the legal framework as a moderating variable significantly strengthens the relationship between entrepreneurial competencies and the performance of online retail enterprises in Kenya. Notably, the  $R^2$  value increases from 0.305 (in Table 3) to 0.811 (in model 2), an  $R^2$  change of 0.506 (50.6%), when the legal framework is introduced. Further enhancement is observed in Model 3, where the inclusion of the

interaction term raises the  $R^2$  value to 0.848, reflecting an additional 3.7% increase, and underscoring the importance of a supportive legal environment in amplifying the predictive power of entrepreneurial competencies. These findings align with the work of Kwilinski et al. (2019), who argue that well-structured legal frameworks foster entrepreneurial activity by reducing uncertainty and promoting innovation. The ANOVA results further validate the significance of all three models ( $p < 0.01$ ), confirming that entrepreneurial competencies are a statistically significant determinant of enterprise performance. When the legal framework is incorporated ( $p < 0.000$ ), the results underscore the combined explanatory power of both variables in shaping performance outcomes, thereby offering deeper insights into the structural dynamics that influence entrepreneurial success.

In Model 1, entrepreneurial competencies emerge as a strong predictor ( $\beta = 0.542, p < 0.01$ ). In Model 2, both entrepreneurial competencies ( $\beta = 0.458, p < 0.01$ ) and the legal framework ( $\beta = 0.715, p < 0.01$ ) are significant contributors. Model 3 confirms the continued significance of all predictors: entrepreneurial competencies ( $\beta = 0.451, p < 0.01$ ), legal framework ( $\beta = 0.386, p < 0.01$ ), and the interaction term ( $\beta = 0.382, p < 0.01$ ), thereby validating the moderating effect of the legal framework on the relationship between entrepreneurial competencies and enterprise performance.

The regression equation based on these coefficients can be expressed as:

$$Y = 0.000 - 0.451X + 0.386Z + 0.382(X * Z) \dots \dots \dots (5)$$

where  $X$  represents entrepreneurial competencies,  $Z$  the legal framework, and  $X * Z$  their interaction.

Overall, the findings underscore that entrepreneurial competencies significantly enhance the performance of online retail enterprises in Kenya, while the legal framework exerts a direct positive influence and further moderates this relationship. This suggests that conducive regulatory environments can amplify the effectiveness of entrepreneurial initiatives. As observed by Dineo (2020), adaptive and flexible legal frameworks play a critical role in encouraging innovation and entrepreneurial growth by providing necessary support without imposing restrictive oversight. The significant moderating effect of the legal framework ( $p < 0.01$ ) thus highlights its influence in shaping how entrepreneurial competencies translate into improved enterprise performance.

## 5. CONCLUSION AND RECOMMENDATIONS

### Conclusion

The study provides robust empirical evidence that entrepreneurial competencies significantly influence the performance of online retail enterprises in Kenya, reinforcing their critical role in driving enterprise success.

In conclusion, entrepreneurial competencies significantly enhance the performance of online retail enterprises in Kenya, with the legal framework both directly improving performance of online retail enterprises in Kenya and moderating this relationship. The substantial increase in  $R^2$  from 0.305 to 0.921 across models underscores the amplifying effect of a supportive legal environment. These findings highlight the critical role of adaptive regulatory frameworks in strengthening the impact of entrepreneurial competencies and fostering performance of online retail enterprises in Kenya.

### Recommendations

#### Managerial Practices

Integrating entrepreneurial competencies into managerial practices is crucial for boosting performance of online retail enterprises. This involves implementing targeted training to enhance both technical and managerial skills, ensuring teams remain digitally adept and responsive to market changes. Recruitment and performance management should focus on individuals with strong leadership and technical abilities, aligning talent with strategic objectives. Fostering a culture of innovation and continuous improvement embeds entrepreneurial thinking into the organization. By incorporating these competencies into everyday operations and planning, businesses can improve profitability, customer engagement, and adaptability, while strengthening resilience against market disruptions.

Managers should stay informed and compliant with government policies and regulations affecting online retail, including taxation, consumer protection, data privacy, and e-commerce laws. Integrating legal compliance into strategic planning and working with legal advisors helps minimize regulatory risks and avoid legal issues. Additionally, managers should support regulatory reforms that encourage entrepreneurship. Proactive legal engagement enhances business stability, investor trust, and long-term success.

### Policy Recommendations

To enhance performance and maintain a competitive edge in the digital economy, online retail enterprises in Kenya and beyond must embed entrepreneurial competencies into their managerial practices. This includes continuous training in technical skills, particularly the latest e-commerce tools, to improve efficiency and adaptability. Innovation should be a central focus, extending beyond products to business processes, marketing, and customer engagement. Cultivating a workplace culture that supports creativity and continuous improvement is essential. Cross-functional competencies are also important, enabling employees to understand various business areas such as sales, customer service, and supply chain management, thereby improving collaboration and agility.

Additionally, a supportive legal and regulatory environment is critical. Policymakers should modernize laws and offer incentives to help small businesses embrace digital tools. Entrepreneurs, in turn, must stay informed and compliant with laws related to data protection, taxation, and e-commerce. Rather than relying solely on the government, entrepreneurs should proactively engage in policy discussions, build legal literacy through training or compliance officers, and join trade associations. These collective efforts can influence policy, reduce legal risks, and foster a more enabling environment for online retail growth.

### Theoretical Contribution

This study enhances the understanding of entrepreneurship by applying key theoretical perspectives. According to the Theory of Entrepreneurship, effective use of available resources, along with entrepreneurial competencies and collaboration, boosts performance among online retailers in Kenya. From the Human Capital Entrepreneurship Theory perspective, the study emphasizes the critical role of skills and expertise in business success. Continuous investment in education and experience equips entrepreneurs to navigate challenges, highlighting the importance of policies that support skills development.

The Political System Theory of Entrepreneurial Growth is reflected in the study's findings on the moderating effect of the legal framework. A stable political environment and supportive legal regulations are essential for entrepreneurial growth, as they provide the necessary protections and incentives for business development.

### Suggestions for Further Studies

Given that respondents indicated a lower level of agreement on having the necessary entrepreneurial knowledge in online trading when compared to other indicators, a deeper exploration of how specific knowledge areas impact success in online trading would need to be done.

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