

This paper presents some empirical findings of the effect of entrepreneurial orientation (EO) on financial performance of manufacturing firms in developing countries. Using a sample of two hundred manufacturing firms (n = 200), the paper examines the effect of five dimensions of EO (innovativeness, risk taking, proactiveness, competitive aggressiveness and autonomy) on financial performance of manufacturing firms in Kenya. Specifically, the study hypothesized; 1. The innovativeness dimension of EO has positive effect on financial performance; 2. The risk taking dimension of EO has positive effect on financial performance; 3. The proactiveness dimension of EO has positive effect on financial performance; 4. The competitive aggressiveness dimension of EO has positive effect on financial performance; and 5. The autonomy dimension of EO has positive effect on financial performance. The paper uses the conceptual model of EO- performance relationship and financial performance regression to generate a framework for linking EO and financial performance of manufacturing firms. A factor analysis in form of principal component analysis (PCA) to test the dimensionality of scales and multivariate regression analysis to statistically test the hypotheses are conducted. The findings attributed to this study denote that five constructs; competitive aggressiveness, risk taking, innovativeness, new business units (a new dimension of EO generated from analysis) and autonomy had positive and significant effect on financial performance. Further, the findings of proactiveness construct show a negative and insignificant effect on financial performance. These findings enable us accept four hypotheses (H1, H2, H4 and H5) and new hypothesis (The new business units' dimension of EO has positive effect on financial performance) introduced from factor analysis. The third hypothesis (H3) is rejected as there is a negative relationship between proactiveness dimension of EO and financial performance. These findings provides three implications; firstly, out of five EO dimensions, four of them have direct effect on financial performance of manufacturing firms; proactiveness dimension of EO does not affect manufacturing firms; and lastly, a new dimension of EO, new business units has a direct effect on financial performance of firms in developing countries. Therefore, it is evident from the findings that EO dimensions significantly affect financial performance of manufacturing firms in developing countries and Kenya being one of developing country; her manufacturing firms are not exempted. On the basis of these findings it is recommended that managers and entrepreneurs of manufacturing firms as well as academicians in developing countries should