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RELATIONSHIP BETWEEN PERSONAL FACTORS AND
ENTREPRENEURIAL BEHAVIOUR AMONG MICRO AND
SMALL SCALE ENTREPRENEURS IN NAIROBI

BY

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A RESEARCH PROJECT SUBMITTED IN PARTIAL
FULFILLMENT OF THE REQUIREMENTS FOR THE
DEGREE OF MASTERS OF BUSINESS
ADMINISTRATION (MBA), FACULTY OF COMMERCE
UNIVERSITY OF NAIROBI.

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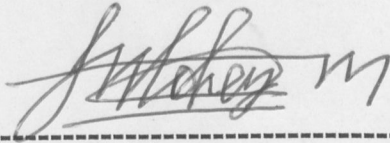


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DECLARATION

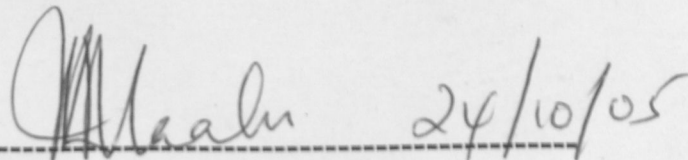
This Research Project is my original work and has not been presented for a degree in any other University.



MURIITHI JAMES NDEREBA

D61/P/8559/2000

This Research Project has been submitted for examination with my approval as University Supervisor.



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DEDICATION

To my parents, Muriithi and Kiumbiro,

my wife, Angela, My daughter, Ann and

My sons, Kevin, Brian, and Alex.

Special dedication to my late entrepreneur “father” Simon Mwangi Magira.

ACKNOWLEDGEMENTS

The task of undertaking this study and producing the findings within the context of a single project has been quite complex. I have received co-operation, assistance, encouragement and challenges from several people. It is my pleasure to extend my sincere gratitude to them.

Firstly, to Mr. Jackson Maalu, Lecturer, Business Administration Department, my Supervisor, who gave me advice, guidance, valuable reading materials and challenged me to do my best. Without his dedication and active interest in my work, this project would not have been successful.

Secondly, to Mrs. Angela Ndereba who gave me the valuable reading materials and also directed me to the relevant personnel who were of great assistance to me. In this regard I must not forget to thank my Research Assistant, Mrs. Florence Omwale, for toiling together among the entrepreneurs in Gikomba and other markets.

Thirdly, to the lecturers in the Faculty of Commerce and MBA students whose comments and suggestions during the entire and the proposal presentation stages reshaped the face of this project.

Special thanks to my wife Angela, for her concern and encouragement during the course.

Finally I cannot forget to thank my sponsors, the Kenya Power and Lighting Company, without whose scholarship and support, I would not have started the M.B.A programme.

ABSTRACT

This study is concerned with the personal factors that determine entrepreneurial behavior and was aroused by the fact that whereas studies conducted in other countries have identified certain factors that condition entrepreneurial behavior, no study appears to have been conducted in Kenya to find out the extent to which entrepreneurial behavior of Kenyan entrepreneurs are conditioned by such factors.

To achieve the objective, a sample of 80 entrepreneurs from manufacturing, merchandising and service sub-sectors was selected from the City of Nairobi. Primary data was collected by the use of a questionnaire.

The entrepreneurial behaviors investigated were: locus of control, independence and risk taking, while the influencing factors included formal education, training, experience, birth order, Parental influence, Religion, ethnicity, gender and achievement motivation.

Data was analysed using multiple regression and correlation analyses. The regression analyses revealed the following findings:

1. That achievement motivation was a significant predictor of entrepreneurial behaviour locus of control and independence among the entrepreneurs interviewed, but it did not influence risk taking. Training was found to influence independence negatively and the Protestant-religion was found to significantly influence risk-taking negatively.

2. That the variables, formal education, experience, birth order, Parental influence, ethnicity, and gender were not significant determinants of any of the entrepreneurial behaviour, locus of control, independence and risk taking.

It was hypothesized that entrepreneurs with stronger achievement motives would have an internal locus of control as compared to those with low levels of achievement motives. This hypothesis was confirmed ($\text{Beta} = 0.299$, $t = 2.469$, $p < 0.05$). This indicates that those respondents who went into business primarily because they preferred it as a career have an internal locus of control as compared to those who went into business for other reasons.

It was also hypothesized that entrepreneurs with stronger achievement motives would show greater tendency towards independence as compared to those with low levels of achievement motives. The hypothesis was confirmed ($\text{Beta} = 0.282$, $t = 2.457$, $p < 0.05$, $d.f = 1/77$). This indicates that those respondents who went into business primarily because they preferred it as a career have greater tendency towards independence as compared to those who went into business for other reasons.

There was also a significant relationship between being a Protestant and risk taking behaviour as shown by the high t-value, ($t = -3.233$, $p < .05$). This indicates that those of the Protestant faith have a lower propensity towards risk-taking.

The conclusion reached was that the independent variables (formal education, experience, birth order, Parental influence, ethnicity, and gender) were not statistically significant determinants of any of the entrepreneurial behaviors analyzed (locus of control, independence and risk taking), except for motivation, training and religion that had some influence on locus of control, independence and risk taking.

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LIST OF ABBREVIATIONS

GOK	Government Of Kenya
CBS	Central Bureau Of Statistics
ICEG	International Center For Economic Growth
K- REP	Kenya Rural Enterprise Programme
ILO	International Labour Organization
MSEs	Micro And Small Enterprises
NGOs	Non Governmental Organizations
BDS	Business Development Services
KIRDI	Kenya Industrial Research Development Institute
JKUAT	Jomo Kenyatta University Of Agriculture And Technology
UON	University Of Nairobi
USIU	United States International University
TTI	Technical Training Institute
GNP	Gross National Product
GDP	Gross Domestic Product
UNIDO	United Nations International Development Organization
SPSS	Statistical Software
UNDP	United Nations Development Organization
R.O. S.C.A	Rotating Savings and Credit Association

CHAPTER ONE: INTRODUCTION

1.1 Background to the study

The Government of Kenya (GOK), has undertaken to create 500,000 jobs every year, (GOK, 2003), as a means of providing employment for the great number of school leavers and graduates of institutions of higher learning. The creation of such numbers of jobs cannot be realized in the public sector alone nor in the large-scale private enterprises and therefore the private sector has been identified as the vehicle through which this ambitious objective may be realized. In the private sector Micro and Small Enterprises (MSE's), which include formal and informal sector enterprises, contribute significantly to employment and income generation in the Kenyan economy's production, distribution and service sectors. They play an important role in the industrialization and commercial development, promotion of rural – urban balance, the level of indigenous people's participation in the economy, poverty reduction and in improvement of income distribution.

A number of government policy documents have identified the MSE sector as a primary means of strengthening Kenya's economy, GOK, 1986, GOK, 1992, GOK, 1989-1993, among others. The sector has a major role of expanding the labour force and absorbing the unemployed. The main character in the private sector is the person of the entrepreneur, who is motivated to take risks, be innovative, identify opportunities and creatively exploit them, thereby establishing an enterprise and steering it to growth.

It has been established that apart from money, business success depends critically on the personal attributes of the entrepreneur- Motivation, self-confidence, creativity,

innovation and risk-taking propensity. An entrepreneur is a person who is able to identify business opportunities and implement actions to maximize those opportunities. The entrepreneur initiates enterprise creation, undertakes risks and manages resources to establish and operate a self-sustaining business enterprise (Morris and Lewis 1995). An enterprise culture prepares communities to take advantage of available opportunities in the society and such a culture will no doubt produce entrepreneurs, who will establish enterprises and contribute to employment generation and economic growth.

The Government of Kenya (GOK) has been keen in developing an enterprise culture that can produce a mass of creative and innovative Kenyans, capable of developing into high-profile entrepreneurs and industrialists (GOK, 2000). It is expected that such individuals can create many businesses and employment opportunities leading to improved standards of living, poverty alleviation and sustainable livelihoods. In an attempt to foster an entrepreneurial spirit, the GOK developed various policy frameworks. In 1986 a policy scenario focusing on MSE's came into being with the publication of the Sessional paper No. 1 of 1986, on *Economic Management for Renewed Growth* (GOK, 1986). The paper highlighted the potential of the MSE sector as the wellspring of technological capacity and aggressive entrepreneurship. It proposed the review of the local authority by-laws and other regulations in order to create a healthy legal climate for the informal sector. In 1989, the GOK published a document "*A strategy for small enterprise Development in Kenya: Towards the year 2000*", which focused on constraints facing the sector. These were classified as (1) enabling environment (2) Investment and finance (3) promotional programmes and **enterprise culture**.

By 1992 the policy framework had been refined as Sessional paper No. 2 of 1992, on *Small Enterprise and Jua Kali Development In Kenya*. The government and NGO's

continue to address the issue of policy constraints and other matters. Regarding the issue of credit, several micro finance institutions have come up. The government has done much in the area of legislation and the introduction of entrepreneurship education to address the cultural aspects.

In spite of these efforts, the measurable results have not been satisfactory (GOK/ILO/1989 p.2). An understanding of the behavioural characteristics of Kenyan entrepreneurs is necessary in order to re-energize the economy. This will help promote entrepreneurship and the expansion of vertical and horizontal growing enterprises. Studies are required in this area to cover the gaps in knowledge and conflicting results from existing studies.

To demonstrate the effect of entrepreneurship, consider the case of Hong Kong. At independence, Kenya had similar GDP with Hong Kong. Today Hong Kong is a thriving economy with a GDP several times that of Kenya. Hong Kong is seen as endowed with a plentiful supply of entrepreneurs. Important factors in Hong Kong's economic growth model incubating entrepreneurship include political uncertainty, volatility of the small open economy, a pro-business government and most importantly an entrepreneurial culture. This has enabled Hong Kong to develop into an entrepreneurial economy. (Fu, L.T., 2000). The political and volatile economy produces a highly turbulent environment. Historically, environmental turbulence has been a factor in innovations. The development of Hong Kong is largely due to its entrepreneurs, who are able to innovate and take risks. The most significant element that facilitates the development of Entrepreneurship in Hong Kong, is her culture. (Fu, L.T., 2000)

An understanding and identification of the Kenyan cultural attributes that can foster Entrepreneurship is crucial to development of Entrepreneurship in Kenya. Still, success depends on whether the environment can incubate Entrepreneurship. It has been observed that a recreation of the Asian Newly Industrialized Economies in other parts of the world does not depend on unique cultural factors, receptive structures, or particular political systems. Any nation that encourages entrepreneurial tendencies, follows policies that eliminate obvious structural obstacles and provides a stable government reasonably free of dictatorial methods, it too can move forward within the constraints imposed on all nations by world economic conditions (McCord 1991: p182). If Hong Kong can do it Kenya can do it too! It is therefore important to identify and understand the factors that contribute to an Entrepreneurial culture within the Kenyan context in order to develop suitable programmes to encourage these factors. This project will therefore seek to understand the causal factors that determine entrepreneurial behaviour, among entrepreneurs in Kenya.

Entrepreneurship normally involves setting up a new business or acquiring an existing one. The definitions of an entrepreneur and entrepreneurship are steeped in controversy. The entrepreneur is seen as someone who continuously innovates and create new products and as the one who brings about economic development through a "creative destruction" of the existing equilibria (Schumpeter, 1934). This definition can not wholly define an entrepreneur. A business manager, for instance, who astutely guides, organises, directs or co-ordinates the operations of a business venture, by making decisions on the use of productive factors, or the nature, quality, and style of products or services to be produced and on marketing and time factors, is, indeed an entrepreneur. In so doing the manager may truly innovate or as is more common, exercise creative imitation, often referred to as adaptation.

Many writers and researchers tend to define entrepreneurs as a single category. Several economists see entrepreneurs as those motivated by profit maximisation in setting up new ventures and that entrepreneurship is nothing but “alertness to profit opportunities’ and the actual translation of such opportunities, learned or perceived, into tangible results in this case, profits in the marketplace, (Kirzner, 1980). Kirzner's entrepreneur appears to be exclusively confined to the marketplace or business. According to Knight, the desire to take risk and a spirit of adventure may motivate people to take up entrepreneurship (Knight, 1921). It is clear that a synthesised definition of an entrepreneur does not exist. In this study, an entrepreneur is defined as a risk – taking individual, who establishes or buy a business for the purpose of profits, and who seeks business growth or expansion as a means of increasing profits.

The small enterprise sector covers many different types of productive activities that respond to a wide range of market opportunities. This makes it difficult to establish a universal categorization of this sector. Various terminology's' are used in Kenya and elsewhere. Some definitions are in terms of the capital employed or the volume of labour employed. Other definitions relate to types of management, ownership, product specialization or market orientation. At present there is no legal definition in Kenya on the term “Micro and Small Enterprise”. For the purposes of this project, the definition of small enterprise as given by GOK/ILO/UNDP Center Project will be adopted, i.e. “as an enterprise consisting of 0-50 employees”, (GOK/ILO/UNDP Center Project P. 6). The small enterprise sector in Kenya is composed of a range of enterprises including self-employed artisans, cottage industries, sole proprietors and small enterprises in the formal business sector (GOK/ILO/UNDP Center Project P. 7). These small enterprises may engage in trade, commerce, distribution, transport, construction, agro-business, manufacturing and maintenance or repair services.

To be an entrepreneur is to decide to do something: It means to prepare a project and embark on its implementation. Entrepreneurship involves a conscious content, a precise commitment and a definite practice. Entrepreneurs perform the following functions: imagine or create from nothing some unprecedented realities (opportunities, objects, procedures, relations, modes) and endeavor to disseminate these innovations within a new, stabilized framework, namely the enterprise (Tshikuku K., 2001).

1.2 Statement of the problem

In this study entrepreneurial behaviour is defined as the innovative use of resources to pursue opportunities in the MSE's and the primary interest will be on this entrepreneurial behaviour.

Success in job creation and economic growth is linked to the development of entrepreneurial culture, suitable environment and policy framework (Morris and Lewis, 1995). The GOK is fully involved with the policy and other environmental factors. Several studies have been carried out in the environment area and policy constrains. (Ombok, 1990) carried out a similar study to the current one, among 50 entrepreneurs selected from Kisumu town. The study found that achievement motivation and need for independence was a significant determinant of risk taking propensity among the entrepreneurs interviewed, but did not influence innovativeness, knowledge of results and individual responsibility. However, the variables formal education, training and work experience, were not significant determinants of entrepreneurial behaviour. This is contrary to other research findings (for example Harris, 1968, Brockhaus, 1986 and Marris and Somerset, 1971). The study by Ombok was carried out in Kisumu and the findings could be unique to this particular town due to the cultural background of the entrepreneurs. The current study will be carried

out in Nairobi, which is a multicultural, multi ethnic metropolis with a diversity in religion and culture. Other factors not considered in the other studies have been introduced as possible causes of entrepreneurial behaviour. These are birth order, father's influence, ethnicity and religion. No studies have addressed the issue of determinants to entrepreneurship as regards these personal life experiences of Kenyan entrepreneurs.

Similar studies have been carried out in other countries for example in North America, Europe and Asia. Entrepreneurship normally involves setting up a new business or acquiring an existing one. Some people are more entrepreneurial than others and are motivated by various factors towards business entry and entrepreneurship. Profit may be one of the motives as emphasized by several economists, notably, Cantillon and Marx. The desire to take risk and a spirit of adventure may be another (Knight, 1921). Some people have greater access to information or knowledge and wish to exploit that advantage (Kirzner, 1973). The entrepreneur may be driven by psychological motives like the desire to innovate, be independent and create new products (Schumpeter, 1934).

Culture may be defined as a set of shared values, beliefs and norms of a group or community. Hofstede (1991, p.5) defines culture as "a collective programming of the mind which distinguishes members of one group from another". Cultural differences are the result of national, regional, ethnic, social class, religious, gender, and language variations. Values are held to be a critical feature of culture and cultural distinctiveness. These values influence entrepreneurial behaviour, and are different between countries for example Kenya and U.S.A and Japan. These differences justify carrying out the current study within the Kenyan cultural context.

The government and NGO's continue to address the issue of policy constraints and other matters. Regarding the issue of credit, several micro finance institutions have come up. The government has done much in the area of legislation and the introduction of entrepreneurship education to address the cultural aspects. However, the growth of MSE's has not met the government's expectations. An entrepreneurial culture will only develop when factors influencing entrepreneurial behaviour are identified, understood and developed by suitable interventions such as education, training and experience. An enterprise culture prepares communities to take advantage of available opportunities in the society. Such a culture will no doubt produce entrepreneurs who will establish enterprises and contribute to employment generation and economic growth.

Many entrepreneurship programmes have been started in the universities, at degree level (JKUAT, UON, and USIU), and at the diploma level in all Technical Training Institutes. Although there are many highly educated Kenyan graduates of these institutions, several of them are jobless. If factors influencing entrepreneurial behaviour can be identified, focusing on them in education and training will lead to an entrepreneurial culture. What motivates Kenyan entrepreneurs to take all the risks associated with entrepreneurship and pursue an entrepreneurial career? This study seeks to establish the extent to which some selected factors (e.g. education, experience, role modeling, birth order and achievement motivation among others) explain the entrepreneurial behaviour such as locus of control independence, risk taking propensity and innovativeness.

1.3 Objectives of the study

The study is specifically designed to fulfil the following objectives:

1. To determine the personal life factors that influence entrepreneurial behaviour among Kenyan entrepreneurs.
2. To determine whether these factors are similar across ethnic and gender arising from cultural differences.

The following hypotheses will be tested:

- a) Entrepreneurs with high levels of education (those who have secondary level and above) will show greater entrepreneurial behaviour as compared to those with low levels of education.
- b) Entrepreneurs with formal training relevant to their business will show greater entrepreneurial behaviour as compared to those whose training was not relevant.
- c) Entrepreneurs with experience will show greater entrepreneurial behaviour as compared to those with little or no experience.
- d) Entrepreneurs who are first-born children in their family will show greater entrepreneurial behaviour than others.
- e) Entrepreneurs who were influenced by their fathers into business will show greater entrepreneurial behaviour than others.
- f) Entrepreneurs who are Protestants will show greater entrepreneurial behaviour than others.
- g) Entrepreneurs of Asian origin will show greater entrepreneurial behaviour than others.
- h) Male entrepreneurs will show greater entrepreneurial behaviour than female entrepreneurs.

- i) Entrepreneurs with stronger achievement motives will show greater entrepreneurial behaviour as compared to those with low levels of achievement motive.

1.4 Significance of the study

This research seeks to investigate factors contributing to entrepreneurial behaviour and culture. The findings of the research will therefore:

- Help the GOK develop policy interventions to enhance entrepreneurial culture in Kenya, with the attendant benefits of employment creation and economic growth;
- Help educational planners to develop suitable entrepreneurship education programmes, that encourage nascent entrepreneurs to take the necessary risks and innovatively create new businesses;
- Help creditors, society, nascent and practising entrepreneurs understand the person of entrepreneur;
- Aid scholars and researchers interested in this area as reference material.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

The behaviour, motives, objectives and success rates of those who engage in entrepreneurship behaviour display considerable variations among persons, industries, nations and geographic regions (Hoselitz, 1960). In the United States for instance, entrepreneurial efforts resulted in sizeable contributions to the GNP and the standard of living in the latter halves of both the 19th and 20th centuries (Drucker, 1985; Hughes, 1986; Wilken, 1979). On the other hand, such efforts were relatively insignificant in neighbouring Mexico during the same period (Baklnoff and Brannon, 1984; Hewlett and Weinert, 1982). The comparison between Kenya and Hong Kong in the later half of the 20th century also shows differing contributions to GNP. Such situational results can be traced to the environmental context in which entrepreneurship occurs. This justifies replication studies between countries, regions, industries and even time periods. Entrepreneurship, the tendency towards innovation, risk taking and proactivity is not so much innate to people or society nor is it a random or chance event (Morris and Lewis, 1995).

2.2 Determinants of Entrepreneurial Behaviour

The environmental determinants have been grouped into three general categories: the environmental infrastructure, which characterizes society; the degree of turbulence present in society; and the personal life experiences of a society's members (Morris and Lewis, 1995). The combined effect of these environmental influences is the level of entrepreneurial intensity in society. Although these environmental influences are admittedly interdependent, each represents a relatively distinct construct that has a differential impact on societal entrepreneurship.

2.2.1 Environmental Infrastructure

The environmental infrastructure includes the economic, political, legal, financial, technological, logistical and social structures, which characterize a society. Certain structures appear to facilitate both entrepreneurial attitudes and entrepreneurial behaviours (Birch, 1987, Kent, 1986). For instance, in countries such as Hong Kong, which have relatively free, competitive market economies, available pools of capital and political freedom, entrepreneurship is more in evidence (Wilken and Friedman, 1980). Key aspects of the economic system include freely fluctuating prices in the markets for products, capital and labour, as well as private ownership, strong profit incentives, limited taxation and a limited role for government (Birch, 1981; Girder, 1988; Porteba, 1990; Schumpeter, 1934). Each of these is an incentive for individual action and helps ensure that scarce economic resources are allocated to value – creating activities.

Similarly, the political system fosters entrepreneurship when is built around freedom of choice, individual rights, democratic rule and series of checks and balances among the executive, legislative and judicial branches of government (Friedman, 1982; Schumpeter, 1950). Such designs are apt to be more tolerant of diversity, more conducive to ongoing change and more accepting of innovation in all walks of life. Further politically- founded initiatives to develop and support entrepreneurial behaviours (e.g. incubator programmes, tax incentives) serve to encourage the creation and development of entrepreneurial ventures (Willis, 1985).

Legal structures are a significant factor to the extent that they recognize the corporate form of enterprise, permit limited liability, ensure contract enforcement and patent protection, and allow liberal treatment of bankruptcy, while imposing fairly strong

restrictions on monopolistic practices. These arrangements serve to encourage risk-taking activity and pre-empt many of the obstacles to new product and process development. Legal and regulatory obstacles were among the constraints cited in the critical components of an enabling environment with regard to business growth in Kenya (Gichira, 1991). ✓

Financial systems encourage entrepreneurship when they are developed around institutional autonomy, competition among sources of capital, competitive interest rates, stable currencies, partial reserve requirements, well backed deposit insurance (protection) and large private investment pools (Birch, 1981; Brophy, 1982; Venture, 1986). Such circumstances give rise to diverse investment strategies to mainstream financial institutions, but also to novel types of investment organizations and to creative financing mechanisms. As a result, those individuals and businesses wishing to engage in entrepreneurial activity find the supply of financial resources is greater, and are afforded more choices in terms of trade-offs, which must be made to obtain funding (Brophy, 1982; Eisenhardt, 1984). The financial systems in Kenya have not been conducive to both nascent and existing entrepreneurs in and 93% of entrepreneurs in Nairobi, Kenya cited lack of credit as a major constraint limiting their vertical growth, (Waweru, 2002). ✓

Logistical arrangements or the state of the infrastructure also play a role in entrepreneurship (Aldrich, 1990; Stevenson and Sahlman, 1986). These arrangements include the development of roads, waterways, railways, airports, efficient communication systems and well-integrated channels of distribution. Where each of these areas is highly developed, entrepreneurs are better able to identify and serve marketplace needs quickly and to capitalize on new methods and technologies. Many

entrepreneurs in Kenya are hampered by the poor state of infrastructure, which greatly increases the cost of doing business and thus discourage entrepreneurship (Dondo et. al., 1997).

Social structures that encourage and foster attitudes of individual freedom and an orientation towards self-direction and personal achievement are conducive to entrepreneurial initiatives (Birch, 1987; Tropman, 1989). In societies where the primary concern is at an individual level, rather than at a more collective level, reward systems are more likely to encourage risk taking, proactivity and innovation. Individual goal setting, independence and personal ambition are not only recognized, but are encouraged in societies with individualistic social structures. Further, social systems that facilitate the development of networks are conducive to entrepreneurial activity. Social relationships provide a forum for entrepreneurs to share information, identify opportunities and marshal resources (Aldrich & Zimmer, 1986; Carsrud & Johnson, 1989). The different ethnic groups in Kenya have different traditions and customs. Factors such as extended families would tend to hamper entrepreneurial development among the local communities in Kenya. Conversely, the networks of the Asian community provide forums for entrepreneurs to share information, identify opportunities and marshal resources. The entrepreneurial performance is likely to vary within different ethnic groups. Studies in Nigeria found that entrepreneurial performance varied among ethnic groups (Harris, 1968), while on the other hand, studies conducted among Kenyan firms found that Kenyan entrepreneurs performance was unaffected by ethnicity (Marris and Somerset, 1971). These findings are inconsistent and there is need for further research on the effects of ethnic differences on entrepreneurial behaviour.

2.2.2 Environmental Turbulence

It appears that the entrepreneurial process is also fostered under conditions of environmental turbulence (Stephenson & Sahlman, 1986; Case, 1989). Rapid change in the technological, economic, customer, competitive, legal and social environments has produced both threats and opportunities for those engaged in commerce. The contemporary manager is confronted with short decision windows, diminishing opportunity streams, changing decision constituencies, increased resource specialization, lack of predictable resource needs, fragmented markets, greater risk of resource and product obsolescence, and a general lack of long term control (Hayes & Albernathy, 1980; Jains, 1983; Stevenson & Gumpert, 1985). The result has been intensified pressure for innovation and a dramatic increase in social entrepreneurship over the past two decades (Gilder, 1984; Kaplan, 1987).

Historically, environmental turbulence has been a factor in a large percentage of new product and technological innovations (Myers & Marquis, 1969; Wright, 1947). More recently, it has been demonstrated that the more dynamic, hostile and heterogeneous the environment, the higher the level of innovative, risk-taking and proactive behaviour (Covin, 1989; Miller & Friesen, 1982). Brittain and Freeman (1980) have suggested that technological and demographic changes create opportunities for those positioned well to capitalize on such changes. Similarly, Tushman and Anderson (1986) proposed that technological change, whether competence enhancing or competence destroying, created opportunities to be exploited through entrepreneurial behaviors.

The conclusion is that change is a catalyst for entrepreneurial activity. In stable environments there is little need to develop creative responses to changing conditions.

There are fewer rewards for innovative behaviour and, perhaps more importantly, fewer penalties for the failure to innovate. In contrast under conditions where survival is dependent on an effective response to market variations, innovation and entrepreneurship must occur. This could explain the fast development of entrepreneurship in countries such as Hong Kong versus the slow development in Kenya during the last half of the 20th century. Hong Kong faced a turbulent environment while the Kenyan one was reasonably stable until the advent of reforms in the early 1990's. It may partly explain why the Asian community (immigrant) would seem to develop entrepreneurial behaviours more than the indigenous communities of Kenya who always have enjoyed a largely stable social environment. This is an area of further research among Kenyan communities to determine the extent to which changing environment explains the differences in entrepreneurial behaviour if any. Successful adaptation to environmental change necessitates quick, thorough and frequent internal and external analyses, short planning horizons and the development of flexible plans that can be adjusted as necessary (Miller, 1983).

Entrepreneurial behaviours are virtually a necessity for coping with such environmental change. These efforts in turn create additional environmental turbulence by bringing product and process innovations to markets and changing the way business is done. Entrepreneurship is more than a response to the environment. It represents a source of institutionalized societal change, where firms initiate changes in technology, marketing or organization, and strive to maintain the lead in changes over competitors. Hence, the degree of entrepreneurial effort intensifies, so too does the rate of environmental change.

2.2.3 Personality and Personal Life Experiences

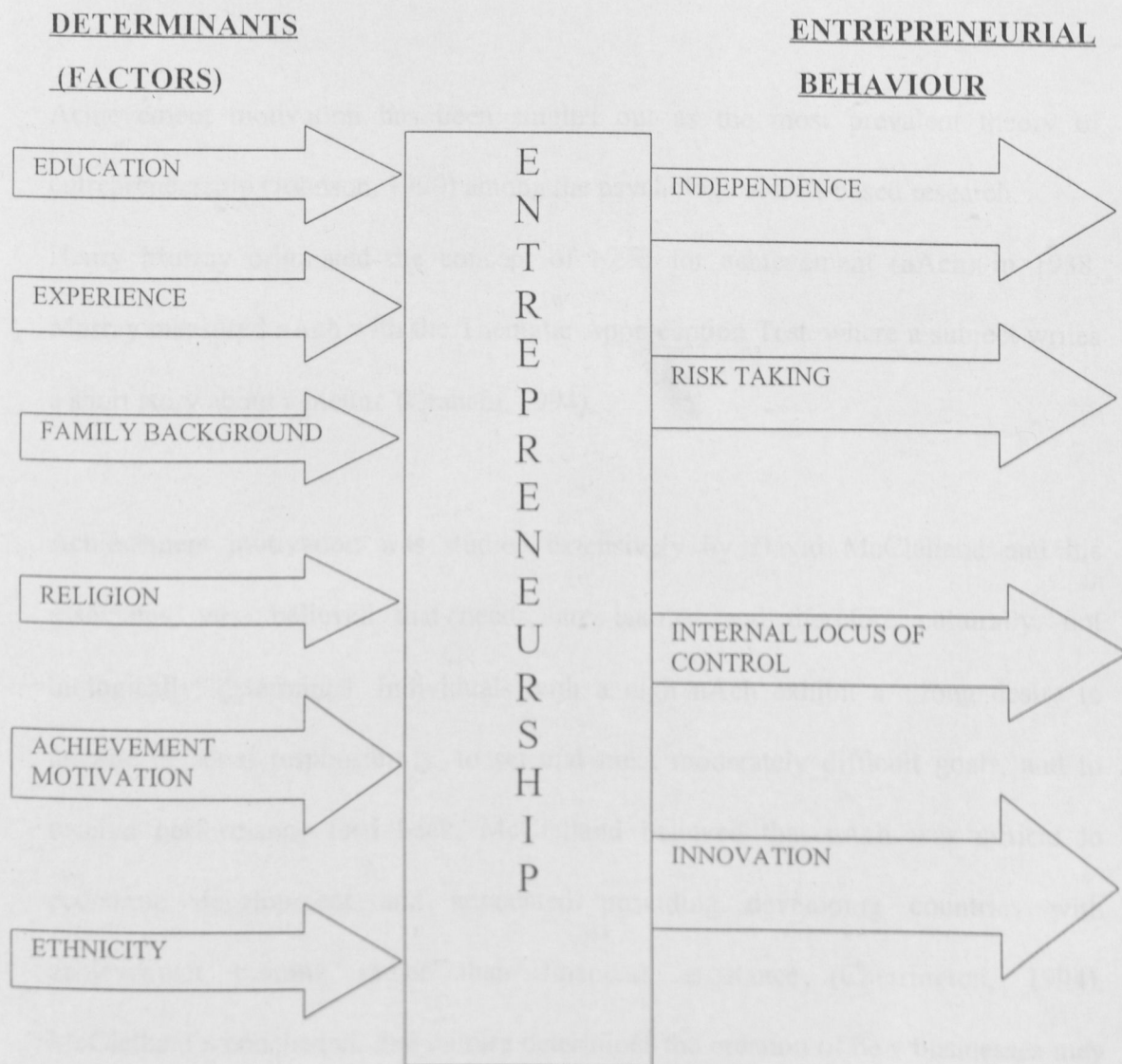
There has been a significant amount of research directed at identifying the personal traits and characteristics associated with entrepreneurship (e.g. Collins & Moore, 1964; Brockhaus, 1980; McClelland, 1987). However, such attempts to develop a psychological profile of the entrepreneur have met with only marginal success because of the significant degree of variation among entrepreneurial types (Gartner, 1985). Most research efforts in recent years have focused on the more relevant research issue of “WHY” the entrepreneur develops such characteristics (Greenfield & Stricker, 1979; Delacroix & Carroll, 1983). In other words, what personal life experiences lead to the development of the entrepreneurial personality? Research suggests that family background/childhood experience, exposure to role models, previous job experiences and educational experiences have an influence on the development of the entrepreneur. These experiences form the thrust of the current research study.

2.3 Personal Life Experience Factors That Determine Entrepreneurial Behaviour

Entrepreneurial behaviour can be determined by environmental determinants grouped conveniently into three general categories: the environmental infrastructure, which characterizes society; the degree of turbulence present in society; and the personal life experiences of a society's members. It has been shown that research has been carried out extensively in the environmental infrastructure area but not so much in the other areas. The current research has focused on the area of **personal life experiences** of the entrepreneur to find out which factors determine entrepreneurial behaviour.

These factors and relationships will now be discussed and can be represented by the following diagram:

DETERMINANTS OF ENTREPRENEURIAL BEHAVIOUR



2.3.1 Achievement Motivation

The field of psychology has a long history of measuring traits of entrepreneurs (e.g. Brockhaus & Horovitz, 1986; Gartner, 1989; Bosley & Udell, 1980; Lachman, 1980; Lynn, 1969; Shavers & Scott, 1991; Timmons, 1978). Despite this, no single clear psychological picture of the entrepreneur has emerged. This is why many researchers have focused on the “why” of entrepreneurial behaviour, other than the innate causes. Although the results of trait based research may not be flawless, there are enough

interesting things to merit consideration. Shaver and Scott (1991) make an eloquent case for the validity of psychological trait-based research as long as it is rigorous, and takes environment into account.

Achievement motivation has been singled out as the most prevalent theory of entrepreneurship (Johnson, 1990) among the psychological trait-based research.

Henry Murray originated the concept of Need for achievement (nAch) in 1938. Murray measured nAch with the Thematic Apperception Test, where a subject writes a short story about a picture (Graham, 1994).

Achievement motivation was studied extensively by David McClelland and his associates, who believed that needs, are learned and therefore culturally, not biologically, determined. Individuals with a high nAch exhibit a strong desire to assume personal responsibility, to set and meet moderately difficult goals, and to receive performance feed back. McClelland believed that nAch was critical to economic development and advocated providing developing countries with achievement training rather than financial assistance (Cherrington, 1994). McClelland's conclusion, that culture determines the creation of new businesses may have helped to shut down economic development projects in third world countries (Carney, 1995).

In *The Achieving Society* (1961), McClelland reviews a prodigious number of theories on achievement and entrepreneurship, discussing at length sources and effects of nAch in different cultures across space and time. Throughout, McClelland tends not to question the assumption that achievement needs are expressed through venture creation, and he appears to minimize the extent to which this drive might be fulfilled

in other ways. McClelland's work on need achievement found nAch to be a key factor in entrepreneurship. Moreover, McClelland concluded that the relationship between nAch and entrepreneurship meant that nAch was essential to economic development, and any country that wished to accelerate economic progress should be interested in raising levels of need for achievement across its borders (McClelland, 1961). The work of McClelland has attracted some criticism and support.

Support for the relationship between nAch and Entrepreneurship

Many different studies do support the existence of a positive relationship between nAch and entrepreneurship. In a study in New England and rural Florida, need for achievement was one trait that differentiated founders and non-founders (Babb and Babb, 1992). An Indonesian study found achievement motivation to be one of seven important factors in the choice of an entrepreneurial career. The other six were innovative/creative imitation ability, business vision, technical knowledge and skills, organizing skills, perseverance, and the environment (Rissal, 1992). A study of Indian and U.S. entrepreneurs indicated that U.S. entrepreneurs scored higher on achievement than U.S. non-entrepreneurs (Stimpson et al, 1993). Here in Kenya (Ombok, 1990) found a positive relationship between achievement motivation and entrepreneurship in a study carried out in Kisumu. It was observed that entrepreneurs who had high achievement motivation had a tendency towards risk-taking. However, achievement motivation did not predict innovativeness, knowledge of results and individual responsibility.

Shaver and Scott's 1991 review of the literature indicated that overall, achievement motivation is a valid predictor of entrepreneurial behaviour.

2.3.2 Family Background

Aspects of family background, which seem to affect entrepreneurial behaviour include parental relationship, order of birth, family income and immigrant status. Parents instill an early sense of independence and desire for control in the future entrepreneurs (Bird, 1989; Hisrich & Brush, 1984). Entrepreneurs often experience turbulent and disruptive childhoods and evidence also exists that suggests entrepreneurs are often first-born children from poorer families and immigrants or the children of immigrants. It appears those with an extra degree of struggle to fit into society will more frequently develop entrepreneurial tendencies (Collins & Moore, 1964, Gilder, 1984).

Another important determinant of entrepreneurial behaviour is the individual's exposure to successful role model, especially the father (Kent, 1986, Eisenhardt & Forbes, 1984; Scherer et. al, 1989; Vesper, 1980; Bird, 1989). However, such role models may also be other family members, teachers, successful entrepreneurs, business associates or social acquaintances. Such individuals demonstrate to the prospective entrepreneur that risk taking, a tolerance for ambiguity, and proactivity lead to independence and self-control. This in turn leads to the development of values and attitudes that are conducive to entrepreneurial behaviour.

2.3.3 Experience

Previous experience is another important personal life experience that shapes the entrepreneur. Brockhaus (1980) found that job dissatisfaction "pushes" entrepreneurs out of the organization towards the development of an entrepreneurial venture. In fact, the majority of the entrepreneurs (59%) in Brockhaus' study indicated a desire to start their own business before they had a product/service in mind, while only a small percentage (14%) were drawn away from a traditional job by the desire to market a

particular product/service. Brockhaus also found that the greater the job dissatisfaction, the more likely it was that the entrepreneur would be successful. In a study carried out in Kenya 93% of entrepreneurs were found to have had some form of occupation before starting a venture (McCormick and Pedersen, 1996). More studies are needed in the Kenyan context.

2.3.4 Education

Educational experiences influence entrepreneurship. Brockhaus and Nord (1979) found entrepreneurs had a lower education level than managers. This lower education level could lead entrepreneurs to feel limited in traditional organization career paths. Frustrated by an inability to achieve their desired level of success in established organizations, they choose to pursue a venture in which their own assessment of their abilities is more relevant.

Further, the traditional educational approaches, which are relied on at the primary and secondary levels may actually stifle entrepreneurship. By fostering conformity, stressing standardization and penalizing creative and /or novel approaches to problem solving, educators serve to discourage the development of an entrepreneurial orientation in young people (Bloom, 1988, Sykes, 1988, Ronstadt, 1984, Shapero, A., 1985).

Additionally, business schools and management consultants tend to perpetuate the resistance to entrepreneurship through their emphasis on structured organizational processes and decision-making (Hisrich, R., 1988, Shapero, A., 1985). Studies carried out by Ombok (1990) in Kisumu found no correlation between education and entrepreneurial behaviour. This again brings out the importance of carrying out further research in the Kenyan context in all these areas.

2.3.5 Ethnicity

Different ethnic groups have different traditions and custom, and these are likely to contribute to differences in entrepreneurial behaviour and performance. Culture is defined as a set of shared values, beliefs and norms of a group or community. The influence of culture on entrepreneurship was first emphasized by Max Weber who famously argued that the Protestant work ethic encouraged a culture of individualism, entrepreneurship, rationality and self reliance, which was fundamental to the spirit of modern capitalism (Weber, 1976).

- Harris (1968) studies in Nigeria proved that entrepreneurial performance varied
- among ethnic groups. Marris and Somerset (1971), on the other hand, conducted studies among Kenyan firms and no relationship was found between ethnicity and
- entrepreneurship. Basu & Altinay (2001) carried out a study of different immigrant communities in London consisting of : Indian, East African Asian, Pakistan, Bangladeshi, Turkish Cypriot and Turkish. The findings indicated diversity in terms of business entry motives, sources of start-up capital and family involvement in business among the different ethnic groups. The findings were explained in terms of family background, migration motives, religion, family links, business experience, educational attainment and other factors.

The evidence suggested that the interaction between culture and entrepreneurship was stronger in the case of some communities than others. For example, culture in the form of family tradition in business and close family ties had a strong influence on the business entry decision of East African Asian entrepreneurs. The evidence from this study indicated that the relationship between entrepreneurship and culture may change with time.

- Self-employment is often suggested as a way of establishing new immigrant groups
- into the economy when other career options are closed for various reasons (Hagen,

1962). However, not all ethnic or racial groups have a higher propensity to become self-employed (Shapero and Sokol 1998.) Successful groups are for example the Indian, Pakistani and Bangladeshi communities in the UK (Storey, 1994) and the Jewish and Asian communities in the USA (Butler & Greene, 1997).

Less successful groups are the African, Caribbean / Guyanese people in the UK and African-Americans in the US (Van Fleet and Van Fleet, 1985; Bates, 1996). It appears that the entrepreneur's ethnic background affects what resources are available to him or her. The main explanation from the above studies is that some ethnic groups are more successful than others due to the access they have to certain critical resources such as financial and capital (education, capital before they enter a new country or a new sector of the economy).

Arising out of this review, there is need for further research on the effects of ethnicity on entrepreneurship in the Kenyan context with a view to addressing any critical issues that may bring out differences.

2.3.6 Religion and the Entrepreneur

Religion as a factor determining entrepreneurial behaviour has been studied extensively (McClelland, 1961; Weber, 1930). They argued that Protestantism presumably fostered independence and individualism by focusing upon the direct relationship between believer and God, while Catholicism relied on the Church and its representatives to make decisions on behalf of believers (McClelland, 1961; Weber, 1930).

It is evident that America, with its roots in commercially – backed religious settlements, has never viewed religion as anti-capitalist. America's religious ethos is not merely a secular adaptation of Protestantism; it is an individualistic, Darwinist, capitalist worldview not at all confined to practicing Protestants. The origins of

America's industrious Protestantism lie in Europe. Protestantism in Europe was a pro-entrepreneurial force. Modern western entrepreneurship, according to some scholars, is "rooted in the values and practices" of Protestant communities in Europe: "Together, familistic sentiments, the Protestant ethic, and new forms of production required and emphasized hard work, frugality, individual accountability, and reliability, as well as habits of self-regulation and personal drive" (Berger, 1991:17).

The practices required by Calvinism happened to be precursors to success in business. Under Calvinism, work became a tool for salvation. Honesty was required, as was responsibility in business dealings. Calvinism's emphasis was on the individual, who was required to account for his or her deeds directly to God on a daily basis-a habit, which may have translated into thoroughness in book keeping. The Calvinist strove to lead a simple and frugal life, which together with diligence in business, led to the accumulation of unspent wealth (Berger, 1991).

The relationship between Protestantism and entrepreneurship may be partly a result of self-selection. While Weber and McClelland have inferred a causal relationship running from religion to entrepreneurship, the direction of causality is actually unclear. Whenever Protestantism cropped up in Europe, it was by definition a new and controversial belief system. Individuals with a high level of tolerance for ambiguity (read entrepreneurial behaviour) may have been drawn to the various Protestant faiths:" There is no way of telling whether it is those who are apt for change who opt for the new model of faith or whether those who opt for new faith become as a result for change" (Martin, 1991:83)

It is instructive to note that communities living in certain areas of Kenya such as Tumutumu in Nyeri, Chogoria in Meru and Kikuyu in Kiambu among others took to commercial farming and higher education early on. The general development of the

areas was better than outlying areas. The Protestant missionaries introduced Protestantism in these communities in the late 19th century.

This calls for research as none appears to have been carried out in this area in the Kenyan context.

2.4 Entrepreneurial Behaviour

In this sub-section entrepreneurial behaviours will be discussed. The most popular entrepreneurial behaviours are innovativeness, risk-taking, and knowledge of result, individual responsibility, locus of control and opportunity recognition. These will be discussed.

2.4.1 Risk- taking

Risk- taking is one of the major entrepreneurial behaviours running across many discussions on entrepreneurship (McClelland, 1961, Livingstone and Ord, 1980; Coughlin and Ikiara, 1988). Masters and Meier, 1988, p. 31; Brockhaus, 1987, p.1 defined risk taking as,

the perceived probability of receiving the rewards associated with a proposed undertaking which is required by an individual before he will subject himself to the consequences associated with the failure, the alternative situation providing less reward as well as less severe consequences than the proposed situation.

This definition will be adopted in the current study. Risk is inherent in factors that determine the outcome of business efforts. These factors are numerous and difficult to assess and control. A great part of business is directed towards minimizing uncertainties and the entrepreneurial role appears to call for decision making under uncertainty (McClelland, 1961).

Entrepreneurs have been described as working under conditions of uncertainty or as McClelland (1961) observed, "This is precisely the working situation which individuals with high nAch prefer and work best under". A number of components that go into estimating risk in a small business have been given by Worley, Joel, Green and Fess (1989, p.27) as:

- ♦ Risk associated with competition, e.g. direct competition in the market or an alternative product being developed.
- ♦ Risk of product or service being developed
- ♦ Risk associated either the general economy, e.g. tax changes, inflation, and exchange rates.
- ♦ Risk associated with being small and vulnerable to changes in local conditions, e.g. re-routing of traffic or changes in local ordinances.
- ♦ Risk associated with illiquidity, i.e. being unable to find a buyer if a decision is made to get out of business.
- ♦ Risk measured by variability over time in cash flows.

2.4.2 Innovativeness

Innovativeness by definition involves establishing something in a new or better way (Livingstone and Ord, 1980, p.209). The two authors have argued that a businessman who does not innovate but behaves in a traditional manner is not, strictly speaking an entrepreneur.

Baumol (1968, p65) sums up the question of entrepreneurship as follows: "it is thought desirable that an entrepreneur searches and discovers new information, techniques and goods". It follows that an entrepreneur is an innovator and thus has to locate new ideas and put them into effect. To succeed in this effort an entrepreneur should perceive opportunities and innovatively exploit them (Harris, 1968).

2.4.3 Individual Responsibility

The entrepreneurial role has also been assumed to imply individual responsibility (McClelland, 1961). Some people may go as far as defining an entrepreneur as the one ultimately responsible for making decisions (Alexander, 1964) although it is recognized that decisions of varying complexity are made at all levels of the responsibility. Suttan et al (1956) noted that the key definition for businessmen seems to center around the concept of responsibility, and that responsibility of this sort implies individualism. It is not tolerable unless it implies both credit for success as well as blame for failure and leaves individuals free to claim or accept consequences, whatever they may be. The assumption made is that since the entrepreneur does everything for himself, the success or failure of the business depends on his activities. This internal locus of control motivates him/her to work towards the desired results.

2.4.4 Knowledge of Results

A person acting in an entrepreneurial capacity almost cannot, by definition, avoid knowing in concrete terms, how well he has performed in terms of meeting his production quotas (McClelland, 1961), profitability, percentage control of the market, rate of growth, etc. A businessman can operate according to the best established business procedures and still fail.

Despite doing business correctly, his products may not sell or even bring a sufficient return to keep the business operating. The success depends on results, not by following certain practices and strategies. This is unlike a priest, who on the other hand, knows he is a better priest if he obeys more rigorously the rules of his profession, or more scrupulously follows the prescribed rituals. He cannot fail, in the same concrete sense that the businessman can (McClelland, 1961).

Scholars in the field of entrepreneurship have discussed the behavioural characteristics of entrepreneurs. GOK/ILO/UNIDO center project (Government of Kenya, 1989) summarized the behavioural characteristics usually associated with entrepreneurial talent as; highly motivated, risk taker, innovative, problem solver, result-oriented and independent. To be successful, Kenyan entrepreneurs must possess those qualities. Which of the personal life factors (e.g. education, experience, role modeling, birth order and achievement motivation among others) influence the entrepreneurial behaviour such as risk taking, independence, locus of control and innovativeness? This is the thrust of this research effort.

CHAPTER 3: RESEARCH METHODOLOGY

3.1 Research Design

This chapter deliberates on how the research study was designed. It covers the population of the study, the sample and sampling design, data collection method and data analysis techniques used.

3.2 The Population

The population of interest in this study comprised of all owners of small-scale business enterprises in the City of Nairobi classified in the 3 categories as follows:

- i. Manufacturing
- ii. Service
- iii. Merchandising

The study covered Nairobi due to the high number of MSE's. According to the national baseline survey (CBS/CEG/KREP, 1999), Nairobi and Mombasa have about 60% of MSE's in their population. Nairobi is a multicultural, multiethnic metropolis with many MSE's and this made it possible to generalize the results to the entire population of Kenyan entrepreneurs.

The number of employees has been used to define the size of firms. McCormick (1992) and Kenya Directory of manufacturing firms by KIRDI (1993) defines Micro and Small Enterprises, MSEs, as having less than 50 employees. This criterion has been adopted in the current study.

3.3 Sample and Sampling design

There are certain areas that have many of these types of enterprises clustered together. Some of these areas include Kamukunji / Gikomba, Kibera, Kawangware, Kariobangi and Kangemi.

The study adopted clustered random sampling, where several respondents from each of these areas were interviewed. According to McCormick (1986) each and every MSE in a given area differs significantly from the other in many aspects including performance. If respondents from several areas within Nairobi were interviewed then more representative generalisation could be drawn.

Considering the diverse distribution of MSEs in Nairobi and the limited time and budget available, the researcher settled for the sample of 80 firms. This sample was considered adequate to provide a general view of entrepreneurial behaviour and the influencing factors. Hence it provided a basis for valid and reliable generalisation and conclusion. The Welfare Association that the MSE's registered with as members were approached for a list of members in each area and from the total the ratios of 3:2:1:1:1 for Gikomba, Kibera, Kariobangi, Kangemi and Kawangware arrived at. Therefor the number of enterprises to be sampled in each are were Gikomba - 30, Kibera - 20, Kariobangi - 10, Kangemi - 10 and Kawangware –10

A total of 80 respondents were chosen from the above divisions as follows:

<u>Area</u>	<u>No. of Respondents</u>
Kamukunji and Gikomba	30
Kibera	20
Kawangware	10
Kariobangi	10
Kangemi	10
Total	80

A random sample of firms was picked from each area. The firms in the sample frame were numbered and the starting point was determined through the use of random numbers. Thereafter firms were selected using the sampling interval obtained from each market. During the fieldwork, it was found that some entrepreneurs were not interested in responding to the interviews. This necessitated the use of convenience sampling, where previously sampled enterprises were substituted with those who were willing and available.

3.4 Data Collection

The data required for the study was primary data. A semi- structured questionnaire was administered to the representatives of the sampled MSE firms and the key informants to capture both quantitative and qualitative data on the issues under study. These questionnaires were administered on a face-to-face basis. Field notes on qualitative information during the interview was also taken. Some of the respondents did not know how to read and write and the researcher and his assistant therefore read, translated the questions and completed the questionnaires on their behalf. The variables were operationalised as follows:

3.3.1 Operational Definitions of Variables

Determining Factors

Formal education:

A five –level classification of education was used. A dummy variable equal to one was assigned if the entrepreneur has gone up to Secondary school and zero otherwise. Secondary level was used in this study as indicative of higher levels of education.

Formal training:

A dummy variable equal to one was assigned if the entrepreneur has had some formal training and if this is related to the running of the current business and zero otherwise.

Experience:

This was measured using two variables. The age of the entrepreneur at the time of starting the business provided a measure of prior experience. Previous studies have found positive relationship between age and experience (Harris, 1968) found that those who went into business at age thirty (30) were more likely to be successful. A dummy variable equal to one (1) was assigned if an entrepreneur was 30 years old and had some experience and zero otherwise.

Birth Order:

Studies have shown that entrepreneurs tend to be first-born children (Collins & Moore, 1964, Gilder, 1984). A dummy variable equal to one was assigned if the entrepreneur was the first born in the family and zero otherwise.

Parental Influence:

Entrepreneurs were offered possible sources of influence to entrepreneurship. The individual's exposure to successful role model, especially the father is an important determinant of entrepreneurial behaviour (Kent, 1986, Eisenhardt & Forbes, 1984; Scherer et. al, 1989; Vesper, 1980; Bird, 1989). A dummy variable equal to one was assigned if the entrepreneur was influenced to go into business by his/her father and zero otherwise.

Religion:

An eight level classification of major religions was given in the questionnaire. It has been demonstrated that Protestantism influences entrepreneurial behaviour. A dummy variable equal to one was assigned if the entrepreneur was a Protestant and zero otherwise.

Ethnicity:

Studies in London showed that East African Asians were more entrepreneurial than other communities (Basu & Altiney, 2001). A dummy variable equal to one was assigned if the entrepreneur was an Asian and zero otherwise.

Gender:

A dummy variable equal to one was assigned if the entrepreneur was a male and zero for female.

Achievement motive:

Studies have shown that those with stronger achievement motives show greater entrepreneurial behaviour than others (McClelland, 1961).

Respondents were asked why they decided to go into business and eight options offered namely; There was no suitable job, business is more challenging, inherited the business, business is more profitable, wanted to be independent, was frustrated in formal employment, was retrenched from formal employment, any Other. To confirm motivation the respondents were further asked whether they would accept to be employed if offered a wage higher than their current earnings per month. A negative response to this question implied that the respondents were motivated to their business and this was assigned a value of 1. Positive responses were assigned a value of zero.

Behavioural Characteristics

Locus of Control:

Entrepreneurs were requested to complete a set of 10 questions to measure Locus of Control adapted from a questionnaire used by Hisrich & Brush, 1985. The set of questions had a seven-point scale and 7 points were awarded for each question to make up a total of 70. In each case the locus score was calculated as the summed average of the ten-item scores. A score of 7 on these scales meant that an individual had an internal locus of control. A score of 1 indicated that the person had an external locus of control, while a score of 4 indicated that the respondent had a locus of control consistent with that of the general population. A dummy variable equal to one was assigned if the entrepreneur scored an average score greater than 4 points and zero otherwise. A score greater than 4 points was used in this study as indicative of an internal locus of control.

Independence:

Entrepreneurs were requested to complete a set of 10 questions to measure independence and need for achievement adapted from a questionnaire used by Hisrich & Brush, 1985. The set of questions had a seven-point scale and 7 points were awarded for each question to make up a total of 70. In each case the independence score was calculated as the summed average of the ten-item scores. A score of 7 on these scales meant that an individual had a high level of independence. A score of 1 indicated that the person had a low independence, while a score of 4 indicated that the respondent had an independence consistent with that of the general population. A dummy variable equal to one was assigned if the entrepreneur scored an average score

greater than 4 points and zero otherwise. A score greater than 4 points was used in this study as indicative of independence and need for achievement.

Risk Taking:

Entrepreneurs were requested to complete a set of 10 questions to measure risk taking propensity adapted from a questionnaire used by Hisrich & Brush, 1985. The set of questions had a seven-point scale and 7 points were awarded for each question to make up a total of 70. In each case the risk score was calculated as the summed average of the ten-item scores. A score of 7 on these scales meant that an individual had a high level of risk taking propensity. A score of 1 indicated that the person had a low risk propensity, while a score of 4 indicated that the respondent had a risk-taking propensity consistent with that of the general population. A dummy variable equal to one was assigned if the entrepreneur scored an average score greater than 4 points and zero otherwise. A score greater than 4 points was used in this study as indicative of higher risk taking propensity.

3.4 Data Analysis

Both quantitative and qualitative data analysis techniques were employed in this study. The quantitative data collected was coded; analysed; and presented in a suitable format. The qualitative data gathered from key informant interviews was used to complement the quantitative data collected from the MSEs' representatives. The quantitative data obtained from the respondents on all the factors and entrepreneurial behaviour was first of all coded. Correlation analysis was used to analyse the degree of relationship between the variables in the study (for example the relationship between higher education and risk taking behaviour etc.). This indicated the strength and direction of association between the variables.

This was followed by multiple regression analysis to determine whether the group of factors proposed, together predict entrepreneurial behaviour. The analysis was done using the SPSS computer programme to generate the t-value and the probability level for each t-value to determine the significance level of each regression coefficient. F statistics were used to tell whether one or more of the independent variables significantly predicted the dependent variables at the selected probability levels.

Regression Model

Behavioural Characteristics

Variable	Symbol
Locus of Control	Y1
Independence	Y2
Risk- taking	Y3

Determining Factors

Variable	Symbol
Education	Ed
Training	Tr
Experience	Ex
Birth Order	Bo
Parental Influence	Pi
Religion	Re
Ethnicity	Et
Achievement Motivation	Mo

Relationships

The influencing factors are independent of each other and they affect the dependent variables of Locus of control, independence and risk – taking in an additive manner, the regression model is of the form:

$$Y = a + a_1 X_1 + a_2 X_2 + + a_n X_n + E$$

- Y - Dependent Variable
- X - Independent Variable
- a - Constant
- a_{1-n} - Regression Coefficients or Change induced in Y by each X
- E - Error Term

The relationships in the study can then be expressed as:

$$Y_1 = a + a_1 Ed + a_2 Tr + a_3 Ex + a_4 Bo + a_5 Pi + a_6 Re + a_7 Et + Mo + E$$

$$Y_2 = a + a_1 Ed + a_2 Tr + a_3 Ex + a_4 Bo + a_5 Pi + a_6 Re + a_7 Et + Mo + E$$

$$Y_3 = a + a_1 Ed + a_2 Tr + a_3 Ex + a_4 Bo + a_5 Pi + a_6 Re + a_7 Et + Mo + E$$

CHAPTER FOUR: DATA ANALYSIS AND FINDINGS

4.1 Introduction

In this chapter, the results of the descriptive statistics are presented for all the variables using tables and charts. The results of the correlation and regression analysis are presented for all the hypotheses. The data obtained from the respondents on locus of control, need for independence and risk-taking, is presented in tables and charts in this section, together with that on education, training, experience, birth order, parental influence, religion, ethnicity, gender and achievement motivation. Each model representing each criterion variable (locus of control, independence and risk taking) was regressed once on all the predictor variables (education, training, experience, birth order, parental influence, religion, ethnicity, gender and achievement motivation).

The coefficient of multiple determination, R^2 , was used to determine the proportion of the variation of each criterion variable (locus of control independence and risk taking), which is explained by the relevant predictor variable, while correlation coefficients were used to detect the presence of multi-collinearity. T-statistics were used to test each Beta coefficient for significance. Stepwise regression analyses (forward and backward selections) was performed using all predictor variables to determine how well each performed in predicting the criterion variables.

Descriptives Statistics

4.1.1 Profile of Entrepreneurs

i) Age and gender

The age and gender of entrepreneurs interviewed was captured in order to describe the entrepreneurs and for comparison with other studies. Table 4.1.1.1 indicates that

37.5 % of entrepreneurs were in the age bracket 15-30 years , 48.8% in age bracket 30-45 years and 13.7% in age bracket 45-60 Years.

Table 4.1.1.1 Age Distribution of Entrepreneurs

Age	frequency	Percent
15-30	27	37.5
30-45	42	48.8
45-60	11	13.7
Total	80	100

This findings are in line with the National baseline survey (CBS/ICEG/KREP, 1999) which found that 83% of Kenyan entrepreneurs were in the age bracket 16-45 years. The current study found 86.3% in this age bracket which compares very well with the baseline survey. In terms of gender 36.3 % of respondents were women and 63.7% men as shown in figure 4.1.1.1 below. This indicates a higher number of male entrepreneurs than female.

ii) Designation Of The Respondents In Firm / Business

It was found necessary to establish whether the entrepreneurs ran their own business or employed others to do so.

Table 4.1.1.2 Designation of Respondents

Designation	Frequency	Percent
Owner	78	97.5
Other	2	2.5
Total	80	100

97.5% of respondents were owners of the firms or the entrepreneurs themselves. This indicates that majority of entrepreneurs manage their firms.

iii) Education Status

The level of education of entrepreneurs is important and has been studied extensively. For example, Brockhaus and Nord (1979), found that entrepreneurs had a lower education than managers. This lower education level means that these entrepreneurs are locked out of traditional organisation careers and this could lead them to pursue a venture. Table 4.1.1.3 below indicate that 1.3% of respondents had no education at all, 33% had primary level education, 55% secondary level and 11% middle level college or university education. This is in line in line with the National baseline survey (CBS/ICEG/KREP, 1999), which found that 67 % of Kenyan entrepreneurs were of secondary level followed by the primary level. This implies that the 500,000 university and college graduates joining the labour market annually have not made an impact in the sector inspite of the worsening problem of unemployment.

Table 4.1.1.3 Education Level of Entrepreneurs

<u>Education Level</u>	<u>Frequency</u>	<u>Percent</u>
None	1	1.2
Primary School	26	32.5
Secondary School	44	55.0
Middle Level College and University	9	11.3
Total	80	100

iv) **Age At Which The Respondents Started Business**

It was expected that individuals starting business at later ages (30 years above), would have more years of general experience in life than those who started business in earlier ages. Entrepreneurs were found to start their business at all ages. However most of them did so at the age of 30 years. The entrepreneurs indicated that previous experience in other similar occupations was also an important source of knowledge on enterprise management.

Table 4.1.1.4 Age at Business Startup

<u>Age (Years)</u>	<u>Frequency</u>	<u>Percent</u>
15- 30	58	73.4
31-45	18	22.7
46-60	3	3.9
Total	79	100

v) **Ethnic Background**

Different ethnic groups have different traditions and customs, and these are likely to contribute to differences in entrepreneurial behaviour and performance.

Harris (1968) studies in Nigeria found that entrepreneurial performance varied among the various ethnic groups. Studies in London showed that East African Asians were more entrepreneurial than other communities (Basu & Altiney, 2001).

In terms of ethnicity, the Kikuyu represented 53.8% of all the entrepreneurs while other ethnic groups represented 46.3% of respondents. This could be due to the proximity of Nairobi to central province and other regions generally inhabited by the Kikuyu.

vi) **Duration Of Working In The Firm / Business**

The duration of the firm in business was a good indication of the success of the venture. Table 4.1.1.5 below summarises the duration of the entrepreneurs in their business.

Table 4.1.1.5 Duration in Business

<u>Duration in Business</u>	<u>Frequency</u>	<u>Percent</u>
Below 2 Years	11	13.7
2-4 Years	13	16.3
Over 4 Years	56	70.0
Total	80	100

70% of the respondents had over 4 years experience in business, while 16.3% had between 2-4 years experience and 13.7% below 2-years experience. Most of the respondents were experienced entrepreneurs.

vii) **Experience**

Previous experience is an important factor in shaping the entrepreneur and it is expected that the majority of entrepreneurs possess some form of experience prior to developing an entrepreneurial venture (Brockhaus (1980). In the current study 66% of respondents indicated that they had no prior experience while 34% had prior experience before venturing into the current business.

Table 4.1.1.6 Experience of Entrepreneurs

<u>Experience in Business</u>	<u>Frequency</u>	<u>Percent</u>
No Prior experience	52	65.8
Prior experience	27	34.2
Total	79	100

viii) Birth Order In The Family

Evidence exists that entrepreneurs are often first born children, who have to struggle to fit into society and therefore tend to frequently develop entrepreneurial behaviour (Collins & Moore, 1964; Brockhaus, 1980; McClelland, 1987). It was found that 27.5% of respondents were first born, 7.5% last born, 27.5% second born and 37.5% other in the current study as indicated in table 4.1.1.7 below. The number of first born children was the same as the second born among the entrepreneurs.

Table 4.1.1.7 Birth Order of Respondents

<u>Birth Order</u>	<u>Frequency</u>	<u>Percent</u>
First Born	22	27.5
Second Born	22	27.5
Last Born	6	7.5
Other	30	37.5
Total	80	100

ix) Personality That Influenced One To Into Business

The individuals exposure to a successful role model, especially fathers, is an important determinant of entrepreneurial behaviour (Kent, 1986, Eisenhardt & Forbes, 1984; Scherer et. al, 1989; Vesper, 1980; Bird, 1989). The current study considered the personality that influenced the entrepreneur to go into business. 16.5% indicated fathers influence, 12.7 the mother, 58.2% another successful entrepreneur and 12.7% by others. Majority of entrepreneurs were influenced by other successful entrepreneurs, showing that successful entrepreneurs are more influential in role modelling than all the others.

Table 4.1.1.8 Personality Influencing One into Business

Personality Influencing	<u>Frequency</u>	<u>Percent</u>
Father	13	16.4
Mother	10	12.7
Successful Entrepreneur	46	58.2
Other	10	12.7
Total	79	100

x) Religion As Practised

Religion as a factor determining entrepreneurial behaviour has been studied extensively (McClelland, 1961; Weber, 1930). They argued that Protestantism presumably fostered independence and individualism by focusing upon the direct relationship between believer and God, while Catholicism relied on the Church and its representatives to make decisions on behalf of believers (McClelland, 1961; Weber, 1930).

Table 4.1.1.9 Religion as Practiced

Religion	<u>Frequency</u>	<u>Percent</u>
Protestant	32	40.0
Catholic	25	31.2
Pentecostal	19	23.7
Moslem	1	1.3
African Traditional	1	1.3
Other	2	2.5
Total	80	100

In the current study 40% of respondents were found to be protestants and 60% from other denominations as indicated in table 4.1.1.9.

xi) **Reasons For Going Into Business**

Some people are more entrepreneurial than others and are motivated by various factors towards business entry and entrepreneurship. Profit may be one of the motives as emphasised by several economists, notably, Cantillon and Marx. The desire to take risk and a spirit of adventure may be another (Knight, 1921). Some people have greater access to information or knowledge and wish to exploit that advantage (Kirzner, 1973). The entrepreneur may be driven by psychological motives like the desire to innovate and create new products (Schumpeter, 1934), need for achievement and independence (McClelland, 1961). The table below shows the motivation for enterprise creation.

Table 4.1.1.10 Reasons for Going into Business

<u>Reasons</u>	<u>Frequency</u>	<u>Percent</u>
No Suitable Job	21	26.25
Inherited the Business	6	7.50
Frustrated in Employment	13	16.25
Retrenched	4	5.00
Business More Challenging	4	5.00
Business More Profitable	10	12.50
Wanted to Be Independent	21	26.25
Other	1	1.25
Total	80	100

The need for independence and lack of a suitable job were the major reasons for going into business with 26.25% each citing these as the reasons of going into business. Pull factors (Independence, challenge, and profitability) accounted for 45.05% and push factors (No suitable job, inheritance, and frustration in normal employment and retrenchment) for 55.05%. Majority of entrepreneurs were “pushed” into entrepreneurship comparing well with the study by Brockhaus (1980), which found that job dissatisfaction “pushes” entrepreneurs out of organisations towards the development of entrepreneurial ventures.

Decision if Offered A Job In The Formal Sector

The need for achievement and independence are key factors in the success of an enterprise (McClelland, 1961). The need for independence and the desire to be ones boss is what drives both female and male entrepreneurs to take the risks associated with creating and developing a new venture. Respondents were asked whether they would take up a job in the formal sector if the salary were higher than their incomes. 56.3% said no, while 43.8% said yes. Those who said no have a higher achievement motivation and need for independence, and are likely to be successful entrepreneurs.

xii) Formal Training

It was expected that entrepreneurs, who had some training relevant to running of their business would show a greater degree of entrepreneurial behaviour. During the study 29.5% of respondents indicated having formal training and of these 40% received training related to the running of their current business. This indicated that most of the entrepreneurs went into business without formal training or with training not relevant to their business.

Table 4.1.1.11 Formal Training Attended

<u>Training Related to Running the Business</u>	<u>Frequency</u>	<u>Percent</u>
Yes	23	29.5
No	55	70.5
Total	78	100

4.1.2 Enterprise Profile

i) Type Of Enterprise

Table 4.1.2.1 below indicates that 13.8 % of enterprises were in manufacturing, 20%in Service, 65% in merchandising and 1.3 in other areas.

Table 4.1.2.1 Type Of Enterprise

<u>Type Of Enterprise</u>	<u>Frequency</u>	<u>Percent</u>
Manufacturing Oriented	11	13.8
Service Oriented	16	20.0
Merchandising Oriented	52	65.0
Other	1	1.2
Total	80	100

ii) Sources Of Start Up Capital

Capital for start-up and expansion of the business is required in any business venture and one would expect a considerable advantage for those with access to credit, which would enable them to start firms on a large scale (Harris, 1968). The sources of start-up capital were identified as tabulated in Table 4.1.2.2.

Table 4.1.2.2 Source of Startup Capital

<u>Source</u>	<u>Frequency</u>	<u>Percent</u>
Savings	34	42.5
Loan from Family Member	40	50.0
Loan from Friend	5	6.25
Loan from Co-operative and R.O.S.CA	1	1.25
Total	80	100

The major sources of startup capital was found to be savings – 42.5%, loan from family –50%, loan from friend 6.3% and loan from ROSCA – 1.3%. None of the entrepreneurs obtained startup capital funding from a bank.

iii) Current Source Of Funds For Development & Working Capital

Respondents were further asked to state the source of their business development capital. 22.8% indicated they used savings, 8.9% - loans from friends and 68.4% - profits from the business. Entrepreneurs did not borrow from banks for the development of their businesses but reinvested their profits for business expansion.

Table 4.1.2.3 Source of Development Capital

<u>Source of Development Funds</u>	<u>Frequency</u>	<u>Percent</u>
Savings	18	22.8
Loan from Family Member	7	8.9
Profits From Business	54	68.3
Loan from bank	0	0
Total	79	100

It can be concluded that the entrepreneurs started on a small scale and financed their growth through re-investment of their profits.

iv) **Full Time Employees Of The Business**

The number of employees was used to define the size of firms. McCormick (1992) and Kenya Directory of manufacturing firms by KIRDI (1993) defines Micro and Small Enterprises, MSEs, as having less than 50 employees. It was found that 97.5% of the businesses employed between 1-10 people fitting well into the description of small business used in the current study.

Table 4.1.2.4 Full Time Employees of Enterprise

<u>Employees</u>	<u>Frequency</u>	<u>Percent</u>
1 - 10	75	97.4
Other	2	2.6
Total	77	100

vi) **Business Employees**

Most of the businesses employed a manager, 71.8%, and unskilled workers, 17.9%. A few employed supervisors, 2.6% and skilled workers, 7.7%.

Table 4.1.2.5 Employees

<u>Type of Employees</u>	<u>Frequency</u>	<u>Percent</u>
Manager / Owner	56	75.7
Supervisor	2	2.7
Skilled Workers	14	18.9
Unskilled Workers	2	2.7
Total	74	100

vii) **Business Performance**

The respondents were asked how their businesses was performing and 46.3% of the entrepreneurs indicated that their businesses were performing well as measured by high profits and sales (Table 4.1.2.7).

Chart 4.1.2.1 Results on Locus of Control

Table 4.1.2.6 Business Performance

<u>Business is Performing Well</u>	<u>Frequency</u>	<u>Percent</u>
Yes	37	46.3
No	43	53.7
Total	80	100

4.1.3 Entrepreneurial Behaviour

4.1.3.1 Locus Of Control

i) Introduction

The entrepreneurial role has been assumed to imply individual responsibility (McClelland, 1961) and the entrepreneur can be defined as the one ultimately responsible for making decisions (Alexander, 1964). The entrepreneur usually does everything for himself and therefore the success or failure of the business depends on his individual activities and decisions. Entrepreneurs usually have an internal locus of control. The respondents were requested to answer a set of 10 questions, which was used to measure the locus of control.

ii) Findings

The results depicted in Chart 4.1.3.1 approximate a normal distribution among the sample. 90% of the respondents were found to have an internal locus of control as expected of entrepreneurs and 10% of the entrepreneurs had an external locus of

control as indicated in table 4.1.3.1. This confirms that the majority of entrepreneurs in the sample rely on themselves and carry individual responsibility with regard to the performance of the enterprise.

Chart 4.1.3.1 Results on Locus of Control

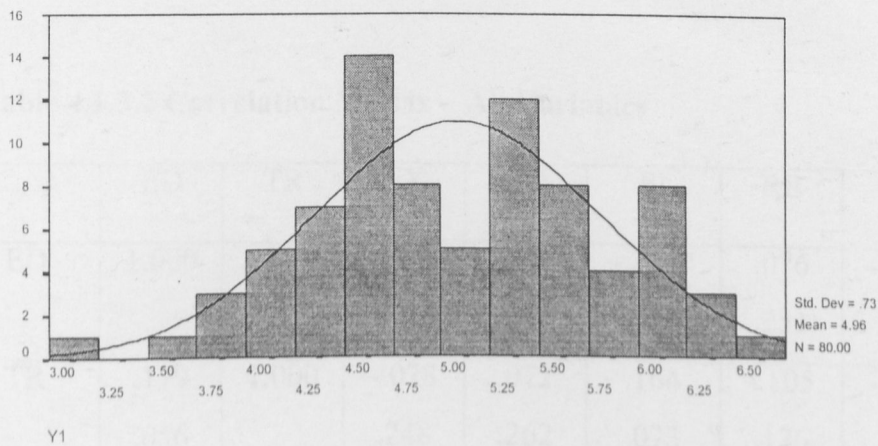


Table 4.1.3.1 Results on Locus of Control

Locus of Control	Frequency	Percent
Internal	72	90
External	8	10
Total	80	100

iii) Correlation Results – Locus of Control

Correlation analysis was used to determine the strength and direction of association between the dependent variable, Locus of Control and the independent variables, education, training, experience, birth order, parental influence, religion, ethnicity, gender and achievement motivation.

The results are represented in the correlation matrix shown on table 4.1.3.2 and include-relationships among the independent variables as well.

The results show a weak correlation between the dependent variable locus of control and independent variables education, training, birth order, parental influence, religion, ethnicity and gender. There was a significant correlation between variable locus of control (-.200 at a significance level of 0.038) and experience and (0.210 at a significance level of 0.031).

Table 4.1.3.2 Correlation Matrix - All Variables

	ED	TR	EX	BO	PI	RE	ET	GE	MO
ED	1.000	.179 .056	.031 .392	-.111 .164	-.205* .034	.076 .251	-.106 .175	.024 .418	-.074 .257
TR	.179 .056	1.000	-.078 .248	.072 .262	.164 .073	-.105 .176	-.032 .388	-.087 .221	-.228* .021
EX	.031 .392	-.078 .248	1.000	.110 .167	.329* .002	0.003 .488	0.233* .019	0.005 .483	0.141 .107
BO	-.111 .164	.072 .262	.110 .167	1.000	.144 .102	.183 .052	.159 .080	-.115 .155	.205* .034
PI	-.205* .034	.164 .073	.329* .002	.144 .102	1.000	.011 .460	-.131 .124	.077 .249	.219* .025
RE	.076 .251	-.105 .176	.003 .488	.183 .052	.011 .460	1.000	.010 .464	.074 .256	.05 .440
ET	-.106 .175	-.032 .388	.233* .019	.159 .080	-.131 .124	.010 .464	1.000	-.126 .133	.212* .030
GE	.024 .418	-.087 .221	.005 .483	-.115 .155	.077 .249	.074 .256	-.126 .133	1.000	-.016 .443
MO	-.074 .257	0.228* .021	.141 .107	.205* .034	.219* .025	.051 .325	.212* .030	-.016 .443	1.000
YI	.125 .136	.086 .224	-.200* .038	-.075 .255	-.028 .404	.017 .440	-.109 .169	.078 .246	.210* .031

* Correlation is significant at 0.05 significance level

The upper values are the correlation coefficients while the lower values are the levels of significance.

Key to Tables 4.1.3.1 To 4.1.3.9

Behavioural Characteristics

Variable	Symbol
Locus of Control	Y1
Independence	Y2
Risk- taking	Y3

Determining Factors

Variable	Symbol
Education	Ed
Training	Tr
Experience	Ex
Birth Order	Bo
Parental Influence	Pi
Religion	Re
Ethnicity	Et
Achievement Motivation	Mo

iv) Regression Results - Locus of Control

The model representing locus of control as a variable was regressed once on all the predictor variables. All the nine hypotheses presented in chapter 3 related to locus of control as an entrepreneurial behavior were tested using multiple regression analysis.

The results of these tests are presented in table 4.1.3.3.

It was hypothesized that entrepreneurs with high levels of formal education (those have gone up to form 4 or above) would show an internal locus of control as compared to those with low levels of formal education (hypothesis a). As shown in

table 4.1.3.3, the hypothesis was not confirmed, ($t - \text{Value} = 1.364, p > .05$), showing that locus of control is not influenced by the level of education attained by the entrepreneurs who were interviewed.

It was also hypothesized that those entrepreneurs who have had some training relevant to their present undertakings show an internal locus of control as compared to those who have had very little or no such training (Hypothesis b). Again, this hypothesis was not confirmed as shown by the results in table 1, ($t - \text{Value} = -0.187, p > .05$). This implies that entrepreneurs with training related to the current running of their businesses may not necessarily have an internal locus of control. One does not, therefore, need to have training in the relevant business undertaking to have an internal locus of control.

Hypothesis c stated that entrepreneurs with experience would have an internal locus of control as compared to those with little or no such experience. As shown by the results in table 4.1.3.3, ($t - \text{Value} = -1.893, p > .05$), this hypothesis was not confirmed. This indicates that experience did not seem to be a determinant of an internal locus of control among the entrepreneurs interviewed.

Hypothesis d predicted that entrepreneurs who were first-born children would have an internal locus of control as compared to those of other birth order. From the results in table 4.1.3.3, ($t - \text{Value} = -0.879, p > .05$), this hypothesis was not confirmed.

Hypothesis e predicted that entrepreneurs who were influenced by their parents into business, especially by fathers, would have an internal locus of control as compared to

those influenced by others. This hypothesis was not confirmed, ($t - \text{Value} = 0.362, p > .05$).

Hypothesis f predicted that entrepreneurs practicing the Protestant religion would have an internal locus of control as compared to those of other faiths. This hypothesis was not confirmed ($t - \text{Value} = 0.120, p > .05$).

Hypothesis g predicted that entrepreneurs of Asian origin would have an internal locus of control as compared to other ethnic groups. After data collection, the majority ethnic group was found to be the Kikuyu. The Hypothesis was revised to predict that entrepreneurs of Kikuyu origin would have an internal locus of control as compared to those of other ethnic groups. This hypothesis was not confirmed, ($t - \text{Value} = -0.423, p > .05$).

Hypothesis h predicted that male entrepreneurs would have an internal locus of control as compared to women. This hypothesis was not confirmed, ($t - \text{Value} = 0.575, p > .05$).

It was hypothesized that entrepreneurs with stronger achievement motives would have an internal locus of control as compared to those with low levels of achievement motives (hypothesis i). As shown in table 4.1.3.3, the hypothesis was confirmed ($\text{Beta} = 0.299, t = 2.469, p < 0.05$). This indicates that those respondents who went into business primarily because they preferred it as a career have an internal locus of control as compared to those who went into business for other reasons.

Table 4.1.3.3 Regression Results Locus of Control and All Variables

<u>Predictor Variable</u>	<u>Beta</u>	<u>Beta Coefficient</u>	<u>t- values</u>	<u>Level of Significance</u>
Education	B1	0.168	1.364	.177
Training	B2	- 0.23	-0.187	.852
Experience	B3	- 0.242	-1.893	.063
Birth order	B4	- 0.106	-0.879	.383
Parental influence	B5	0.049	0.362	.719
Religion	B6	0.014	0.120	.905
Ethnicity	B7	-0.053	-0.423	.673
Gender	B8	- 0.065	.575	.567
Achievement motivation	B9	0.299	2.469	.016*

*Significant at 0.05 significance level

v) Summary of Results - Locus of Control

The results show a weak correlation between the dependent variable locus of control and independent variables education, training, birth order, parental influence, religion, ethnicity and gender. There was a significant negative correlation between variable locus of control and experience (- .200 at a significance level of 0.038). Entrepreneurs with stronger achievement motives were found to have an internal locus of control as compared to those with low levels of achievement motives. Achievement motivation

correlated positively and significantly with internal locus of control among respondents.

The coefficient of multiple Determination R^2 , was found to be ($R^2 = 0.153$) and this shows that 15.3 % of the total variation in the entrepreneurial behavior of locus of control is explained by all the predictor variables. The R^2 value indicates a weaker relationship between the criterion (locus of control) and predictor variables, (education, training, experience, birth order, parental influence, religion, ethnicity, gender and achievement motivation). This suggests that the predictor variables combined might not have been good explanatory variables in the model. The unexplained variation in locus of control might have been due to other factors not considered in the model. This further confirms the low and statistically insignificant Beta coefficients of the predictor variables (see table 4.1.3.3).

From the results presented in the fore-going section, it is evident that only motivation appeared to predict an internal locus of control behavior among the entrepreneurs.

4.1.3.2 Independence

i) Introduction

The need for achievement and independence are key factors in entrepreneurship (McClelland, 1961). In a study carried out in Kisumu, (Ombok, 1990) found a positive relationship between achievement motivation and entrepreneurship and it was observed that entrepreneurs who had high achievement motivation had a tendency towards risk-taking. In the current study the respondents answered a set of 10 questions, which was used to measure their need for independence.

The results are as shown in chart 4.1.3.2 and table 4.1.3.3 and were found to approximate a normal distribution among the sample. 71.3% of the respondents were found to have a need for independence and achievement motivation that is typical of entrepreneurs.

Chart 4.1.3.2 Results on Independent Behavior

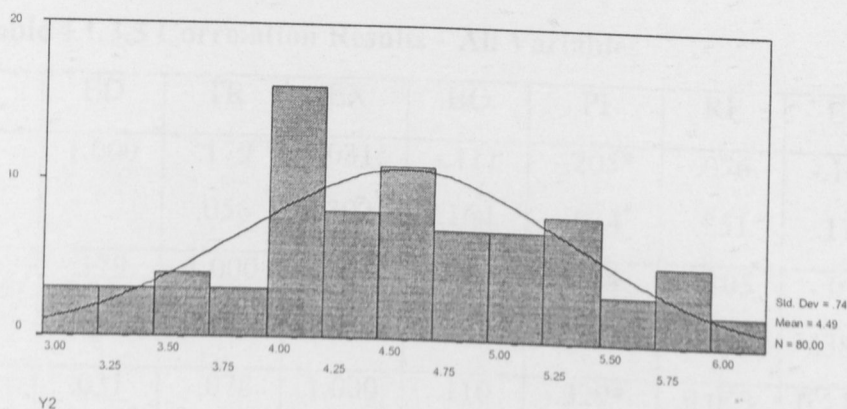


Table 4.1.3.4 Independence

Independent Behavior	Frequency	Percent
Independence	57	71.3
Dependence	23	28.7
Total	80	100

ii) Correlation Results – Independence

Correlation analysis was used to determine the strength and direction of association between the dependent variable, independence and the independent variables, education, training, experience, birth order, parental influence, religion, ethnicity, gender and achievement motivation.

The results are represented in the correlation matrix shown on table 4.1.3.5 and include relationships among the independent variables as well.

The results indicate weak correlation between the dependent variable independence and independent variables experience, parental influence, religion, ethnicity and gender. There was a significant negative correlation between variable independence and the factors education (-.264, $p < 0.05$), and training (-.292, $p < 0.05$). There was also a significant positive correlation between variable independence and the factors parental influence (.206, $p < 0.05$), and achievement motivation (.219, $p < 0.05$). See table 4.1.3.5.

Table 4.1.3.5 Correlation Results - All Variables

	ED	TR	EX	BO	PI	RE	ET	GE	MO
ED	1.000	.179 .056	.031 .392	-.111 .164	-.205* .034	.076 .251	-.106 .175	.024 .418	-.074 .257
TR	.179 .056	1.000	-.078 .248	.072 .262	.164 .073	-.105 .176	-.032 .388	-.087 .221	-.228* .021
EX	.031 .392	-.078 .248	1.000	.110 .167	.329* .002	0.003 .488	0.233* .019	0.005 .483	0.141 .107
BO	-.111 .164	.072 .262	.110 .167	1.000	.144 .102	.183 .052	.159 .080	-.115 .155	.205* .034
PI	-.205* .034	.164 .073	.329* .002	.144 .102	1.000	.011 .460	-.131 .124	.077 .249	.219* .025
RE	.076 .251	-.105 .176	.003 .488	.183 .052	.011 .460	1.000	.010 .464	.074 .256	.05 .440
ET	-.106 .175	-.032 .388	.233* .019	.159 .080	-.131 .124	.010 .464	1.000	-.126 .133	.212* .030
GE	.024 .418	-.087 .221	.005 .483	-.115 .155	.077 .249	.074 .256	-.126 .133	1.000	-.016 .443
MO	-.074 .257	0.228* .021	.141 .107	.205* .034	.219* .025	.051 .325	.212* .030	-.016 .443	1.000
Y2	-.264* .009	-.292* .004	-.008 .471	.206* .034	.024 .418	.011 .460	.035 .378	.019 .423	.219* .025

* Correlation is significant at 0.05 significance level

* The upper values are the coefficients and the lower levels of significance.

iii) Regression Results - Independence

Regression analysis was carried out to determine whether the factors individually or together as a group predicted independence behaviour among the entrepreneurs. The model representing locus of control as a variable was regressed once on all the predictor variables. All the nine hypotheses presented in chapter 3 related to independence as an entrepreneurial behavior were tested using multiple regression analysis. The results of these tests are presented in table 4.1.3.6.

Table 4.1.3.6 Regression Results - Independence (Y2)

Predictor Variable	Beta	Beta Coefficient	t- values	Level of Significance
Education	B1	- 0.160	-1.377	.173
Training	B2	- 0.349	-3.009	.004**
Experience	B3	0.067	-0.552	.582
Birth order	B4	0.182	1.599	.114
Parental influence	B5	0.025	-0.191	.849
Religion	B6	0.060	-0.545	.587
Ethnicity	B7	0.065	-0.542	.589
Gender	B8	0.019	.178	.859
Achievement motivation	B9	0.282	2.457	.017*

It was hypothesized that entrepreneurs with high levels of formal education (those have gone up to form 4 and above) would show greater tendency towards independence as compared to those with low levels of formal education (Hypothesis a). As shown in table 4.1.3.6, the hypothesis was not confirmed, ($t = -1.377$, $p > .05$), showing that independence is not affected by the level of education attained by the entrepreneurs who were interviewed.

It was also hypothesized that those entrepreneurs who have had some training relevant to their present undertakings would show greater tendency towards independence as compared to those who have had very little or no such training (Hypothesis b).

The correlation between training and independence was significant ($R = -.292$ at .05 level) and on regression, was significant at the .05 level ($t = -3.009$, $p < .05$) but negatively. This may be interpreted to mean that as one obtains training relevant to their business, they become less independent, possibly due to the conditioning of the training received.

Hypothesis c stated that entrepreneurs with experience would show greater tendency towards independence as compared to those with little or no such experience. As shown by the results in table 4.1.3.6, ($t = -0.552$, $p > .05$), this hypothesis was not confirmed. This indicates that experience was not a determinant of independent behaviour among the entrepreneurs interviewed.

Hypothesis d predicted that entrepreneurs who were first-born children would show greater tendency towards independence as compared to those of other birth order. There was significant correlation between being first born and independent behaviour. However, following regression, ($t = 1.599$, $p > .05$), the hypothesis was not confirmed

as it was insignificant at the 0.05 level. This indicates that those respondents who were first-born children do not have greater tendency towards independence as compared to those of other order.

Hypothesis e predicted that entrepreneurs who were influenced by their parents into business especially by fathers would show greater tendency towards independence as compared to those who were influenced by others. This hypothesis was not confirmed, ($t = -0.191, p > .05$).

Hypothesis f predicted that entrepreneurs practicing the Protestant religion would show greater tendency towards independence as compared to those of other faiths. This hypothesis was not confirmed, ($t = -0.545, p > .05$).

Hypothesis g predicted that entrepreneurs of Asian origin would have an internal locus of control as compared to other ethnic groups. After data collection the majority ethnic group was found to be the Kikuyu. The Hypothesis was revised to predict that entrepreneurs of Kikuyu origin would show greater tendency towards independence as compared to those of other ethnic groups. This hypothesis was not confirmed, ($t = -0.542, p > .05$).

Hypothesis h predicted that male entrepreneurs would show greater tendency towards independence as compared to women. This hypothesis was not confirmed, ($t = 0.178, p > .05$).

It was hypothesized that entrepreneurs with stronger achievement motives would show greater tendency towards independence as compared to those with low levels of

achievement motives (hypothesis i). As shown in table 4.1.3.6, the hypothesis was confirmed ($\text{Beta} = 0.282$, $t=2.457$, $p<0.05$, $d.f = 1/77$). This indicates that those respondents who went into business primarily because they preferred it as a career have greater tendency towards independence as compared to those who went into business for other reasons.

vi) **Summary of Results - Independence**

The results indicate weak correlation between the dependent variable independence and independent variables education, experience, birth order, parental influence, religion, ethnicity and gender. The correlation between training and independence was significant and on regression, was negatively significant. This may be interpreted to mean that as one obtains training relevant to their business, they become less independent, possibly due to the conditioning of the training received. Entrepreneurs with stronger achievement motives showed greater tendency towards independence as compared to those with low levels of achievement motives. This indicates that those respondents who went into business primarily because they preferred it as a career have greater tendency towards independence as compared to those who went into business for other reasons.

The coefficient of multiple Determination R^2 , ($R^2 = 0.24$), shows that 24% of the total variation in independence is explained by all the predictor variables. The R^2 value indicates a weaker relationship between the criterion (independence) and predictor variables, education, training, experience, birth order, Parental influence, Religion, ethnicity, gender and achievement motivation. This suggests that the predictor variables combined might not have been good explanatory variables in the model. The unexplained variation in independence might have been due to other factors not

considered in the model. This further confirms the low and statistically insignificant Beta coefficients of the other predictor variables. An R^2 of 0.240 shows that 24.0% of the variations in the independence as an entrepreneurial behaviour is explained by predictor variables (education, training, experience, birth order, parental influence, religion, ethnicity, gender and achievement motivation). 17% of this was explained by the variable achievement motivation, which was the most significant estimator of independence at .05 confidence level. The results confirmed that only motivation and training appeared to predict independence as an entrepreneurial behavior.

4.1.4.3 Risk Taking

i) Introduction

Risk-taking is one of the major entrepreneurial behaviours running across many discussions on entrepreneurship (McClelland, 1961, Livingstone and Ord, 1980; Coughlin and Ikiara, 1988).

Risk is inherent in factors that determine the outcome of business efforts. These factors are numerous and difficult to assess and control. A great part of business is directed towards minimizing uncertainties and the entrepreneurial role appears to call for decision making under uncertainty (McClelland, 1961).

The respondents answered a set of 10 questions, which was used to measure their independence. The results approximated a normal distribution among the sample and 46.3 % of the respondents were found to have a high risk taking propensity.

Chart 4.1.3.3 Risk - Taking

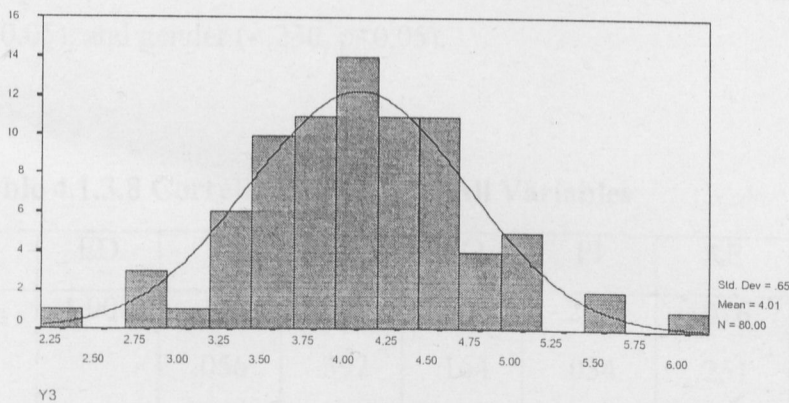


Table 4.1.3.7 Results on Risk Taking Propensity

Risk -Taking Propensity	Frequency	Percent
High	37	46.3
Low	43	53.8
Total	80	100

iii) Correlation Results – Independence

Correlation analysis was used to determine the strength and direction of association between the dependent variable, risk – taking and the independent variables, education, training, experience, birth order, parental influence, religion, ethnicity, gender and achievement motivation.

The results are represented in the correlation matrix shown on table 4.1.3.8 and include relationships among the independent variables as well. The results indicate a weak correlation between the dependent variable risk – taking and independent variables education, training, experience, birth order, ethnicity, and achievement motivation. There was a significant negative correlation between variable

risk – taking and the factors parental influence (- .186, $p<0.05$), religion (-.348*, $p<0.05$), and gender (- .230, $p<0.05$).

Table 4.1.3.8 Correlation Results - All Variables

	ED	TR	EX	BO	PI	RE	ET	GE	MO
ED	1.000	.179	.031	-.111	-.205*	.076	-.106	.024	-.074
		.056	.392	.164	.034	.251	.175	.418	.257
TR	.179	1.000	-.078	.072	.164	-.105	-.032	-.087	-.228*
	.056		.248	.262	.073	.176	.388	.221	.021
EX	.031	-.078	1.000	.110	.329*	0.003	0.233*	0.005	0.141
	.392	.248		.167	.002	.488	.019	.483	.107
BO	-.111	.072	.110	1.000	.144	.183	.159	-.115	.205*
	.164	.262	.167		.102	.052	.080	.155	.034
PI	-.205*	.164	.329*	.144	1.000	.011	-.131	.077	.219*
	.034	.073	.002	.102		.460	.124	.249	.025
RE	.076	-.105	.003	.183	.011	1.000	.010	.074	.05
	.251	.176	.488	.052	.460		.464	.256	.440
ET	-.106	-.032	.233*	.159	-.131	.010	1.000	-.126	.212*
	.175	.388	.019	.080	.124	.464		.133	.030
GE	.024	-.087	.005	-.115	.077	.074	-.126	1.000	-.016
	.418	.221	.483	.155	.249	.256	.133		.443
MO	-.074	0.228*	.141	.205*	.219*	.051	.212*	-.016	1.000
	.257	.021	.107	.034	.025	.325	.030	.443	
Y3	.108	-.032	.037	-.066	-.186*	-.348**	.095	-.230*	.111
	.169	.388	.372	.280	.049	.001	.201	.020	.164

**Correlation is significant at 0.001 significance level

* Correlation is significant at 0.05 significance level

The upper values in table 4.1.3.8 are the correlation coefficients while the lower values are the levels of significance.

iv) Regression Results – risk taking

Regression analysis was carried out to determine whether the factors individually or together as a group predicted risk – taking behaviour among the entrepreneurs. The model representing risk – taking as a variable was regressed once on all the predictor variables. All the nine hypotheses presented in chapter 3 related to risk-taking behaviors were tested using multiple regression analysis. The results of these tests are presented in table 4.1.3.9.

4.1.3.9 Regression Results - Risk-Taking Propensity (Y3)

Predictor Variable	Beta	Beta Coefficient	t- values	Level of Significance
Education	B1	0.176	1.418	.161
Training	B2	- 0.268	-1.137	.259
Experience	B3	0.039	0.306	.761
Birth order	B4	-0.055	-0.433	.666
Parental influence	B5	-0.152	-1.071	.288
Religion	B6	-0.356	-3.233	.002*
Ethnicity	B7	0.036	0.299	.765
Gender	B8	-0.205	-1.856	.068
Achievement motivation	B9	0.210	1.832	.071

It was hypothesized that entrepreneurs with high levels of formal education (those have gone up to form 4 and above) would have a higher risk-taking propensity as compared to those with low levels of formal education (Hypothesis a). As shown in table 4.1.3.9, the hypothesis was not confirmed, ($t = 1.418$, $p > .05$), showing that risk-taking behavior is not affected by the level of education attained by the entrepreneurs who were interviewed.

It was also hypothesized that those entrepreneurs who have had some training relevant to their present undertakings would have a higher risk-taking propensity as compared to those who have had very little or no such training (Hypothesis b). Again, this hypothesis was not confirmed, ($t = -1.137$, $p > .05$), as shown by the results in table 4.1.3.9. This implies that entrepreneurs with training related to the current running of their businesses may not necessarily have a higher risk-taking propensity. One does not, therefore, need to have training in the relevant business undertaking to have a higher risk-taking propensity.

Hypothesis c stated that entrepreneurs with experience would have a higher risk-taking propensity as compared to those with little or no such experience. As shown by the results in table 4.1.3.9, this hypothesis was not confirmed, ($t = 0.306$, $p > .05$). This indicates that experience did not seem to be a determinant of risk-taking propensity among the entrepreneurs interviewed.

Hypothesis d predicted that entrepreneurs who were first-born children would have a higher risk-taking propensity as compared to those of other birth order. From the results in table 1 ($t = -0.433$, $p > .05$), this hypothesis was not confirmed.

Hypothesis e predicted that entrepreneurs who were influenced by their parents into business especially by fathers would have a higher risk-taking propensity as compared to those influenced by others. This hypothesis was not confirmed ($t = -1.071, p > .05$).

There was a significant negative correlation between parental influence and risk-taking propensity, but on regression this relationship was found to be insignificant.

4.3.3.3. Hypothesis of Religion – Risk Taking Propensity

Hypothesis f predicted that entrepreneurs of practicing the Protestant religion would have a higher risk-taking propensity as compared to those of other faiths. There was a significant negative correlation $-0.348, < .05$) between being a Protestant and risk-taking propensity. Following multiple regression analysis, there was also a significant relationship between being a Protestant and risk taking behaviour as shown by the high t-value, ($t = -3.233, p < .05$). This indicates that those of the Protestant faith have a lower propensity towards risk-taking behaviour as compared to others.

4.3.3.4. Hypothesis of Ethnic Origin – Risk Taking Propensity

Hypothesis g predicted that entrepreneurs of Asian origin would have a higher risk-taking propensity as compared to other ethnic groups. After collection of data the majority ethnic group was the Kikuyu and the Hypothesis was revised to predict that entrepreneurs of Kikuyu origin would have a higher risk-taking propensity as compared to those of other ethnic groups. This hypothesis was not confirmed, ($t = 0.299, p > .05$).

4.3.3.5. Hypothesis of Gender – Risk Taking Propensity

Hypothesis h predicted that male entrepreneurs would have a higher risk-taking propensity as compared to women. This hypothesis was not confirmed, ($t = -1.856, p > .05$).

It was hypothesized that entrepreneurs with stronger achievement motives would have a higher risk-taking propensity as compared to those with low levels of achievement motives (hypothesis i). As shown in table 4.1.3.8 the hypothesis was not confirmed ($t = 1.832, p > .05$).

vii) Summary of Results – Risk Taking Propensity

The results indicate a weak correlation between the dependent variable risk – taking and independent variables education, training, experience, birth order, ethnicity, and achievement motivation. There was a significant negative correlation between variable risk – taking and the factors parental influence and gender.

There was a significant negative correlation between being a Protestant and risk-taking propensity. Following multiple regression analysis, there was also a significant negative relationship between being a Protestant and risk taking behaviour as shown by the high t-value, ($t = - 3.233, p < .05$). This indicates that those of the Protestant faith have a lower propensity towards risk-taking behaviour as compared to others.

The coefficient of determination R^2 was found to be 0.249 and this indicates that 24.9% of the variations in the risk taking behaviour is explained by predictor variables (education, training, experience, birth order, parental influence, religion, ethnicity, gender and achievement motivation). Religion was the most significant estimator of risk taking behaviour with a high t-value of $- 3.233$ at 99.8% confidence level. The R^2 value indicates a weaker relationship between the criterion (risk taking) and predictor variables, education, training, experience, access to resources and motivation. This suggests that the predictor variables combined might not have been good explanatory variables in the model. The unexplained variation in risk-taking

CHAPTER 5: DISCUSSION AND CONCLUSION

Included in this chapter are discussions of the results of the regression and correlation analysis, conclusions, recommendations, limitations of the study and suggestions for further research.

5.1 Discussion And Conclusion

From the regression results presented in chapter 4, motivation variable was statistically significant in predicting locus of control and independence as entrepreneurial behaviors. This was in agreement with the findings of McClelland (1961). On the other hand, motivation did not predict risk-taking behaviour on the part of the entrepreneurs interviewed. These results contradicted McClelland's (1961) and Ombok (1990) findings. Arising out of descriptive statistics it was observed that most of these businessmen and women were "pushed" into business (through lack of suitable jobs, desire for independence, frustrations in formal employment and retrenchment, inheritance) and that these factors were not directly related to risk taking behavior. Among the businessmen and women who were interviewed, the major causes of their taking up businesses were lack of suitable job, frustration in formal employment and retrenchment (55%). Indeed 56.3% of all respondents said they would take up a job in the formal sector if the salary was higher than their incomes. Business was therefore, seen by these respondents as a substitute for formal employment and that so long as they could get returns enough to keep them going, these businessmen and women appeared not to be bothered with other entrepreneurial activities. From the foregoing discussion, it can be concluded that entrepreneurs who had high achievement motives had an internal locus of control and were independent as compared to the others. Motivation, on the other hand, did not predict risk-taking behaviour among the entrepreneurs interviewed.

The Level of formal education was found to have no significant influence on any of the entrepreneurial behaviors considered. This is in agreement the findings of various researchers (for example, Kilby, 1965, and Harris, 1968). It is possible that formal education is not related to risk-taking, locus of control and independence because the current system of education does not involve those types of situations to a significant degree. Formal schooling, as gathered from respondents, is required for the advancement in higher paying jobs. The respondents indicated that they were motivated to enter into businesses because they were deterred from entering or advancing in the formal wage employment due to their lack of formal qualifications. This is in agreement with Brockhaus and Nord (1979), who found that entrepreneurs had a lower education than managers. This lower education level means that these entrepreneurs are locked out of traditional organization careers and could lead them to pursue a venture. Those interviewed indicated a strong desire to prove to all that they could succeed despite the fact that they could not make it for higher paying jobs. On the basis of the discussion, it is apparent that level of formal education does not determine the entrepreneurial behaviors considered, namely: locus of control, independence and risk-taking propensity. This was supported by the fact that there were few graduates of middle level colleges and universities among the entrepreneurs. The type of education offered in Kenya needs to refocus with a view of inculcating entrepreneurial behaviour such as locus of control, independence risk-taking propensity, innovativeness and creativity to the students.

Formal training, like in education variable, was not significant in any of regression analysis in which it was included. It is thus logical to conclude that formal training may not have any connection with risk-taking, locus of control and independence on the part of an entrepreneur. The most likely reason for this is that the formal training

system may not involve these kinds of situations to some degree, as is the case with education. Formal training might however, influence knowledge of results and individual responsibility. This is because much of what is involved in the two kinds of behaviors can be incorporated in the formal training system for example, how to keep books of accounts and how to manage business effectively, among others, have all been incorporated in business training courses. The businessmen and women involved in such kinds of training would then put these skills acquired in training into practice in the process of running their businesses. The findings of this study were, however, not in agreement with the arguments raised. Most of the entrepreneurs interviewed indicated that the kind of training they received was not in line with their current undertakings. This implies that for formal training to be meaningful, it has to be related to the current job that one is involved in. Formal training therefore, was not a determinant of any of the entrepreneurial behaviour and did not appear to predict any of the behaviors considered. This was contrary to the findings of various researchers (for example, Papanek, 1962, Alexander, 1960; Harris, 1968 and Marris and Somerset, 1971).

In the first place, it was expected that individuals starting business at later ages (30 years above), would have more years of general experience in life than those who started business in earlier ages. The findings of the study confirmed this expectation. Most entrepreneurs interviewed entered into business when they were 30 years old and already had general experience as postulated. For those entrepreneurs who had this kind of experience, it could be that their experiences were totally irrelevant to running of their business. Secondly, it was postulated that previous experience in other similar occupations seemed to be an important source of entrepreneurial behavior, namely, risk-taking, locus of control and independence. The findings of this

study were contrary to these expectations. Most entrepreneurs interviewed indicated that they had experience in other kinds of occupations totally different from their current ones, while others had not worked elsewhere before. From the discussions above, it can be concluded that both general and similar occupational experiences did not determine any of the entrepreneurial behaviors discussed.

Birth order correlated with independence although it was not a significant predictor of independence. Parents seem to train first born children in a manner that encourages independent behaviour. This should be extended to the upbringing of other children for them to develop independence, which is an important entrepreneurial behaviour.

It was expected that individuals who were influenced into entrepreneurship by their parents, especially fathers, would exhibit entrepreneurial behaviour. The findings of the study did not confirm this expectation. It appears that father's influence on their children is in other areas not considered in the study. Most of the entrepreneurs in the sample, 58.2%, were influenced by other successful entrepreneurs. This means that role modeling, especially by successful entrepreneurs, plays a very important role in influencing others into entrepreneurship. Business schools and the Government of Kenya, should therefore involve successful entrepreneurs in advocacy, awareness and training programmes for both nascent and existing entrepreneurs.

It was expected that entrepreneurs of the Protestant faith would exhibit a positive relationship with entrepreneurial behaviour cited. It turned out that there was a significant negative relationship between Protestant faith and risk-taking behaviour. This indicates that these entrepreneurs are risk averse. It is possible that the kind of Protestant faith practiced in Kenya is influencing entrepreneurs negatively towards

risk-taking and fostering a risk averse culture. This contradicts the findings of Weber, 1961 and McClelland, 1961, possibly due to the form of Protestantism being practiced by different cultural backgrounds and time periods. The Protestant Church should teach people to focus upon the direct relationship between believer and God and foster independence, in order to encourage entrepreneurship (McClelland, 1961; Weber, 1930).

Ethnicity and Gender were found to have no significant influence on any of the entrepreneurial behaviour considered. In other words there was no significant relationship between the Kikuyu and entrepreneurial behaviour or between being male and entrepreneurial behavior. Therefore, any Kenyan is capable of developing entrepreneurial behavior irrespective of tribal origin or gender. Any of the Kenyan communities is therefore capable of developing an enterprise culture. This is in agreement with the findings of Marris & Somerset, 1971, where no relationship was found between ethnicity and entrepreneurship. The Government of Kenya, Schools of Business, Successful entrepreneurs and politicians should therefore popularize entrepreneurship by indicating to societal members and students that anybody can be an entrepreneur and removing the stereotype in the minds of Kenyans, that certain communities are more entrepreneurial than others arising out of ethnicity. Indeed where differences occur it is likely that this is as a result of other factors.

5.2 Recommendation

On the basis of the findings of this study, the main factor that needs consideration by the relevant bodies as per the objectives of this study is motivation.

Motivation was found to have a significant influence on locus of control and independence. In line with this, there would appear to be need for the Kenyan Government, Donor Agencies and Financial Institutions to identify those people with high need for achievement and need for independence and whose working environment does not allow for these, so as to give them the necessary assistance. This is likely to encourage this kind of behavior. To do this the concerned bodies, together with the other tests used, should administer need for achievement and independent tests on those potential and current businessmen and women who apply for loans. Those businessmen and women that score highly in these tests should get the financial assistance.

5.3 Limitations Of The Study

This study had some limitations as given below: -

It was difficult to develop measures for the variables included in the regression models. The measures developed were not tested for validity and reliability. The results would have probably been more meaningful if these were done.

The second limitation is that adequate local research has not been carried out in this area. This limited the comparison of findings with other local researches.

Due to limited time, only a few variables that determine entrepreneurial behavior were included in the regression models. The findings would have been different if more variables were considered.

The researcher and his assistant had to convert the language used in the questionnaire to those understandable by the respondents. This was a limitation since some words were difficult to translate into appropriate languages.

5.4 Suggestions For Further Research

From the findings of this study, it is evident that further research may be necessary.

The following areas could be studied:

The current study was conducted on businessmen and women in Nairobi City. The findings might be unique to this particular City. Similar studies should be conducted in other parts of the country both in urban and rural areas to compare the results.

A comparative study should be conducted between various regions in Kenya to find out if any region is more entrepreneurial than the other and why. The current study did not allow for the comparison since it was done in Nairobi only.

A similar study should be conducted to find out if entrepreneurial behavior exist more among business owners of some sub-sectors like manufacturing service and merchandising. A sub-sector like manufacturing for example might have entrepreneurial behaviors (e.g. risk-taking) that might be completely different from those of the service sub-sector. The current study was more general.

The model could only explain between 15 and 24% of the entrepreneurial behaviour using the selected factors. The unexplained variation in entrepreneurial behaviour might have been due to other factors not considered in the model. A similar study should be conducted that incorporates other factors (e.g. cultural and political) that might determine entrepreneurial behavior.

2. RESEARCH PROJECT QUESTIONNAIRE

I am a postgraduate student studying for a degree in Business Administration at the Faculty of Commerce, University of Malaya. I am currently conducting a research in the area of Entrepreneurship. The topic is: The Relationship Between Personal Factors And Entrepreneurial Behaviour.

The purpose of this letter is to request you to respond to the attached questionnaire.

The information you give will be treated in strict confidence and will only be used for the purpose of the research.

Thank you for your contribution to the research. The questionnaire will be sent to you by email.

Yours sincerely,

I thank you for your participation.

Yours faithfully,

APPENDIX 1A

LETTER OF INTRODUCTION

TO WHOM IT MAY CONCERN

Dear sir/madam,

Re: RESEARCH PROJECT QUESTIONNAIRE

I am a postgraduate student studying for a Master of Business Administration at the faculty of Commerce, University of Nairobi. I am currently conducting a research in the area of Entrepreneurship. The topic is: The Relationship Between Personal Factors And Entrepreneurial Behaviour.

The purpose of this letter is to request you to respond to the attached questionnaire. The information you give will be treated in strict confidence and at no time will your name or that of your organisation be referred to directly. The information will be used for academic reasons only.

Thank you for your assistance.

Yours truly,

James Muriithi

2/06/2004

APPENDIX 1B

QUESTIONNAIRE

Section A: Questionnaire Log book

- 1. Questionnaire Number _____
- 2. Date of interview _____
- 3. Name of interviewer _____

Section B: Personal Details

- 4. Age in completed years _____
- 5. Sex of respondent
 - ☐ Male
 - ☐ Female
- 6. What is your designation in the firm/business?

- 7. What is your educational status?
 - ☐ None
 - ☐ Primary level
 - ☐ Secondary level
 - ☐ Middle-level college
 - ☐ Degree level
- 8. How old were you when you started this business?..... Years.
- 9. Your ethnic background:

10. How long have you been working in this firm/business?

☐ Below 2 years

☐ 2-4 years

☐ Over 4 years

11. In Your Family you are the:

☐ First Born

☐ Last Born

☐ Second Born

☐ Other (Specify)

12. Who Influenced You to Go into Business?

☐ Father

☐ Mother

☐ Successful Entrepreneur

☐ Other (Specify)

13. Your Religion as practised:

☐ Protestant

☐ Catholic

☐ Pentecostal

☐ Hindu

☐ Buddhist

☐ Moslem

☐ African Traditional Religion

☐ Other (Specify)

14. Which of the following reasons would explain your decision to go into business?

☐ There was no suitable job

☐ Business is more challenging

- ☐ Inherited the business
- ☐ Business is more profitable
- ☐ Wanted to be independent
- ☐ Was frustrated in formal employment
- ☐ Was retrenched from formal employment
- ☐ Other (specify).....

15. Suppose you were offered a job in the formal sector at a salary higher than your current earnings per month, would you take it?

- ☐ Yes
- ☐ No

16. Did you have any formal training? Yes () No ()

17. If your answer to No. 5 is yes, was the formal training you have related to the running of your business? Yes () No ()

Section C: Business Details

1. What is the type of your business? (Please tick in the appropriate blank)

- ☐ Manufacturing Oriented
- ☐ Service Oriented
- ☐ Merchandising Oriented
- ☐ Other (specify_____)

2. Do you find any difficulty in? (Please tick in the appropriate blank)

- ◆ Selling your product/services?
- ◆ Getting Loans?

Yes	No
Yes ()	No ()
Yes ()	No ()

- ◆ Acquiring Supplies?
- ◆ Finding Experienced and Qualified people to employ?
- ◆ Other (Specify) (.....)

Yes ()	No ()
Yes ()	No ()

3. What was your source of start-up capital? (Please tick in the appropriate blank)

- ◆ Savings
- ◆ Loan from family member (s)
- ◆ Loan from friend (s)
- ◆ Bank
- ◆ Rotating and credit co-operative (ROSCA)
- ◆ Savings and credit co-operative (SACCO)
- ◆ Other (Specify) (.....)

()
()
()
()
()
()

4. What is your current source of funds for development and working capital? (Please tick in the appropriate blank)

- ◆ Savings
- ◆ Loan from family member (s)
- ◆ Loan from friend (s)
- ◆ Profits from business
- ◆ Bank
- ◆ Rotating and credit co-operative (ROSCA)
- ◆ Savings and credit co-operative (SACCO)
- ◆ Other (Specify) (.....)

()
()
()
()
()
()
()

5. How many people are full time employees of the business?

(Please tick in the appropriate blank)

- ◆ 1-10
- ◆ 11-50
- ◆ 51-150
- ◆ Other (Specify) (.....)

()
()
()

6. The Business employs ? (Please tick in the appropriate blanks)

- ◆ Manager
- ◆ Supervisor
- ◆ Skilled Workers
- ◆ Unskilled Workers
- ◆ Other (Specify) (.....)

()
()
()
()

7. The Business is performing well? (Please tick in the appropriate blanks)

Yes ()	No ()

8. If Your answer to question (7) is Yes in what ways is the performance satisfactory? (Please tick in the appropriate blanks)

- ◆ Volume of sales have increased
- ◆ The profits have increased
- ◆ Number of Workers have increased
- ◆ Other (Specify) (.....)

()
()
()

9. If Your answer to question (7) is No, in what ways is the performance not satisfactory? (Please tick in the appropriate blanks)

- ◆ Low Volume of sales

()

- ◆ Low profits

$$\left(\frac{1}{10} \right)$$

- ◆ Other (Specify) (.....)

Section D: Entrepreneurial Behaviour

A) Please tick in the (one) appropriate blank

1. Do you often feel "That's just the way things are and there's nothing I can do about it?"
- ☐ never ☐ almost never ☐ seldom ☐ sometimes
- ☐ usually ☐ almost always ☐ always
2. When things go right and are very good for you, do you think, "it's mostly luck!"?
- ☐ never ☐ almost never ☐ seldom ☐ sometimes
- ☐ usually ☐ almost always ☐ always
3. Do you think you should go into business or enter a new market because everybody is doing it?
- ☐ never ☐ almost never ☐ seldom ☐ sometimes
- ☐ usually ☐ almost always ☐ always
4. Do you know that if you decide to do something, you'll do it and nothing can stop you?
- ☐ never ☐ almost never ☐ seldom ☐ sometimes
- ☐ usually ☐ almost always ☐ always
5. Even though it is risky to try something new, are you the kind who tries it?
- ☐ never ☐ almost never ☐ seldom ☐ sometimes
- ☐ usually ☐ almost always ☐ always

6. Your friends, spouse, and mother tell you that it's foolish of you to start a new line of business. Have you listened to them and not started?

☐ never ☐ almost never ☐ seldom ☐ sometimes

☐ usually ☐ almost always ☐ always

7. Do you think it's important for everyone to like you?

☐ never ☐ almost never ☐ seldom ☐ sometimes

☐ usually ☐ almost always ☐ always

8. When you do a good job, is your pleasure in a job well done satisfaction enough?

☐ never ☐ almost never ☐ seldom ☐ sometimes

☐ usually ☐ almost always ☐ always

9. If you want something, do you ask for it rather than wait for someone to notice you and give it to you?

☐ never ☐ almost never ☐ seldom ☐ sometimes

☐ usually ☐ almost always ☐ always

10. Even though people tell you "it can't be done," do you have to find out for yourself?

☐ never ☐ almost never ☐ seldom ☐ sometimes

☐ usually ☐ almost always ☐ always

B) Please tick in the (one) appropriate blank

1. I hate to attend social functions alone.

☐ strongly disagree ☐ disagree ☐ slightly disagree ☐ neither agree nor disagree

☐ slightly agree ☐ agree ☐ strongly agree

2. If my friends won't join a business network I like, I'll join by myself.
- ☐ strongly disagree ☐ disagree ☐ slightly disagree ☐ neither agree nor disagree
- ☐ slightly agree ☐ agree ☐ strongly agree
3. I want to be financially independent
- ☐ strongly disagree ☐ disagree ☐ slightly disagree ☐ neither agree nor disagree
- ☐ slightly agree ☐ agree ☐ strongly agree
4. I often need to ask other people's opinion before I decide on important things.
- ☐ strongly disagree ☐ disagree ☐ slightly disagree ☐ neither agree nor disagree
- ☐ slightly agree ☐ agree ☐ strongly agree
5. I'd rather have other people decide where to go on a social outing.
- ☐ strongly disagree ☐ disagree ☐ slightly disagree ☐ neither agree nor disagree
- ☐ slightly agree ☐ agree ☐ strongly agree
6. When I know I'm in charge, I don't apologize; I just do what has to be done.
- ☐ strongly disagree ☐ disagree ☐ slightly disagree ☐ neither agree nor disagree
- ☐ slightly agree ☐ agree ☐ strongly agree
7. I'll speak up for an unpopular cause if I believe in it.
- ☐ strongly disagree ☐ disagree ☐ slightly disagree ☐ neither agree nor disagree
- ☐ slightly agree ☐ agree ☐ strongly agree

8. I'm afraid to be different.

☐ strongly disagree ☐ disagree

☐ slightly disagree ☐ neither agree nor disagree

☐ slightly agree ☐ agree

☐ strongly agree

9. I want the approval of others.

☐ strongly disagree ☐ disagree

☐ slightly disagree ☐ neither agree nor disagree

☐ slightly agree ☐ agree

☐ strongly agree

10. I usually wait for people to call me to go places, rather than intrude on them.

☐ strongly disagree ☐ disagree

☐ slightly disagree ☐ neither agree nor disagree

☐ slightly agree ☐ agree

☐ strongly agree

C) Please tick in the (one) appropriate blank

1. Can you take risks with money, that is, invest, and not know the outcome?

☐ never

☐ almost never

☐ seldom

☐ sometimes

☐ usually

☐ almost always

☐ always

2. Do you take an umbrella with you every day during the rainy season?

☐ never

☐ almost never

☐ seldom

☐ sometimes

☐ usually

☐ almost always

☐ always

3. If you're frightened of something, will you try to conquer the fear?

☐ never

☐ almost never

☐ seldom

☐ sometimes

☐ usually

☐ almost always

☐ always

4. Do you like trying new foods, new places, new routes and totally new experiences?
- ☐ never ☐ almost never ☐ seldom ☐ sometimes
- ☐ usually ☐ almost always ☐ always
5. Do you need to know the answer before you'll ask the questions?
- ☐ never ☐ almost never ☐ seldom ☐ sometimes
- ☐ usually ☐ almost always ☐ always
6. Have you taken a risk in the last six months?
- ☐ never ☐ almost never ☐ seldom ☐ sometimes
- ☐ usually ☐ almost always ☐ always
7. Can you walk up to a total stranger and strike up a conversation?
- ☐ never ☐ almost never ☐ seldom ☐ sometimes
- ☐ usually ☐ almost always ☐ always
8. Have you ever intentionally traveled an unfamiliar route?
- ☐ never ☐ almost never ☐ seldom ☐ sometimes
- ☐ usually ☐ almost always ☐ always
9. Do you need to know that it's been done already before you're willing to try it?
- ☐ never ☐ almost never ☐ seldom ☐ sometimes
- ☐ usually ☐ almost always ☐ always

10. Have you ever given credit to a customer you did not know personally?

- ☐ never
- ☐ almost never
- ☐ seldom
- ☐ sometimes
- ☐ usually
- ☐ almost always
- ☐ always

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