

**THE INFLUENCE OF ENTREPRENUARIAL  
PERSONALITY, HUMAN CAPITAL AND ENTRY  
BARRIERS ON PERFORMANCE OF ENTREPRENUERS  
IN THE INFORMAL TRANSPORT BUSINESS IN  
NAIROBI, KENYA**

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DOCTOR OF PHILOSOPHY IN BUSINESS ADMINISTRATION,  
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## DECLARATION

I, the undersigned, declare that this Thesis is my original work and has not been submitted to any other college, institution or university other than the University of Nairobi for academic credit.

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## **DEDICATION**

To my dear parents; Rebecca Moraa, Ezekiel Otachi and my mother in-law Rebecca M. Abuya. My wife Eunice Nyasetia. My children; Deborah M. Kemunto, Octavia V. Boyani, Tracy R. Moraa and Prudence Kemuma.

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## ACRONYMS AND ABBREVIATIONS

CBD	Central Business District
DNA	Deoxyribonucleic acid
ERP	Economic Reform Programme
GDP	Gross Domestic Product
GLS	generalized least squares
HIV/AIDS	Human Immunodeficiency Virus / Acquired Immune Deficiency Syndrome
ILO	International Labour Organization
IPAR	Institute of Policy Analysis and Research
KANU	Kenya African National Union
KBS	Kenya Bus Services
KNBS	Kenya National Bureau of Statistics
FKE	Federation of Kenya Employers
KRB	Kenya Roads Board
MOA	Matatus Owners Association
MOTC	Ministry of Transport and Communication
MSEs	Micro and Small Scale Enterprises
MVOA	Matatu Vehicles Owners Association
MWA	Matatu Welfare Association
NARC	National Rainbow Coalition
NSO	National Statistical Office
PSV	Public Service Vehicle
PVA	Public Vehicle Association
SCA	Sustainable Competitive Advantage

SPSS	Statistical Program for Social Sciences
TLB	Transport Licensing Board
UNDP	United Nations Development Programmes
USA	United States of America

## ABSTRACT

Entrepreneurship is believed to be the driving force behind economic and social development of nations. In today's capitalistic system, entrepreneurs make an accelerated contribution to the economic growth and development of countries through the creation of small enterprises. In major world economies, these enterprises are associated to their overall economic growth and employment, hence the reason why research on this area is very critical. In carrying out the above study, the researcher was guided by five theories of entrepreneurship; the resourced-based, the social cultural, the psychological approach, the ecological and the institutional theory. Due to the nature and requirement of the study, the researcher was biased towards the use of two of the five theories mentioned above; the resourced-based and the psychological approach theory. The study was conducted in Nairobi, Kenya and the target was the Matatu entrepreneurs, operating the fourteen sitter public vehicles. Since its inception in Nairobi, the Matatu business has grown both in size and volume. This is assumed to indicate good business performance. However, despite the growth, it is only a few entrepreneurs who have succeeded. This is the problem this study attempted to investigate. The overall objective of this study was to determine the factors influencing performance of Matatu business in Nairobi, Kenya. This was a cross-sectional study and stratified random sampling technique was used to select the sample. Based on the routes and regions, a sample of 364 registered Matatu owners was picked and questionnaires given out giving a response rate of 95%. Results from respondents were analysed using both descriptive and inferential statistics which indicated that performance in Matatu business was a function of but not limited to, personality traits, human capital, government policies, entry barriers and the management of registered Matatu welfare bodies. The findings from the study revealed that vital information touching on this business were missing in government records. One of the major findings of the study was the positive contribution of the registered industry welfare bodies towards the success of the Matatu business. Another major finding from the study touched on the human capital. That though education is important, the same was not a major performance factor in Matatu business.

# CHAPTER ONE

## INTRODUCTION

### 1.1 Background of the Study

The creation of a country's wealth and dynamism depends upon the competitiveness of its firms and this, in turn, relies fundamentally on the capabilities of its entrepreneurs. The essence of the modern firm lies in the specialization of functions. "The businessmen" that manage economic activity are, in the strictest sense, both managers and entrepreneurs, the latter in a double sense: the individual businessman (independent) and the "corporate entrepreneur" who, without participating significantly in terms of capital, controls the firm. Studying offers of business capabilities requires the differentiation between the functions of entrepreneur, manager and capitalist, although in many cases, the same person may perform all three functions. Although entrepreneurship has been defined in many different ways, a common definition ties it closely to the establishment of new organizations and their viability in early years. By this view, the focal entrepreneurial event is the operational inception of a new firm, and an entrepreneur is an individual who plays a central role in opening a new firm. The associated entrepreneurial process consists of resource mobilization to facilitate and sustain the opening event; it typically involves many individuals, agents and social institutions, with a variety of interests. Accordingly, an entrepreneurial area or industry is one characterized by high rates of new firm establishment (Carroll & Hannan, 2000). The entrepreneurial function implies the discovery, assessment and exploitation of opportunities, in other words, new products, services or production processes; new strategies and organizational forms and new markets for products and inputs that did not previously exist (Shane and

Venkataraman, 2000). The entrepreneurial opportunity is an unexpected and as yet unvalued economic opportunity.

In most cases entrepreneurship as a subject is learned. There are several theories associated with entrepreneurship and which try to explain who is an entrepreneur and how entrepreneurship emerges. They include; the social cultural, the psychological, Transactional cost, the resourced-based, Institutional and the population ecology theory. Good entrepreneurs sometimes use a combination of the above theories to achieve the desired results.

The dominant feature of the modern society is urbanisation. With the establishment of specialised markets and labour divisions, people tend to move towards urban areas to look for opportunities hence populating these areas. With this growth in population a well organized, reliable, cost effective and efficient means of transport (Hove, 2006) is needed to cater for their mobility. While still on the issue of transport, Nairobi's unique history has been key in shaping the city. Its transport situation has a lot in common with other cities in the Global South hence, the needs for an in depth critical look into public transport business in Nairobi, particularly in the informal sector.

### **1.1.1 Concept of Entrepreneurs and Entrepreneurship**

An entrepreneur acts as a catalyst in the entrepreneurial process. Entrepreneurship is a behavioural characteristic related to perceiving and creating new economic opportunities in the face of risks and uncertainties. It is a process by which individuals either on their own or inside organisations pursue opportunities without regard to the resources they currently control. Drucker (1985) has defined entrepreneurship as

“always searching for change, responding to it and exploiting it as an opportunity”.

Creativity and innovations are conditions inherent in the role of entrepreneurship

Economists define entrepreneurship as a dependent variable by stating that it is influenced by favourable economic conditions (Kirchhoff, 1991). They see it in changes reported by organisations in terms of profits, prices, efficiency, etc. Sociologists and psychologists, on the other hand, explain entrepreneurship as an independent variable by saying it is endowed with social and psychological characteristics (Wilken, 1979).

Dollinger (2003) defines entrepreneurship as the creation of an innovative economic organization (or network of organisations) for the purpose of gain or growth under conditions of risk and uncertainty. He further states that entrepreneurship encompasses the production of a new product or service, a new method or technology employed, a new market targeted and opened, a new source of supply of raw materials and resources used and a new form of industrial organisation created.

The views expressed by Dollinger, are supported by Holt (2004) who asserts that entrepreneurship seeks to reform, revolutionize the pattern of production by exploiting an invention or more generally an untried technological possibility for producing a new commodity or producing an old one in a new way, by opening a new source of supply of materials or a new outlet for products. He therefore, concludes by saying that entrepreneurship is concerned with doing things that are not generally done in the ordinary course of business routine.

According to Hisrich & Peters (1998), entrepreneurship is the process of creating something new and assuming the risks and rewards. Kinicki & Williams (2003) defined entrepreneurship as the process of taking risks to try to create a new enterprise. On the other hand, Zimmer & Scarborough (2003) defines an entrepreneur as one who creates a new business in the face of risk and under conditions of uncertainty, for the sole purpose of achieving profit and growth through identifying opportunities and assembling the necessary resource to capitalise on them.

Further, economists at least those who favour the free enterprise state that an entrepreneur brings resources together in unusual combinations to generate profits. Corporate managers too often view entrepreneurs as small business persons lacking the potential needed for corporate management. Zimmerer et al. (2003) suggests that those who strongly favour a market economy, view entrepreneurs as pillars of industrial strength, the movers and shakers who constructively disrupt the status quo. From the literature it can be seen that not everyone is an entrepreneur and that not everyone will succeed as an entrepreneur. In addition, often the people who do succeed do so after a number of painful attempts.

### **1.1.2 Entrepreneurial Business Performance**

Business organizations usually measure their performances using the financial and non-financial indicators. Most owners-managers focus their attentions on the financial measures. These measures include profits, revenues, returns on investment (ROI) (Smith et al., 1987), returns on sales and returns on equity (Barney, 1997) rather than the non-financial measures. Financial measures are objective, simple and easy to understand and compute, but in most cases, they suffer from being historical and are



not readily available in the public domain. Inaccessibility, confidentiality (Covin & Slevin, 1989), completeness (Sapienza & Grimm, 1997), accuracy and timeliness (Sapienza, et al., 1988) of data make comparisons among the sectors challenging and futile. Further, profits are subject to manipulations and interpretations. A possible way forward is to apply the non-financial measures, though subjective in nature, they supplement to the financial measures (Covin & Slevin, 1989; Begley & Boyd, 1987). The combinations of these two measures help the owners-managers to gain a wider perspective on measuring and comparing their performance, in particular the extent of effectiveness and efficiency in utilizing the resources, competitiveness and readiness to face the growing external pressure including globalizations.

The most common non-financial measures adopted are number of employees (Orser et al., 2000; Mohr & Spekman, 1994; Robinson & Sexton, 1994; Loscocco & Leicht, 1993; Davidsson, 1991; O'Farrell, 1986), growth in revenue across time (Miller et al., 1988), market share and revenue per employee (Johannisson, 1993). These measures need to be reviewed and updated regularly ensuring that they remain suitable for the changing environments, competition, availability of resources (McGee et al., 1995), meeting the stakeholders' needs and expectations (Srinivasan et al., 1994), and fit into internal planning and target settings (Merz & Sauber, 1995). Depending on the duration of a project or plan, results and returns can be measured based on the short or long-term measures. Short-term measures, normally based on the financial returns, are for evaluating projects that will complete within twelve calendar months while the long-term measures, normally based on the non-financial returns, are useful for projects that may take twelve months or more. The short-term financial measures, which include revenues and profitability, reflecting an organization's current state of

performance may not necessarily serve as a useful guide or prediction for the organization's long-term survival (Birley & Westhead, 1994). However, by accumulating the revenues and profits, these may become a useful pool of resources for future growth, expansion plan, help push the organization over its survival threshold (Barney, 1997) and support its growth strategy (Haber & Reichel, 2005).

Barney (1997) argues that profitability in the short run is an important factor in the organization's ability to achieve its long term goals such as increased market share, brand names and reputations. Low profitability for a specific period may not necessarily reflect deficiency of the owners-managers, due to large investments are being channeled into long term projects that may lead to future growth or for meeting the internal (for example securing resources, sudden demand of employees on wage hike) or external requirements (for example, meeting the regulatory requirements). This means that while the goal approach emphasizes on achieving the predetermined targets, it is necessary for the owners-managers to consider the time frame of completing the process (Haber & Reichel, 2005). In reality, time is a crucial factor that could affect survival and extent of receiving the continuing supports from the external stakeholders. Performance therefore should be measured based on a holistic approach which incorporates the financial and non-financial measures as well as time element. Barney (1997) report that an increase in sales volume is due to the past efforts and performance, customers' satisfactions and continuing referrals by the existing customers.

In the strategic analysis of a business unit, key performance factors often initially appear as analytical tools for examining the character of the industry in which the

business unit competes. Often performance factors appear as elements of a competitive strength assessment in examining the relative strength of the business unit compared to its rivals in the industry. When a strategic management control system is designed to ensure achievement of the business unit's strategic objectives, key performance factors may suggest either strategic objectives themselves or measures for strategic objectives for that business unit—or both (Thompson et al., 2005).

Organizations progress through consistent, predictable phases of development known as life-cycle stages (Adizes, 1979; Greiner, 1972). In the start-up stage, the company is concerned with inventing the product or services establishing a market niche, attracting new customers, and manufacturing and marketing of the product (Flamholtz, 1986). Once the company begins to grow rapidly, it will need to have more formal structures and coordination due to the increase in functional activities. In the growth stage, the entrepreneur is forced to focus on the long-term stability while maintaining the innovative and entrepreneurial spirit that made it successful in the first place. In the startup and early growth phases of a business, the general guidance from Thompson et al. (2005) suggests that the performance factors are usually few. However, as an industry approaches maturity, rivalry among competing business units often increases, consolidation of the industry often follows, resulting to a likely increase in the number of key success factors. From the literature, several success factors have been identified and will form the basis of this study. The factors include personality traits of entrepreneurs, human capital/competencies, social network support and Government support. A brief description of each follows.

McClelland (1961) asserts that qualities associated with a high need for achievement contribute to the success of a new venture. Begley and Boyd (1987) found that

entrepreneurs scored significantly higher than small business managers (non-founders) in need for achievement, risk-taking propensity, and tolerance of ambiguity. Brockhaus reviewed a number of psychological characteristics and conclude that need for achievement, internal locus of control and a risk taking propensity as attributes contributing to the success of new business start-ups (Brockhaus, 1982). On the other hand, (Brockhaus & Horwitz, 1986) empirical findings showed that entrepreneurs with internal locus of control strive for high achievement.

Entrepreneurs' personality traits have been identified to have impact on organizational performance (Robinson & Sexton, 1994). Studies also found that personality traits such as locus of control and ambiguity tolerance influenced the business performance directly and the business process indirectly (Entrialgo et al., 2000). Kiggundu (2002) later added demographic variables to his study and found that personality traits have direct influence on the performance of African entrepreneurs. Although studies on personality traits have played an important role in contributing to the performance of entrepreneurs worldwide, nevertheless, personality traits have been criticized both on theoretical and empirical ground in the studies of entrepreneurship. For example Gartner, in his write up says that personality of entrepreneur is only related to the performance of the business start-up through more specific mediating processes. This is due to the fact that these personality factors are not relevant if there is no action and initiative taken by the entrepreneurs (Gartner, 1988).

Frese et al. (2002) found that employees with higher personal initiative performed significantly better in the workplace. Research on personal initiative concentrate on the self-starting nature of entrepreneurs: how they pursue performance with their

proactive attitude, how to seek and grasp opportunity with their proactive approach, and how to find any solutions or necessities to overcome barriers to achieve their goals (Frese et al., 1997). Entrepreneurs with high initiative are able to stay ahead of their competitors, and are role models for their employees. Initiative is goal-directed and action-oriented (Frese et al., 1997) and, therefore, closely linked to an active strategy. It is also a psychological variable behind the reason whether a person has what it takes to become an entrepreneur. An entrepreneur with high personal initiative is someone who initiates to take action and to be proactive. Whether it is to determine the success of start-ups or to successfully lead a company to growth-stage, personal initiative, which represents the ability to self-start, proactive, and over-coming barriers plays a major role. Even so, the majority of the research carried on personal initiative is in relation to employees' performance and perhaps limited studies have been reported on personal initiative in relation to entrepreneurial success.

Human capital, which is considered passive approach where individuals simply reacting to the environment according to what they possessed, has been extensively studied. Human capital is concerned with knowledge and capacity including education level, industry experience and management experience. Human capital elements of the entrepreneurs such as family-environment, education, age, work history, role models and support networks from family, friends, former employers and government have been identified to contribute to the business performance (Hisrich, 1990; Krueger, 1993).

In any business unit, human capital is critical because it ensures the survival and success of business (Dyke et al., 1992; Bruederl & Preisendorfer, 1998). Further,

Lussiers & Pfeifer (2001) empirically found that in addition to competencies and personality traits, human capital of individual entrepreneurs play a role in contributing to their performance. His study found that entrepreneurs with higher education level, industrial and managerial experience, and business exposure had a greater chance of succeeding than those without tertiary education, minimal industrial and managerial experience, and with little or no business exposure.

Competency is one of most crucial factors to ensure the performance of new business ventures. Entrepreneurs even face greater challenges when they successfully bring their organizations to growth stage and as their companies move on, they experience what observers refer to as strategic reflection point (Grove, 1996). A strategic reflection point represents a time in the life of the business when the fundamental operations have profoundly changed. As the founding members of the company, the entrepreneur plays an important role in the long-term business performance of a new venture. The entrepreneurial leader champions the vision of the company and inspires others such as investors, venture capitalists, bankers, customers and employees to support the vision. However, at some point in time, the company will continue to grow and the founder must focus and emphasize on different areas of competencies and talents in order to lead the company to long-term business performance.

Willard et al. (1992), found no evidence that professional managers performed better in high-growth companies than the original founders. They observed that many founders could learn to manage growth effectively. Therefore, the assumption that a professional manager must be employed may no longer be valid. This study challenged the conventional wisdom by revealing the process by which successful

entrepreneurs transform themselves into professional managers. While studies found that founders could have the competencies to perform equally well as professional managers, there are very few studies on the similarity and the areas of competencies these successful entrepreneurs and managers focused on for growth stage companies. Many studies found that majority of the business failure were due to the lack of management skills or competencies (O'Neill & Duker, 1986; Terpstra & Olson, 1993).

Bruenderl & Preisendorfer (1998) found that social network support is related to both, survival and growth of newly founded companies. A network approach assumes that an entrepreneur's ability to organize and coordinate networks between individuals and organizations is critical for starting up a company and business success. It was found that formal support sources were hardly used, the institutions mostly mentioned were banks (Birley et al., 1991). Support from informal network such as friends, relatives, previous employers and acquaintances have found to benefit the business.

Lastly, what is the government's role in supporting the entrepreneurs both during start-up and venture growth? Many businesses are often unaware of funds and programs provided by the government, while some believe it is impossible to obtain such assistance. In Kenya, government support usually comes in the following form; formulation of policies conducive for the start of small businesses, industry regulations, infrastructure, provision of business incentives such as affordable credit facilities and entrepreneurial training. Business support also comes in through the registered welfare bodies such as the Matatu Welfare Association (MWA) and Matatu Owners Association (MOA). The main functions of these two bodies are; routes

allocations and to inculcate discipline among the operators and is fair play in the industry (Chitere et al., 2002).

In Malaysia, the government recognizes that about 25% of the country's economic performance is contributed by small scale enterprises and has therefore put in place many regulatory, legal and financial frameworks conducive to small business (Abdullah, 1999). However, although there are numerous agencies and institutions established by the Malaysian government to assist small scale enterprises, it is still unclear whether they are accessible to small enterprises and how far they utilize the programs. In other studies, it was found that government support is one of the critical success factors for small business in South Pacific (Yusuf, 1995).

For any business to succeed there must be some ground rules under which to operate. When there are no rules, the business environment becomes free for all hence creating stiff and unnecessary competition meaning that breaking even under such circumstances becomes difficult if not impossible. This raises a question on whether this is the right environment for this type of business. On the other hand, free entry and exit in business, normally create health competition and if taken positively, it improves the traditional way of doing things and this will end up creating customers who are royal and reliable (Chitere et al., 2002).

### **1.1.3 Public Road Transport Industry in Kenya**

Transport sector in Kenya is recognized as a critical pillar and an enabler in achieving the country's development agenda. Proper and well developed transport network not only improve the competitiveness of the country's products from in the region, but



also serve as a significant basis upon which the economic, social and political pillars of Kenya's long term development strategy. Further, the sector is expected to remain a key component in achieving the Millennium Development Goals (MDGs). Given this envisaged economic development and subsequent sustained growth, in the context of changing population and land use patterns, a competitive regional and global economy, strategic nation building considerations and new market development, it is apparent that the task of transport sector will be highly complex and demanding. To enable the transport sector effectively play its role in this scenario, the Ministry of Transport launched the National Transport Policy Committee on 2nd April 2003. Its sole mandate was to formulate an Integrated National Transport Policy that would assist address challenges facing the sector. One of these challenges is the increasing road accidents that have threatened safety of Kenyan travelers. Odero et al. (2003) observed that Kenya, with an average of 7 deaths from the 35 crashes that occur each day, has one of the highest road fatality rates in the world. They add: "Nearly 3,000 people are killed on Kenyan roads annually. This translates to approximately 68 deaths per 1,000 registered vehicles, which is 30-40 times greater than in highly motorized countries. Road traffic crashes are the third leading cause of death after malaria and human immunodeficiency virus / acquired immune deficiency syndrome (HIV/AIDS) and present major public health problem in terms of morbidity, disability and associated health care costs. Despite this huge burden, road safety measures put in place are ineffective, characterized by crack downs on motor vehicles following a tragic road crash".

These accidents have been occasioned by the Government's neglect of the road sub-sector in the past 10-15 years. The National Rainbow Coalition (NARC) Government

that came into power in 2002 developed the integrated national transport policy. Secondly, it has introduced reforms in the operation of public service vehicles (PSVs) by publishing Legal Notice No.161 in October, 2003 (Daily Nation of August 4th, 2004). Faced with indication that the Government was likely to embark on a major reform of the industry and the ensuing tension-packed situation with a near stand-off between the Government and the Matatu owners, leaders of the Matatu Owners Association approached the Institute of Policy Analysis and Research (IPAR) and asked them to carry out a detailed study that could provide insights of the Matatu industry (Chitere et al., 2002).

From the study, it was established that institutional fragmentation in the sector was a key obstacle to road transport planning. The Kenya Roads Board (KRB) is the main institution responsible for the national road infrastructure network in Kenya. Other institutions include, the Transport Licensing Board (TLB), Motor Vehicle Inspection Unit, Registrar of Motor Vehicles, Driving Test Center, Traffic Police and Local Authorities. These institutions are fragmented across government ministries and departments. The Registrar of Motor Vehicles, who determines and fixes passenger and luggage capacity for all vehicles, is currently under the Ministry of Finance, while the Driving Test Unit is under the Office of the President. This leads to disjointed handling of transport issues. Although TLB is supposed to license all public service vehicles, allocate routes and regulate their operation timetables, it has generally been unable to allocate routes and monitor compliance or even ensure that public service vehicles have operation timetables. There is also lack of data on vehicle requirements by route. Matatu owners therefore decide which route to operate on, (Chitere et al., 2002).

Local authorities have also not been able to perform their roles with regard to urban public road transport. Consequently, certain routes lack Matatu terminuses, and where they exist, they are inconveniently located, and generally small in size. This encourages arbitrary picking and dropping of passengers. The Traffic Police is required to enforce traffic rules, examine PSV drivers and issue certificate of good conduct to Matatu crew. However, traffic rules continue to be violated. Section 42 of the Traffic Act, for example, limits public service vehicle speed to 80km/hour, yet this has been difficult to enforce. Section 66 of the Traffic Act, prohibits continuous driving of PSV vehicles for more than eight hours. This requirement is yet to be enforced (Chitere et al., 2002).

In 2003, the Minister of Transport and Communications issued Legal Notice No. 161 that sought to regulate the Public Service Vehicle sub-sector. The objectives of the Legal Notice were to: reduce accidents caused by overspending; enhance safety of commuters; ensure responsibility, accountability and competence of drivers and conductors; eliminate illegal drivers, conductors and criminals that had infiltrated the industry; and facilitate identification of vehicles and restrict their operation to authorized routes (see MOTC, Transformation of Road Transport Report, 2004).

The provisions that were to be observed with effect from 1<sup>st</sup> February 2004 ( Legal Notice No. 161 of 2003) include: fitting of speed governors in all PSVs and commercial vehicles whose tare weight exceeded 3,048 Kgs and limiting their speed limit to 80 kph; fitting of seat belts on all vehicles (both public, commercial and private); employment of drivers and conductors on permanent basis; issuance of

badges to PSV drivers and conductors; issuance of uniforms to PSV drivers and conductors; indication of route details and painting of yellow band on minivans for purposes of easy identification; re-testing of drivers after every two years; every driver shall prominently display his/her photograph of postcard size.

The photograph together with particulars of the driver's identity card shall be approved by a police officer of or above the rank of a superintendent; and The Legal Notice required that vehicles meeting these conditions be inspected by the government motor vehicle inspection centers in different parts of the country for testing and certification. It is indicated that any person who contravenes or fails to comply with these provisions, shall be guilty of an offense and could pay a specified fine or face imprisonment. A passenger found not wearing seat belt was also to pay a specified fine (Chitere et al., 2002).

#### **1.1.4 Informal Public Transport Business in Nairobi**

The informal public transport business in Kenya is broadly referred to as *Matatu* business. There are several types of *Matatus* which operate in the Kenyan roads. They include; the twenty five sitter minibuses, the ten sitter commonly referred to 'face me as I face you' and the fourteen sitter passengers transport commonly known as Nissans Vans and this is the segment the research will investigate through research. The term *Matatu* is derived from a local Kikuyu vernacular "*mang'otore Matatu*" which means "thirty cents" which was then the standard charge for every trip made (Aduwo, 1990).

The service began in the 1950s it was a response to the colonial segregation in Nairobi, which forced Africans to largely live on the outskirts of the city limits, with the notable exception of *Kibera*, which is reputed to be Africa's largest urban slum (Aduwo, 1990). The public-bus-based transport system was designed to serve the Europeans living in the western part of the city and not to meet the needs of the African population. Area residents therefore began using Matatus for both personal transport and to haul goods to and from nearby rural areas and to the residential zone on the eastern edge of the city where they were permitted to settle. With independence in 1963 and the abolition of restrictions on African residence, there was a corresponding increase in urban population. The size of Matatu fleet expanded and the Matatu entrepreneurs began a move which led their businesses penetrate into the City Centre of Nairobi with a lot of success (Aduwo, 1990; Khayesi, 2002).

When the Matatus arrived in central Nairobi starting in the early 1960s they were immediately seen as illegal competitors by the Kenya Bus Service (KBS) management and the local government authorities. This led to systematic harassment of the Matatus operators throughout the 1960s into the early 1970s by the Nairobi City Authorities and the KBS (Aduwo, 1990). It had to take a presidential intervention for the minivans to break into the transport niche. Following a visit by a group of businessmen to the late President Jomo Kenyatta, Matatus received official recognition via a Presidential Decree in 1973 (Macharia, 1987). The decree allowed minivans to carry fare-paying passengers without the need for a Public Service Vehicle (PSV) license (Macharia, 1987; Chitere et al., 1999). As a result of this legalization Nairobi experienced a major increase in Matatus transport, growing from 375 vehicles in 1973 to 1567 in 1979. The Matatu Vehicle Owners Association

(MVOA) was formed and in 1982, the Traffic Amendment Act recognized MVOA as a PSV operator.

In 1986, the Kenyan Government started the Nyayo Bus Service Corporation as a parastatal under the Office of the President. It was intended to provide employment to Kenyan youths and to compete with KBS and the Matatu. The Nyayo fleet grew from 6 vehicles in 1986 to 335 in 1994 with various capacities (74 – 108 seats). Subsequently, and for a variety of interconnected reasons, KBS soon found itself struggling with declining market share, new regulation on personnel, speed and capacity and a change of routes instituted by Stagecoach (Aligula, 2005).

In 1998, a consortium of local investors acquired KBS Ltd from Stagecoach Holdings. By the beginning of the 2000s, KBS was very weak, with limited routes and severely under-maintained rolling stock. Nyayo Bus Service Corporation found itself in a similar declining position. It is also worth noting that a new entrant, City Hoppa, a privately owned provider, entered the market and quickly expanded traffic along profitable lines. At the moment more companies have joined the industry and are competing to maintain their presences in this volatile industry. These include the newly and rejuvenated KBS (under new management), Star Bus and Double 'M'.

The 1980s was a politically turbulent era. Matatu drivers were active participants in the protest politics of that decade. As a result of this, in 1988 the Government withdrew the recognition of the MVOA as the official Public Vehicle Association (PVA). MVOA de-registration in 1988 initiated the fragmentation of the sector. To fill the organizational void and to protect their routes from new competition, the

owners and drivers reorganized themselves into route associations, which barred non-members from plying the routes of those in the association. New entrants were required to make “goodwill” payments to the route associations estimated in 2002 to be 150 membership-route associations, 60 of which are in the city of Nairobi (Khayesi, 2002). While the route associations limit entrance of new competitors into the market, there is still competition among the existing route drivers for passengers.

Since the inception of the Matatu mode of transport in Nairobi in the 1950s, the business has been growing steadily both in size and volume. Though the industry has kept its original informal status, its importance is felt in almost all sectors of our economy. A case in point being that of a two day strike called by the Matatu owners, on February 2010, saw economic activities in the country seriously paralyzed. The sector also makes a crucial contribution to the country’s economic growth and development. According to the Kenya Bureau of Statistics, the Matatu industry contributes slightly over 5% to the country’s Gross Domestic Product (GDP). However, due to its informal nature and operations, it has not been possible to accurately document its actual contribution. It is estimated that the Matatu industry in Kenya controls over 80% of passenger transportation. Since its inception, the industry has been experiencing an exponential growth in terms of size and employment creation. In 2004, the industry had an estimated fleet of over 40,000 Matatus, of which over 9,000 operate in Nairobi (Kimani et al., 2004). In 2010, according to the Matatu Welfare Association and the Transport Licensing Board, it is estimated that Nairobi had over 10, 000 fourteen sitter Matatus. Currently, Nairobi is served by a good number of Matatus and almost all routes are covered.

## **1.2 Statement of the Problem**

Entrepreneurship is relevant in promoting innovation leadership in businesses in different countries. Kenyan vision 2030 emphasizes the need for appropriate entrepreneurship strategy for wealth creation as one of the means to make Kenya a globally competitive and prosperous nation. Nevertheless, factors influencing entrepreneurial activities are not clear. Policy makers need to understand the factors in order to come up with viable policies and development programs to promote entrepreneurship in the country. However, social scientist have not yet agreed on the determinant of entrepreneurial behaviour yet policy makers need to know the determinants in order to come up with viable policies that create an enabling environment for innovation and business competitiveness. The establishment of validated determinants of entrepreneurship could be of much help to the government to intervene in the economic development, Osoro (2012)

Small enterprises are important for today's economy because they are the major agents of economic growth and employment. Compared to bigger companies, they are more adaptable, act quicker with more flexibility in the face of changing market conditions, are more innovative and contribute to a closer contact to customers. The Matatu business is one of such small enterprises, working under the umbrella of informal sector. This business is regarded as one of those progressive businesses in the country especially in the informal setting and which has shown tremendous growth since its inception. Despite its importance in terms of employment and revenue generation, no studies have been carried out to look at this industry from an entrepreneurship point of view.



Since inception in Nairobi in the 1950s, the Matatu, business has risen in both size and volume. Though the business has kept its original informal status, its importance cannot be ignored. The business has been able to attract a diverse set of operators ranging from ordinary individual citizens and investment groups to most affluent in society. The growth in the operators can be assumed to indicate good business performance. Secondly, the number of financial institutions which have come forward to finance the various operators is a testimony that indeed the Matatu industry very important. Further, the City Council of Nairobi and the Government's involvements in terms of registration and regulations through the publication of Sessional paper number 2 of 2005 on "Development of Micro and Small Enterprises for Wealth and Employment Creation for Poverty reduction" is another reason why this business cannot be taken lightly.

Through its operations, the industry has given rise to a number of business segments including insurance companies, motor driving schools, motor vehicle dealers, sign writers, spare part dealers and petrol stations. Despite the large number of entrepreneurs who are engaging themselves in this business, reports from some operators indicate that only a few have succeeded. Majority of the players though they are still in this business, are operating at subsistence level. The low growth status may be attributed to, but not limited to lack of entrepreneurial skills, strict government regulations, management style of route managers, entry barriers and lack of human capital/competences. Despite these challenges, there are those operators who have gone a head to succeed in this unpredictable business. This analogy then poses a question, what are the factors contributing good performance in Matatu business where majority seem not to be doing well?

Many studies on entrepreneurial performance have been carried out by various researchers; Oni (2012) in his study he concluded that the rapid changes in technological, social, economic and political trends sometimes result in improving entrepreneurial performance. He went further to say that an enterprise seems relevant to the society when it unveils its entrepreneurial proactiveness toward achieving manageable levels of performance. In his research, he tried to investigate the existing relationship between entrepreneurial proactiveness characteristics and performance. Though the researcher thoroughly researched on the area picked it is noted that the research was like a case study focusing only on Nigerian companies and ignored what happens in other parts of the world.

Zainol & Ayadurai (2011) tried to examine entrepreneurial orientation in Malay family firms by taking personality traits as the antecedent. This construct was used to explain the influence of entrepreneurial orientation and its consequence towards firm performance. Their studies provided the empirical test in understanding indigenous entrepreneurship in Malay family firms in Malaysia towards developing a more holistic entrepreneurship theory. However the authors only concentrated on Personality traits focusing the Malay family firms and forgot to include other indicators of entrepreneurial performance.

Fauzul et al. (2010) in their study were of the view that entrepreneurship has played an important role in economic growth, innovation, competitiveness and in poverty alleviation. Findings showed that proactiveness, innovativeness, risk taking and overall entrepreneurial orientation were significantly correlated with market share

growth. Results further indicated there were positive correlations among proactiveness and entrepreneurial orientation with business performance. However the authors only dealt with the issues of proactiveness, innovativeness, and risk taking to business performance and ignored the other indicators of business performance.

Veysel et al. (2008) in their study concluded that entrepreneurship was accepted as a driving force behind the economic and social development of countries. According to their findings, there were positive relations between entrepreneurship performance of national economies and independent variables (ease of doing business in an economy, availability of venture capital for business development, the impact of values of the society on competitiveness, availability of legislations for easily creation of firms, bureaucracy hindering business activity, and availability of finance skills). Nonetheless, no significant relationship between entrepreneurship performance of national economies and risk of political instability of countries was found. The authors did a great work in unveiling some of the determinants of entrepreneurial Performance but did not tackle determinant of business performance in less developed economies like Kenya.

In carrying out the above studies none of the researchers attempted to address the factors leading to the performance of Matatu entrepreneurs in Nairobi, Kenya. The purpose of this study therefore, is to determine the factors which would contribute to enhance entrepreneurial performance in the informal Matatu transport sector in Nairobi, Kenya. This is the knowledge gap this study intends to fill. The key research questions then were;

- i). What are the major factors leading to good performance in the Matatu business in Nairobi?
- ii). How does each factor identified in (i) above contribute to the good performance in Matatu business?
- iii). How does moderation by Government policies on these factors contribute to the performance of the Matatu business?
- iv). What is the effect of these factors to Matatu business performance when moderated by the registered Matatu industry welfare bodies?

### **1.3 Objectives of the Study**

The overall objective of this study was to determine the factors influencing the success of the Matatu business in Nairobi. The Specific objectives were;

- i) To determine the effect of personality traits on performance of Matatu business.
- ii) To establish the influence of entry barriers on the performance of Matatu business.
- iii) To find out the influence of human capital/competences, on the performance of Matatu business.
- iv) To establish the joint effects of personality traits, human capital and entry barriers on the Matatu business performance moderated by Government policies.
- v) To determine the joint effect of personality traits, human capital and entry barriers on the Matatu business performance moderated by the registered Matatu Associations.

#### **1.4 Significance of the Study**

Informal small business development as a sector plays an important role in shaping our society both socially and economically. This sector contributes significantly towards the economic growth and development of Kenya. This sector falls under what is commonly known as Micro and Small scale Enterprises (MSEs) which was a deliberate Government effort in the creation of employment, generation of wealth and poverty reduction. This has so far been incorporated in the Government Vision 2030, which is the long-term development blueprint for the country. It is motivated by a collective aspiration for a better society by the year 2030. The aim of Kenya Vision 2030 is to create “a globally competitive and prosperous country with a high quality of life by 2030”. It aims to transform Kenya into “a newly-industrializing, middle-income country by providing a high quality of life to its entire citizen in a clean and secure environment through the formal and informal sectors” (GoK, 2007).

The findings from the study will assist contribute to the pool of additional literature in the area of entrepreneurial performance focusing on the major factors leading to good entrepreneurial performance in the informal small scale businesses. At the Small and Medium Enterprises level, the study will assist sensitize entrepreneurs in this particular sector to understand what factors shape entrepreneurial good practice which would in turn lead to positive business performance. Successful completion of the study will contribute towards a better understanding of the sources of competitive advantage for Small and Medium Enterprises. The outcome from this research will provide the government with rich information on entrepreneurial performance factors which will be used as inputs for policy formulation on entrepreneurship, small and medium scale enterprises and how both the new and old entrepreneurs would be assisted to stay competitive in business.

This study sought to assess the entrepreneurial performance in Small and Medium scale enterprises. An investigation was made into which entrepreneurial dimensions were associated with entrepreneurial performance. It is argued that these are important findings, which significantly extend contemporary entrepreneurial theory into Small and Medium scale enterprises in a Kenyan context. The insight generated would avail a deeper knowledge of entrepreneurship and small scale businesses. This insight would in turn contribute to an opportunity to understand entrepreneurial theories within a dynamic context that is currently changing. According to Davidsson (1991), entrepreneurial knowledge should focus on the phenomenon of continued entrepreneurship in order to be able to develop more theory, as the mechanisms that underlie the behaviour of entrepreneurship are not sufficiently understood. The Kenyan context provides insights into continued entrepreneurship. This allows for the extension of and testing of internationally developed theory relating to the behaviour of entrepreneurship within the local environment with regard to local participants.

## **1.5 Chapter Summary**

This chapter has clearly outlined the importance of having a reliable and efficient means of transport. It has gone further to define informal activities and by giving examples which cut across the world including Kenya. The various theories of entrepreneurship have also been briefly brought forward and defined together with the business performance factors. The history of the public transport in Kenya starting from the 1950s up to the present has also been given in this chapter together with the government regulations on the same. The chapter ends up by providing statement of the problem, research questions, objectives and significance of the study.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.1 Introduction**

Entrepreneurship revolves around the recognition of opportunities and the pursuit of those opportunities (Krueger, 2003). Much of the more contemporary thinking about entrepreneurship focuses on the cognitive process by which individuals reach the decision to start a new business. According to Krueger (2003), “An entrepreneurial opportunity consists of a set of ideas, beliefs and actions that enable the creation of future goods and services in the absence of current markets for them”. Krueger (2003), provide a typology of entrepreneurial opportunities as consisting of opportunity recognition, opportunity discovery and opportunity creation. In asking the questions of why some do it, while others do not, scholars have focused on differences across individuals. As Krueger (2003) observes, “The heart of entrepreneurship is an orientation toward seeing opportunities.”

The traditional approach to entrepreneurship essentially holds the context constant and then asks how the cognitive process inherent in the entrepreneurial decision varies across different individual characteristics and attributes. Shaver (2003), in his study, he outlined the process of opportunity discovery and gave reasons why some actors are more likely to discover a given opportunity than others. These include the willingness to incur risk, the preference for autonomy and self-direction. Still others involve differential access to scarce and expensive resources, such as financial, human, social and experiential capital. This approach focusing on individual cognition in the entrepreneurial process has generated a number of important and valuable

insights, such as the contribution made by social networks, education and training, and family influence (Acs & Catherine, 2006).

## **2.2 Theoretical Foundation of Entrepreneurial Performance**

As per the literature, there are many theories giving rise to entrepreneurship but the main ones are given in the section that follows. They are called the main ones because they have been widely researched and applied. They are easy to follow and understand because their origins are from the resources available, psychological and cultural influences hence the reason why they have been selected.

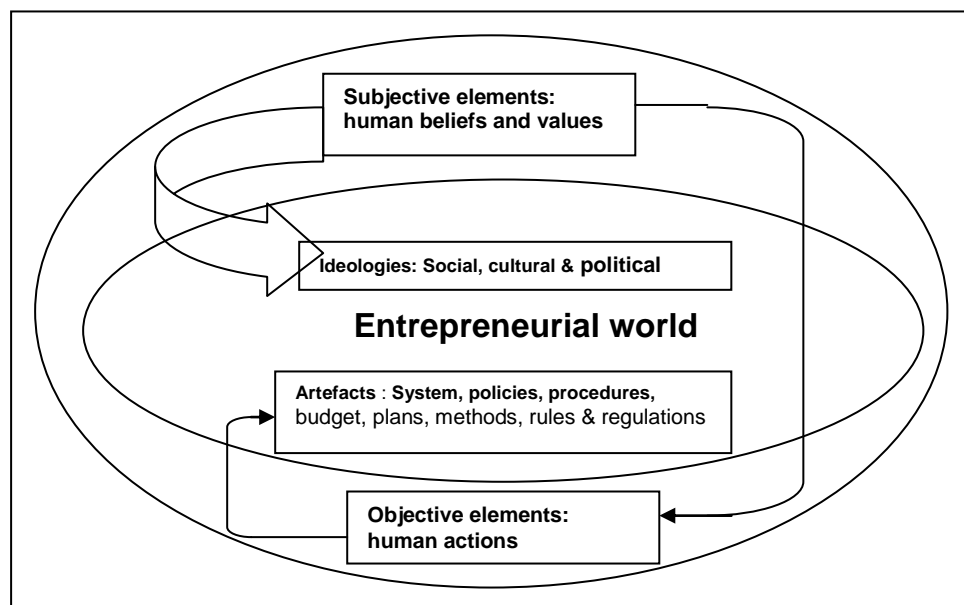
### **2.2.1 Social-Cultural Approach Theory**

This theory tries to explain the social conditions from which entrepreneurs emerge and the social factors that influence their decisions. The entrepreneur cannot ignore community and other social actors who are involved in or impact on his/her entrepreneurial effort. In this sense, studies of entrepreneurial activity must recognize the importance of human volition. Human inferences are shaped by culture (Cafagna, 1960; Hutchins 1980; Hofstede, 1984), the underlying contextual beliefs and value systems on which actions are based. Especially in developing countries, many people find their primary sources of the meaning of life in socio-cultural values, beliefs and mysteries (Nanayakkara, 1999). Therefore, research into entrepreneurial behaviour in developing countries should consider cultural issues (Low & MacMillan 1988) and identify the social processes.



The usefulness and endurance of a theory is determined by the way the theory is generated. Established social theories, including Weber's theory of bureaucracy and the Marxist theory of power which were inductively developed from social research, suggest that it is not possible to completely separate those theories from the society. Matza (1969) argues that in the empirical world, man is subjective, not objective, except when he is likened to one by himself or by another subject. Naturalism must choose the subjective view, and consequently it must combine the methods with the distinctive tools of humanism - experience, intuition and empathy. Thus, the paradigmatic disposition chosen to consider entrepreneurial activity should encompass the social world (subjective elements) of the entrepreneur's actions as well as the physical (objective) elements, as illustrated in Figure 2.1

**Figure 2.1 The Entrepreneurial World of Subjectivity and Objectivity**



Source: Gamage et. Al (2003)

Culture is fundamental to any social system (Milner 1994). Human behaviours are functions of a specific socio-cultural system (Hofstede, 1993; 1994, 2001) in which cultural institutions may affect individual behaviours. Social actions (by

entrepreneurs) are meaningful human behaviours (Weber cited in Runciman, 1978) which cannot be separated from their social and cultural context (Bloodgood & Sapienza, 1995; Robinson & Shaver, 1995). Thus, the entrepreneurial world is a channel through a well-integrated society and culture in which the value system becomes the crucial determinant of an individual's actions, including economic actions.

Human beliefs, values and attitudes are neither measurable nor precise; it is more useful to think of them as meaningful in the world. Their meanings are multiple, changing, and contextual. The entrepreneurial world of subjectivity and objectivity generalization are secondary to the world of meaning. This implies that the meanings which underpin entrepreneurial actions could be explored through the form of multiple mental constructions, socially and experientially from the actor's point of view. This is an interpretive procedure (Bulmer, 2000) of reaching an understanding of how people describe things and experience them from their socio-cultural standpoint. A socio-cultural analysis of entrepreneurial activity is ethical and unlike the more traditional models and theories that focus on economic reality or personality traits of the individual entrepreneur (Covin & Slevin, 1991), it requires holism which has the potential to lead to a satisfying alternative paradigm for entrepreneurial reality.

The theory depicts the decision to become an entrepreneur as function of two factors: The impetus and the situational factors. The model is multiplicative. A zero on either of the causes means a failure to produce the entrepreneurial event. The impetus for entrepreneurship attempts to explain the reason why people move to self-employment.

Some of the reasons include negative displacements, being between things, positive push and positive pull. Negative displacements begin with the notion that people who find themselves displaced from their habitants tend to be innovative in order to survive. Because they (negative displacements) are on the outer fringes of the economy and society, they are sensitive to allure of self-employment, having no one to depend on, they depend on no one. An example of this phenomenon is the tendency of immigrants to become entrepreneurs. In societies where economic rights are more easily exercised than political rights, immigrants turn to entrepreneurship. Throughout the world, for example, Asians and Jewish immigrants wherever they settle have gone into business for themselves. Other negative displacements come from being fired, hungered, bored, middle aged and divorced and displacement from the original settlement (the Kenyan IDPs). Another reason why one becomes an entrepreneur is being between two things or scenarios. For examples people who are between military and civilian life, between student life and career and between prison and freedom. People who are in this situation are more likely to seek entrepreneurial outlets than those who are in the middle of things (Dollinger, 2003).

The third factor is the positive pull. Positive pull influences individuals to become entrepreneurs. They can come from a potential partner, a mentor, a parent, an investor or a customer. All these encourage individuals to enter into new venture. The positive push factor provides impetus and momentum for entrepreneurship. Positive push factors include things like career, birth that offers entrepreneurial opportunities or an education that gives the individual the appropriate knowledge and opportunity (Dollinger, 2003).

Situational characteristic is another factor. Once the individual inclination for entrepreneurship has been activated, situational characteristics help determine if the new venture will take place. There are two situational factors: - Perception of desirability and perception of feasibility. Entrepreneurship must be seen as desirable in order to be pursued. The factors that affect the perceptions of desirability can come from the individual's culture, family, peers and colleagues or mentors. Sometimes religion can spark entrepreneurship and legitimize the perception of desirability. Entrepreneurship must be seen as feasible if the process is to continue. Readiness and desirability are not enough. Potential entrepreneurs need models and what can be accomplished. They require support from others; emotional, financial and physical support. Having looked at the various entrepreneurial theories and traits it is now important to look at the subject from formality and informality point of view (Dollinger, 2003).

### **2.2.2 Psychological Approach Theory**

The Psychological approach theory therefore contends that there are personality characteristics that help predict who will be an entrepreneur or not. Over the past few decades entrepreneurial research has identified a number of personality characteristics that differentiate entrepreneurs from others (Dollinger, 2003). The need for achievement: The entrepreneur need for achievement was first identified as a personality trait. People with achievement have a strong desire to solve problems on their own, enjoy setting out goals and achieving them through their own effort and like receiving feedback on how they are doing. They are moderate risk takers.

Psychological approach theory pays attention to personal traits, motives and incentives of an individual and concludes that entrepreneurs have a strong need for achievement (McClelland & Winter, 1971). A similar focus is found in locus of control theories. Locus of control means to master and manipulate physical objects, human beings and ideas or to overcome obstacles and attain a high standard. It could further mean to excel one's self. The theory has a focus of two types of people; The externals who believe that what happens to them is as a result of fate, chance, luck or force beyond their control and the internals who believe that for the most part of the future is theirs to control through their own efforts. Brockhaus (1982) suggests that an internal locus of control, even if it fails to distinguish entrepreneurs, may serve to distinguish the successful entrepreneur from the unsuccessful one. A logical prediction of this theory contends that internals are more entrepreneurial than externals.

Davidsson (1989), states that achievement motivation is the most important factor contributing in explaining variation of growth rates and entrepreneurship. Shaver & Scott (1991) believe that achievement motivation is perhaps the only convincing personological variable associated with new venture creation. They saw a need as a force "in the brain region" and the specific need for achievement was defined as: "To accomplish something difficult. To master, manipulate, or organize physical objects, human beings, or ideas, to do things rapidly and as independently as possible, to overcome obstacles and attain a high standard, to excel one's self to rival and surpass others and to increase self-regard by the successful exercise of talent and finally the ability to take calculated risks (Shaver & Scott ,1991) In addition to the above traits, the definition of need for achievement includes traits as competitive mind, self-

consciousness, and an itch to self development and learning (Sexton & Bowman 1985; Low & MacMillan 1988; Amit et al., 1993).

Figure 2.2, presents the general view of the *Giessen-Amsterdam* model of entrepreneurial success based on the psychological approach theory. It is an interdisciplinary model, as it takes into consideration most areas that have been studied in entrepreneurship research. However it is a model that clearly has controversial implications if one looks at the arrows. For example, we do not have direct arrows from personality, human capital, or environment to success although such relationships have often been studied. The reasoning behind is rather simple: We assume that there is no success without actions. Actions are mainly determined by the goals and by the strategies. Thus, the concept of action is central to this model and the strategies and tactics of actions is the bottleneck through which all of entrepreneurial success is accomplished or not accomplished.

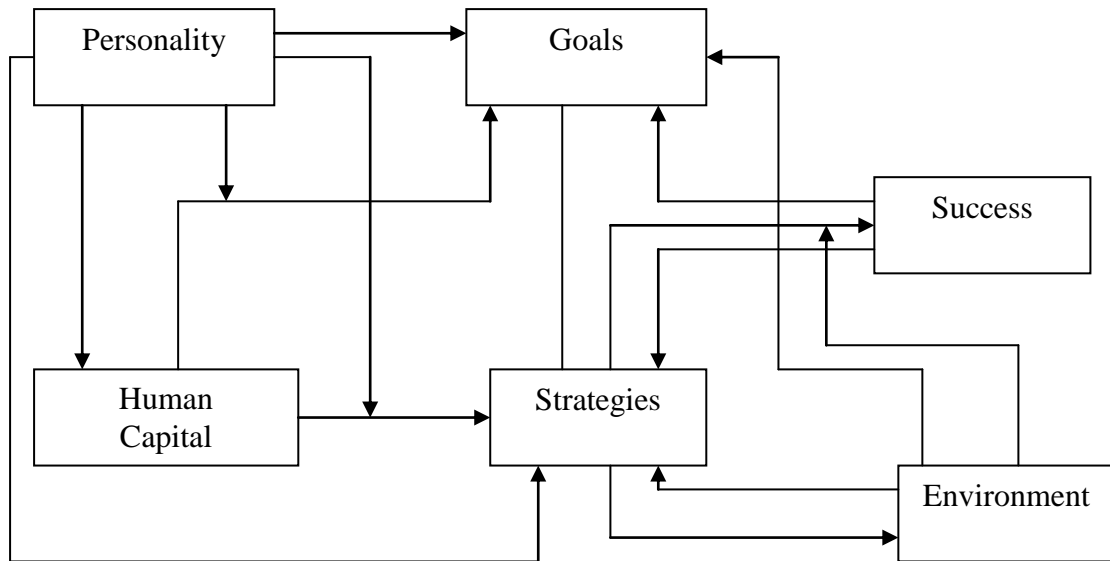
All strategies and tactics are goal oriented and, therefore, all entrepreneurial success has to start to look at these variables (obviously, most studies do not do that and, therefore, show less power to predict success than is possible). Obviously, both goals and strategies may turn out to be wrong, inefficient, or misplaced in a certain environment. Consequently, prior success and failure has an effect on modifying goals and strategies. However, we think that the market is made up of actors who have goals, at least rudimentary strategies, and ideas about how to proceed with their business. For this reason, all of the influences of personality, human capital, and environment on success have to be mediated by strategies and tactics of actions. This concept is in stark contrast to the theoretical stance of the ecological approach which

assumes that essentially a random process of actions is shaped and selected by the environment, including the function of the environment to produce certain failure and success rates.

In principle, the Giessen-Amsterdam model can be used on different levels of analysis - the organizational level and the individual level of the firm owner. The level of analysis issue (Klein & Sorra, 1996) has a slightly different function in the area of entrepreneurship because company size determines which level is the adequate one. While in large companies, the right level of analysis of variables that determine organizational success is the organizational level (an owner may have very different ideas of where this company should go than it actually does), in small firms, the firm owner is typically the source of action of this firm.

When there are only four or five employees in a firm, the owner usually has a much stronger impact on company policy, company culture and the company's actions than in larger firms. Thus, the potential differences between individual and organizational level variables are larger in bigger organizations and become increasingly smaller with small organizations. Consequently, an individual level of analysis - using personality, human capital, goals, strategies and environment of the individual owner - can be used profitably to study success in these firms (Frese, et al., 1998). In mid-sized companies, the level of analysis issue is of major importance and it really needs to be empirically determined to which extent data from the owner/manager are useful as predictors of success or not.

**Figure 2.2 “The Giessen-Amsterdam Model” of Small Business Owners’ Success**



Source: Rauch et al., (2000)

The research borrowed heavily from various sections of the above mentioned theories of entrepreneurship; the Resource based theory, Psychological approach theory and Socio-Cultural theory. Each of these theories contributed in one way or the other towards the start of *Matatu* (small) business. However, due to the uncertain and risk nature of this type of business, the bias was towards the Psychological approach theory and hence it was used to guide this study. Management and running of *Matatu* business to a large extent depends on the personal attributes of a person involved. Without these attributes, success can be realized but with limitations. These personal attributes are associated with the Psychological approach theory of entrepreneurship hence the reason why the theory was preferred for use.

The other reasons for choosing this theory is that there is no success without action and strategy process characteristics have a direct effect on actions. Third, as long as researchers were primarily interested in strategy content (for example, differentiation



cost strategy, etc., Porter (1980)), they did not need to consider psychological issues. However, once strategy process became important, psychological approaches needed to be taken into consideration as well (Rajogopalan, et al., 1993) because process issues are concerned with how entrepreneurial actions are regulated. Thus, the theoretical starting point of the current research is the actions taken by the owners and the description of these actions. Action-related concepts in this article are based on two concepts, strategy process characteristics and entrepreneurial orientation.

Strategy process concerns itself with how strategic decisions are formulated and implemented (Olson & Bokor, 1995). Strategy process characteristics are specific ways to deal with this strategy process. It is argued that cognitive and action theories suggest a differentiation into four different characteristics of strategy process: complete planning, critical point planning, opportunistic and reactive. These characteristics can be differentiated along the lines of goal orientation, long term planning, knowledge base, proactiveness, and situational responsiveness (risk taking).

Critical point strategy (Zempel, 1994) starts out with the most difficult and important point and plans and acts on this one first. It can be described as a rather economic way of structuring one's course of action (Sonntag, 1996). It is a sort of main-issue-planning, meaning that the person has one clear goal in mind and concentrates on the main issues of his or her tasks. Thus, it is goal oriented, but it does not go as far into the future and does not deal with potential future problems as much as complete planning. Thus, the major difference to complete planning is the amount of planning and the orientation to one issue vs. many issues. Critical point strategy has the advantage of allowing a certain degree of situational responsiveness because the

owners have invested less into their plans. Critical point planning can be explained through the following example of an owner who wants to build a hut for his or her auto repair shop. The owner would think of all details of where to build the hut so as to optimize business both from the perspective of customer contact and from the feasibility to build a hut in this area. However, issues of money for the timber, where to get the timber, and the construction would not be thought about until the issue of site is resolved.

An opportunistic process characteristic constantly scans the environment for business opportunities. Once an opportunity is found, this person deviates easily from his or her prior plans. Thus, situational responsiveness and activeness are high, but planning and goal setting are low. Thus, the major difference to complete planning and critical point planning leads people to plan little, to have a low future orientation and to be easily distracted from a plan of action. People characterized by opportunistic strategy might put aside a plan quickly and might not plan enough to stay on course in a difficult environment because they are attracted by newly perceived opportunities. An opportunistic owner might, for example, see that timber is especially inexpensive and would immediately buy it to eventually build a hut without ever having developed such a plan beforehand. As a matter of fact, this person might actually have looked for a paint machine beforehand and use the money saved for the paint machine to buy the lumber (Frese et al., 2002).

A reactive strategy characteristic implies that the owner is driven by the situation and there is little or no proactive and planned use of information. There is little goal orientation, no long term planning, the knowledge base is not well developed because

feedback cannot be understood since these owners do not have hypotheses about what went right or wrong (hypotheses are developed as parts of plans). There is, however, a high degree of situational responsiveness; in contrast to opportunistic planning, owners with a reactive strategy are not actively searching for opportunities and other environmental changes; rather they stumble upon these changes or are made aware of them by their competitors or other people. No systematic search for feedback is done and therefore, the information is often too late or too lacking detail to be useful. Therefore, it is believed that a reactive strategy would only be useful in a completely random environment (which does not exist in reality); thus the reactive strategy is most probably negatively related to success (Frese et al., 2002).

In the example of hut-building, a reactive owner would have seen others in the area to build huts; a foreign aid worker, who is often in the area, might have suggested that he or she should also build a hut for his or her make-shift auto repair shop. The reactive owner would then have the goal of building exactly the same hut as his or her neighbour. Since he or she would have started to think about the hut after most others have already built huts, his approach would come rather late. Moreover, he or she would not think of feasibility and customer issues; possibly after starting to build the hut, he or she would notice that a permit is still needed or that there was actually not enough money to finalize the hut. The result might be that the hut is not completely built or that new debts are added to the bad state of financing of the business. Another possibility might be that there is a wish to build a hut, but that not steps have been done at all yet to transfer this wish for a hut into a concrete goal that influences the actions of the owners (Frese et al., 2002).

### **2.2.3 Resource Based Theory**

The resource-based perspective argues that sustainable competitive advantage (SCA) is generated by the unique bundle of resources at the core of the firm (Barney, 1991; Conner & Prahalad, 1996). Resources are said to have a sustainable competitive advantage if they are rare, valuable, hard to copy and not substitutable. In other words, the resource-based view describes how business owners build their businesses from the resources and capabilities that they currently possess or can acquire (Dollinger, 1999).

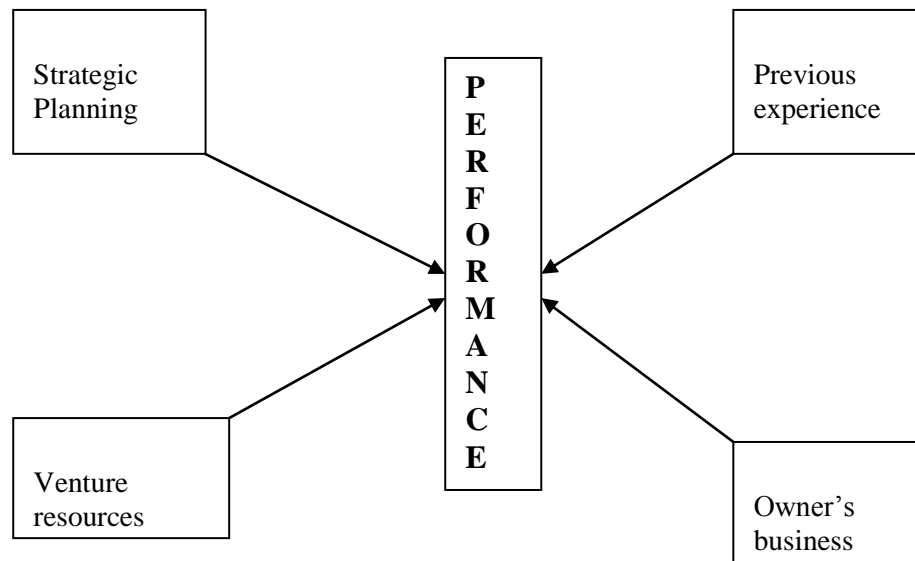
The term “resources” was conceived broadly as “anything that can be thought of as a strength or a weakness” of the firm (Wernerfelt, 1984:172). The theory addresses the central issue of how superior performance can be attained relative to other firms in the same market and posits that superior performance results from acquiring and exploiting unique resources of the firm. Implicit in the resource-based perspective is the centrality of the venture’s capabilities in explaining the firm’s performance. Resources have been found to be important antecedents to products and ultimately to performance (Wernerfelt, 1984).

The resource based theory recognizes six types of resources: physical, reputational, organizational, financial, intellectual and technological. These can also be called the profit factors. These types are broadly drawn and include all assets, capabilities, organizational process, firm attributes, information and knowledge. Physical resources such things like land, energy resources (oil resources, water etc), raw materials (minerals etc). Physical resources can be a source of Sustainable Competitive Advantage, if they have the four attributes described above: Rare, Hard

to copy, Non-substitutable and valuable. Reputational resources are mainly the perceptions that people in the firm's environment have of the company. Reputation can exist at the product level as a brand loyalty or at the corporate level as a global image. Many organizations maintain high reputation over a long period of time. The value of reputational relationship goes beyond personal relationship because these reputations continue even after the individuals originally responsible are no longer around.

According to resource-based theorists, firms can achieve sustainable competitive advantage from such resources as strategic planning (Michalisin et al., 1997; Powell 1992), management skills (Castanis & Helfat, 1991), tacit knowledge (Polanyi, 1962, 1966), capital, employment of skilled personnel (Wernerfelt, 1984), among others. Resource based theorists contend that the assets and resources owned by companies may explain the differences in performance (Barney 1991; Grant 1991; and Peteraf, 1993). Resources may be tangible or intangible and are harnessed into strengths and weaknesses by companies and in so doing lead to competitive advantage. The resource-based theory continues to be refined and empirically tested (Bharadwaj, 2000; Hadjimanolis, 2000; Medcof, 2000). It is argued that strategic planning, resources of the business, skills as well as the previous experience of the owner influence the performance of small business ventures.

**Figure 2.3 Resource-Based Perspective of Venture Performance Strategic Planning and Performance**



*Source: Saffu et al. (2004)*

Research has shown an association between planning in small businesses and performance. The literature suggests that planning is a good management practice, and may be beneficial to business (Gibson & Cassar, 2002; Schwenk & Shrader, 1993). According to Berman et al. (1997) “firms that plan produce better financial results than firms that do not plan”. Bracker et al. (1986; 1988) found that firms that undertook strategic planning performed better financially, Lerner & Almor, (2002) contend that planning lays the groundwork for developing the strategic capabilities needed for high performance.

Strategic planning has been studied by various scholars (Mintzberg, 1973, 1994; Brush & Bird, 1996; Bracker et al., 1986; Braker et al., 1988). The findings can be summarized as follows: there is a positive relationship between strategic planning and firm performance. According to Miles & Snow (1978), successful, proactive firms have the propensity to invest time in strategic planning. On the contrary, unsuccessful, reactive firms do not invest time in strategic planning, rather they fight fires. Miles &

Snow (1978), in their study involving 253 US small firms found that there was a link between planning sophistication and growth in sales. A study of 168 manufacturing MSEs in Sri Lanka found that planning and control sophistication led to increased sales (Wijewardena et al., 2004). Their study concluded that the greater the sophistication in planning the greater the sales.

According to the resource-based perspective, venture resources in the form of capabilities, assets, and skills provide competitive advantage and underpin the organisation's performance (Barney 1991; Grant 1991; Peteraf, 1993). Chandler et al., (1994) study of small manufacturing businesses demonstrate the link between the availability of resource-based capabilities and venture performance. An abundance of capabilities in the firm ensures survival, rapid growth and profitability (Chandler et al. 1994). The centrality of the business owner in the operation of the firm cannot be overemphasized (Lerner & Haber, 2000). To the extent that the business owner makes all the important decisions, his/her skills become a critical asset on which the success of the firm depends. Implicitly, when the skill set is stronger, the performance of the business will be higher (Lerner & Almor, 2002). There is recognition in the entrepreneurship literature of the significance of the contribution of entrepreneurial experience to venture performance (Ronstadt, 1988). Vesper (1980) contends that prior entrepreneurial experience can lead to success. Similarly, specific experience in similar businesses ensures survival and growth (Cooper et al., 1994; Chandler et al., 1994).

Based on the resource-based theory, it is plausible to argue that previous entrepreneurial experience is a valuable resource to the firm. Research shows that an

entrepreneur's management skills contribute to venture performance and growth (Lerner et al., 2002; Bird, 1995; Cooper et al., 1994). The propensity of the entrepreneur to employ and apply a variety of skills has been recognized (Hunger et al., 1996). According to Hood & Young (1993), some of the important skills of successful entrepreneurs include accounting, marketing, sales and financial management.

#### **2.2.4 The Ecological Theory**

Within organizational sociology, the most active line of theory and research investigating the establishment of new organizations is commonly referred to as organizational ecology (Hannan & Freeman, 1989). As is well known, organizational ecology studies populations of organizations, focusing on how they change over time, especially through demographic processes of selective replacement—organizational founding, mortality, and growth. The major theory fragments of organizational ecology predicting levels of new organizational establishments include density dependence, structural inertia, niche width, resource partitioning and others (Carroll & Hannan, 2000).

Despite the apparent relevance of organizational ecology, little theory and research in the field of entrepreneurship uses it, builds on it, or even acknowledges its existence through citations. Organizational ecology theory typically casts predictions about new organizational establishment at the population level of analysis: these arguments predict the rates of founding expected in populations under various environmental conditions. Historically, entrepreneurship has been examined as an individual-level phenomenon, with an emphasis on rationality of action. Inferences about individual



behavior from empirical analysis of aggregated data can be misleading. Moreover, the types of theoretical explanations offered for population-level processes may not be directly applicable to individuals (Aldrich & Wiedenmayer, 1993). What this situation suggests to us is that organizational ecology likely requires some translation before its relevance and applicability become apparent to entrepreneurship theorists and researchers. Background conditions that induce or limit the propensity with which individuals and others start new organizations will almost always be relevant to the study of entrepreneurship. But both the abstract conceptualization of those conditions and the aggregate level of empirical analysis common in ecology may leave implicit the significance of theory and research for the individual level so engrained in the entrepreneurship area.

Given the ambiguity in deriving the implications of ecological studies to the level of primary interest in the entrepreneurship area, one of our primary aims here is to ease this task by offering a conceptual framework. The framework involves viewing new venture success and failure as a process involving rates of event occurrence: a population founding rate (decomposed into two constituent rates) and an individual organizational mortality rate. Within this framework, the observable founding rate of a population is depicted as the outcome of two underlying rates, each associated with a stage in the startup process.

The first is the rate at which attempts at founding are initiated; the second is the rate of success of those attempts. Success in this second process is associated with the founding event itself and is to be distinguished from the success or failure of the organization once founded, which is a separate issue involving the third rate in the

framework, the organizational mortality rate. The mortality rate is associated with individual organizations in a population, given that they have been founded. New potential organizations travel down a sequential process, which involves step-by-step winnowing of the number of units.

Organizational ecology provides theory and research about each of these pertinent types of rates, as we review in greater depth below. Among other things, our translation consists of sorting the various ecological arguments of founding rates into the two underlying component processes. We also point to several findings from ecological studies of organizational mortality that may potentially interest entrepreneurship scholars. We then shift to examine key debates about the sources of variation in founding rates in the ecological perspective. These include differences about the roles of: macro vs. task environments, endogenous vs. exogenous processes, and agglomeration vs. differentiation (Aldrich & Wiedenmayer, 1993).

### **2.2.5 Institutional Theory**

The nature, scope and the philosophical foundations of institutional theory. The study of institutions is one of the most enduring interests in the social sciences. All the major disciplines anthropology, economics, political science, psychology, and sociology—have become engaged and each has given its particular thrust and contour to the current (Scott 1994). Needless to say that our focus here will mainly be on institutional economics. In a broad sense institutions are clusters of moral beliefs that configure power. This broad concept can be derived from Ayers's observations that institutions commonly share the attribute of designating authority, usually in a rank order or hierarchical system.

Ayres also notes that this authority is not backed primarily by sheer force but most importantly by custom or a cluster of mores (Ayres 1952). Also Veblen writes that an institution is “a usage which has become axiomatic and indispensable by habituation and general acceptance” (Veblen 1967). Institutions are according to North the humanly devised constraints that structure political, economic and social interaction. They consist of both informal constraints (values, norms, sanctions, taboos, customs, traditions, and codes of conduct), and formal rules (constitutions, laws, economic rules, property rights, and contracts). Through history, institutions have been devised by human beings to create order and reduce uncertainty in exchange. Together with standard constraints of economics they define the choice of set and therefore determine transaction and production cost and hence the profitability and feasibility of engaging in economic activity. They evolve incrementally, connecting the past with the present and the future; history in consequence is largely a story of institutional evolution in which the historical performance of economies can only be understood as a part of a sequential story. Institutions provide the incentive structure of an economy; as that structure evolves, According to Scott (1994), institutions are viewed as made up of three component “cognitive, normative and regulative structures and activities that provide stability and meaning in social behaviour” and that “institutions are transported by various carriers—cultures, structures, and routines—and they operate at multiple levels of jurisdiction”.

The regulatory dimension or component of the institutional profile consists of laws, regulations, rules, and government policies in a particular national environment which promote certain types of behaviour and restrict others. The regulative processes

consist of rule-setting, monitoring, and sanctioning activities. In this conception, regulative processes involve the capacity to establish rules, inspect or review others' conformity to them, and as necessary, manipulate sanctions—reward and punishments- in a an attempt to influence future behaviour. The normative dimension or component consists of social norms, values, beliefs, and assumptions about human nature and human behaviour that are socially shared and carried by individuals. It is also often called “culture”. Normative systems define goals or objectives (e.g. winning the game or making a profit) but also designate the appropriate ways to pursue them (e.g. conceptions of fair business practices).

The cognitive dimension or component reflects the cognitive structures and social knowledge shared by the people in a given country or region. The cognitive elements of institutions are the rules that constitute the nature of reality and the frames through which meaning is made. Cognitive structures affect the cognitive programs, i.e. schemata, frames, and inferential sets, which people use when selecting and interpreting information (Markus and Zajonc 1985). The above mentioned three pillars elicit three related but distinguishable bases of legitimacy. The regulative emphasis is on conformity to rules. Legitimate organizations are those established by and operating in accordance with relevant legal or quasi-legal requirements.

A normative conception stresses a deeper, moral base for assessing legitimacy. Normative controls are much more likely to be internalized than are regulative controls, and the incentives for conformity are hence likely to include intrinsic as well extrinsic rewards. The cognitive view stresses the legitimacy that comes from adopting a common frame of reference or definition of the situation (Scott 1995).

North makes a crucial distinction between institutions and organizations. The institutions set the rule and define the way the game is played whereas the organizations are the players. Organizations provide a structure for human interaction. Organizations include political bodies (political parties, government at the national, regional and municipal level, regulatory agency), economic bodies (firms, trade unions, cooperatives), social bodies (church, clubs, professional associations, and educational bodies (schools, universities, vocational training centres). They are groups of individuals bound by some common purpose to achieve objectives. If institutions are the rules of the game, organizations and their entrepreneurs are the players (North 1993).

The organizations that come into existence will reflect the opportunities provided by the institutional matrix. That is, if the institutional framework rewards piracy then piratical organizations will come into existence and if the institutional framework rewards productive activities then organizations—firms—will come into existence to engage in productive activities (North 1993). We can add if the institutional environment rewards technology based new firms and spin-offs then potential high growth new firms will be created. There are three basic ideas in the core term institutions which are worth emphasizing in this context because they constitute the philosophical foundations of institutional theory. First, institutions are based on values. Second, the life process and therefore also the economy is a process of change and development. Third, man is a social product. First, although for practical reasons, specially for research purposes, it is reasonable to distinguish between formal and informal institutions as North (1990) does, or the Scott's three pillars, it is important to keep in mind that even formal institutions reflect the values of a society that have

been reinforced by laws and regulatory norms. The difference between informal and formal institutions is one of degree and can be envisaged as a continuum from taboos, customs, and traditions at one end to written constitutions at the other (North 1990). Second, life process is a process of change.

Whereas conventional economics is concerned with equilibrium, institutional economics assume that human wants and technology change, but they do not change by virtue of some natural law working without human agency: they change by virtue of influences that are endogenous to the human social system. Since the human social system is fundamentally a system of power and habit these changes emerge from the exercise of power and habit (Stanfield 1999). Therefore, the main concern of institutional theory is the process of institutional adjustment. Human society is holistic and interdependent; changes ramify throughout the system, especially those involving the technology by which the human species necessarily reproduces itself as a set of new issues of individual behaviour, law, ethics, policy, education, and so on. The recent public clamour over suggestions of human cloning is an evident case in point (Stanfield 1999).

North's theory of institutional change emphasizes entrepreneurial responses to changes in the economic situation as the causal forces for explaining changes in institutions. But North also recognizes that growth and improvement are not inevitable. Path dependence can also lead to stagnation or decline. This is because institutions are not established for their social efficiency. Instead they are established to serve the interests of those who are powerful enough to establish them (North 1990). Third, man is a social product. Ayres's theory of human nature stresses the fact

that man is a social product. His beliefs, attitudes, and wants reflect the impact of the cultural environment and the social forces at work within the environment. Ayres observes that “A separate individual is a phenomenon unknown to experience” (Ayres 1962). Man has no “inner original nature” untouched by cultural forces. *Int Entrep Manag J* (2008) 4:365–379 369 On the contrary all human wants and values are social or cultural in origin. Man is an active, problem-solving individual who is endowed with a “creative intelligence”, but he is also a creature of custom and habit. He too frequently accepts the traditional beliefs and values passed on to him by the institutional complex of the social system. Human behaviour directed by inherited beliefs and attitude and not by the appeal to scientific evidence is frequently irrational behaviour. Since society’s institutional complex is resistant to change and backward looking in its beliefs, attitudes and values, it becomes an obstacle to behaviour that could enlarge individual and social well-being (Gruchy 1972). Veblen already pointed out that institutional patterns are seen as resistant to change, both because reversing the force of habit requires effort and because technologically mandated social change may threaten the existing power and status configuration. This push and pull brings in its wake problems of institutional maladjustment and this maladjustment or cultural lag can have dramatic consequences and restrict realization of the potential flow of real income (Stanfield 1999).

We now turn to the basic question in this context: how can institutional theory explain entrepreneurship? Based on the above considerations we can now better understand why institutional theory is an important tool to explain entrepreneurship and guide entrepreneurship research. Environment is evolving and changing. This change produces opportunities. But opportunities are not out there as objective entities open

to the eyes of all people. “Opportunities are situations in which a potentially profitable ends-means framework can be formed. They are therefore the potential subject of discovery by entrepreneurs having the necessary idiosyncratic knowledge” (Shane 2000). This includes a questioning of the idea of an independent physical reality, which our language refers to, and which determines the truth value of statements. It is the entrepreneur who identifies opportunities and redefines reality. As Kirzner has pointed out the entrepreneur is the person who is alert to business opportunities that have not been identified by others (Kirzner 1973). The rejection of the idea that entrepreneurship is about attributes of particular people, the entrepreneur, what is referred to as the “psychological approach” has led to consider the institutional approach to entrepreneurship research as a much more promising approach to explain the phenomenon of entrepreneurship (Veciana 1999).

In the opportunity theory developed by Shane the objective component of opportunities means that the entrepreneurial process starts with the perception or discovery of an opportunity (Shane 2003). This makes individual cognition a key question in entrepreneurship research (Gaglio and Katz 2001). It also entails a specific anthropology of the actor. The anthropology of opportunity theory works from a classic scheme: the active subject acting on a passive object existing in an independent physical reality. “Moreover entrepreneurship requires a decision to act upon an opportunity because opportunities themselves lack agency” (Shane 2003).

Agency is thus the privilege of individuals. However, if the opportunity does not possess the objectivity entailed by existing prior to discovery but rather an exteriority produced by the entrepreneurial process, then the modernist scheme begins to crack,



and we might ask what kind of subjectivity we are talking about in the entrepreneurial process (Korsgaard 2007). Poststructuralists have argued that we need a shift of focus from the subject as an entity to subjectivization of a process. Instead of taking the autonomous individual as a given, these writers seek to disclose the becoming of the subject. That is: the Cartesian subject is a construction of sorts, produced in a particular cultural context, and a taking a number of different forms through western history. This is illustrated in the works of Foucault (2005), Royle (2003) and Derrida (2001) among others.

This approach would imply a shift from seeing the entrepreneur as an autonomous and given actor entering a series of transactions (with a given profile), which constitute entrepreneurship, to focusing on the process of becoming entrepreneur. This process of becoming entrepreneur can be explained through the institutional theory. The process of becoming entrepreneur is highly conditioned by the formal and informal institutions. According to North, “the agent of change is the individual entrepreneur responding to the incentives embodied in the institutional framework (North 1990). In the field of entrepreneurship the concern should be how the institutional context affects—promote or inhibit—the emergence of entrepreneurs, the rate of new firms creation, and new firm growth and development.

Given the above theories therefore, it is the researcher’s view that focus should now be directed towards the researcher’s area of research and that is the performance of *Matatu* entrepreneurs. The *Matatu* business, which falls under small business enterprises is a type of business which requires high capital investment with uncertain returns. This is a type of business which operates under conditions of risks and un-

certainties and it is where one is not sure of recouping his/her startup capital. It is a trial and error type of business which is open to whoever is interested in joining it. It is a business without many entry and exit barriers. These are the conditions under which the Psychological theory operates from. Given the nature and capital requirement of the *Matatu* business psychological approach and the resource bases theories were used to guide this study. From the above background, it will be necessary at this stage to understand the definitions of informal small scale enterprises and their formation.

### **2.3 Key Empirical Studies on Entrepreneurial Performance**

Oni (2012) in his study concluded that the rapid changes in technological, social, economic and political trends sometimes result in improving entrepreneurial performance. He went further to say that an enterprise seems relevant to the society when it unveils its entrepreneurial proactiveness toward achieving manageable levels of performance. In his research, he tried to investigate the existing relationship between entrepreneurial proactiveness characteristics and performance. Questions on performance came from items such as market shares, sales volumes, product or service quality, productivity and so on. Entrepreneurial proactiveness was categorized as high and low levels in order to explore the degree of use made to performance indicators. The findings showed that the enterprise on high entrepreneurial proactiveness responded positively to performance measures with consistent increase in size and employment of qualified and competent personnel. Conclusively, the enterprises performance was found to be a function of a wider based entrepreneurial proactiveness. Based on this, he recommended that companies should embrace entrepreneurial strategies as part of the steps for improving performance, operations

involving entrepreneurial concerns in order to reduce wastes among others. Though the research thoroughly researched on the area picked it is noted that the research was like a case study focusing only on Nigeria companies and ignored what happens in other parts of the world.

Zainol & Ayadurai (2011) tried to examine entrepreneurial orientation (EO) in Malay family firms by taking personality traits as the antecedent. This construct was used to explain the influence of entrepreneurial orientation (EO) and its consequence towards firm performance. The impact of personality traits towards firm performance observed in Malay family firms was quite unique. In Malay firms, the relationship between personality traits with firm performance was not mediated by entrepreneurial orientation (EO). However, the construct is significant as predictor towards firm performance. Their studies provided the empirical test in understanding indigenous entrepreneurship in Malay family firms in Malaysia towards developing a more holistic entrepreneurship theory. However the authors only concentrated on Personality traits and forgot to include other indicators of entrepreneurial performance.

Fauzul et al. (2010) in their study were of the view that entrepreneurship has played an important role in economic growth, innovation, competitiveness and in poverty alleviation. Their study was focused on investigating the degree of Entrepreneurial Orientation of twenty five manufacturing Small and Medium scale Enterprises (SMEs) in Hambantota District, Sri Lanka (HDSL) and the effects of entrepreneurial orientation dimensions including proactiveness, innovativeness, and risk taking to business performance. Interviews were used as the main instrument for data

collection. Qualitative and quantitative techniques were applied for data analysis. Findings showed that proactiveness, innovativeness, risk taking and overall entrepreneurial orientation were significantly correlated with market share growth. Results further indicated there were positive correlations among proactiveness and entrepreneurial orientation with business performance. However the authors only dealt with the issues of proactiveness, innovativeness, and risk taking to business performance and ignored the other indicators of business performance.

Keith & Robert (2008) say that entrepreneurial self-efficacy of lead founders has been generally considered to be a robust predictor of the performance of their firms. Few studies, however, have considered variables that might moderate this relationship. The current study attempts to fill this gap in the literature by examining two possible moderators of the effects of entrepreneurial self efficacy on firm performance: dispositional optimism and environmental dynamism. Results from their studies indicate that these factors do indeed moderate the effects of entrepreneurial self-efficacy; in fact, a three-way interaction between self-efficacy, optimism, and environmental dynamism was observed with respect to firm performance. Consistent with predictions, in dynamic environments, the effects of high entrepreneurial self-efficacy on firm performance were positive when combined with moderate optimism, but negative when combined with high optimism. In stable environments, in contrast, the effects of self-efficacy were relatively weak, and were not moderated by optimism. Overall, results suggest that high self-efficacy is not always beneficial for entrepreneurs and may, in fact, exert negative effects under some conditions. However the Authors only used the Psychological Approach theory to justify

performance when we know that there are other theories to used in enhancing entrepreneurial performance.

Gompers et al. (2008) did a research on performance persistence in entrepreneurship. Their findings reveled that entrepreneurs with a track record of success are much more likely to succeed than first-time entrepreneurs and those who have previously failed. In particular, they exhibit persistence in selecting the right industry and time to start new ventures. The research further reveled that entrepreneurs with demonstrated market timing skill are more likely to outperform industry peers in their subsequent ventures. However the Authors only dealt with the issue of persistence in business ignoring the other indicators of performance.

Veysel et al. (2008) in their study concluded that entrepreneurship was accepted as a driving force behind the economic and social development of countries. They categorized determinants on entrepreneurial performance of the countries into general country infrastructure and entrepreneurship infrastructure. The aim of their study was to examine and determine the effects of some selected socio-economic, politic, financial, and administrative factors on the entrepreneurship performance of countries. According to their findings, there were positive relations between entrepreneurship performance of national economies and independent variables (ease of doing business in an economy, availability of venture capital for business development, the impact of values of the society on competitiveness, availability of legislations for easily creation of firms, bureaucracy hindering business activity, and availability of finance skills). Nonetheless, no significant relationship between entrepreneurship performance of national economies and risk of political instability of

countries was found. The authors did a great work in unveiling some of the determinants of entrepreneurial Performance but did not tackle determinant of business performance in less developed economies like Kenya.

Gerry et al. (2006) investigated the effect of founders' human capital on the performance of their small firms. In their model, founder human capital had two dimensions: level of education and industry managerial experience. The authors hypothesized that higher levels of founder education and more years of founder industry managerial experience led to better firm performance. The authors only dealt with the psychological attributes of performance and ignored the other attributes such as those which are resource based and cultural in nature.

Niels et al. (2002) studied the method used in evaluating the effect of capital constraints on entrepreneurial performance on a panel of 1,000 Dutch entrepreneurs. Their study revealed that initial capital constraints hinder entrepreneurs in their performance (profit, duration and employment). Previous research with the same objective used indirect indicators of wealth, inheritances or windfall gains, where it remains unknown whether the entrepreneur indeed suffered from capital constraints. However in this study, the Authors were only interested in looking at the issue of capital which is a component of the resources based theory ignoring the other components within the same theory and others theories of entrepreneurship.

Various studies touching on the entrepreneurial performance have been carried out. Table 2.1 gives a summary of the studies and the various knowledge gaps therein.

**Table 2.1: Summary of Literature and the Corresponding Knowledge gap**

Author	Year	Research titles	Knowledge gaps
Oni E.O.	2012	Relevance of Entrepreneurial Proactiveness on Business Performance: Nigerian Companies Experience.	This was like case study focusing Nigeria companies leaving out what happens in other parts of the world.
Zainol F. A. & Ayadurai S.	2011	Entrepreneurial Orientation and Firm Performance: The Role of Personality Traits in Malay Family Firms in Malaysia	The authors only concentrated on Personality traits leaving out other performance indicators.
José Sánchez	2011	The Influence of Entrepreneurial Competencies on Small Firm Performance	The Author tried to attribute performance to only competences and ignored other important attributes such as barriers to entry, personality traits and others
Fauzul et al.	2010	Entrepreneurial Orientation and Business Performance of Small and Medium Scale Enterprises of Hambantota District Sri Lanka	The authors only dealt with the issues of proactiveness, innovativeness, and risk taking to business performance and ignored the other indicators of business performance.
Gerry et al.	2010	Founder human capital and small firm performance: an empirical study of founder-managed natural food stores	The authors did a great work dealing with the issue of human capital but this variable alone cannot lead to good performance
Gompers et al.	2008	Performance Persistence in Entrepreneurship	The Authors only dealt with issue of persistence in business and ignored the other indicators of performance.
Veysel et al.	2008	Some Selected Determinants on Entrepreneurial Performance of Countries: An Empirical Study	The authors did a great work in unveiling some of the determinants of entrepreneurial Performance but did not tackle determinant of business performance in less developed economies like Kenya.
Erlend N. & Eric H.	2008	Entrepreneurial Attitude, Innovation and Performance among Norwegian Nature-Based Tourism Enterprises	The author only focused on micro-scaled enterprises, especially in the context of nature-based tourism and ignored to tackle variables leading to business performance
Keith M. H. & Robert A. B.	2008	When Does Entrepreneurial Self-Efficacy Enhance Versus Reduce Firm Performance	The Author only used the Psychological Approach theory to justify performance when we know that there are other theories to be used in enhancing entrepreneurial performance
Justin et al.	2008	Education and Entrepreneurship Selection and Performance: A Review of the Empirical Literature	The Authors are only dealing with the Human capital components of the resource based theory and ignoring the other components with the same theory and also did not consider incorporating the other theories of entrepreneurship
Wendy M.Y.T. & Siong C.C.	2007	Theorizing a Framework of Factors Influencing Performance of Women Entrepreneurs in Malaysia	The authors only dealt with the psychological attributes of performance and ignored the other attributes such as those which are resource based and cultural in nature.

<b>Author</b>	<b>Year</b>	<b>Research titles</b>	<b>Knowledge gaps</b>
Johan W.& Dean S.	2003	Knowledge-Based Resources, Entrepreneurial Orientation, and the Performance of Small and Medium-Sized Businesses	The Authors only tended to attribute performance to resource based theory and ignored the other attributes associated with the other entrepreneurial theories.
Niels et al.	2002	Entrepreneurial Venture Performance and Initial Capital Constraints	The authors are only interested in the issue of capital which is a component of the resources based theory ignored the other components within the same theory and other theories of entrepreneurship.

Source. Author (2013)

## 2.4 Conceptual Framework

The current research postulates that process characteristics are related to entrepreneurial success. Organizations progress through consistent, predictable phases of development known as life-cycle stages. In the start-up stage, a business is concerned with establishing a market niche and attracting new customers. Once a business begins to grow, it will need to have more formal structures and coordination due to the increase in functional activities. In the startup and early growth phases of a business usually the success factors are few. From the literature, several success factors have been identified and will form the basis of this study. They include personality traits of entrepreneurs, human capital/competencies, barrier to entry and Government support.

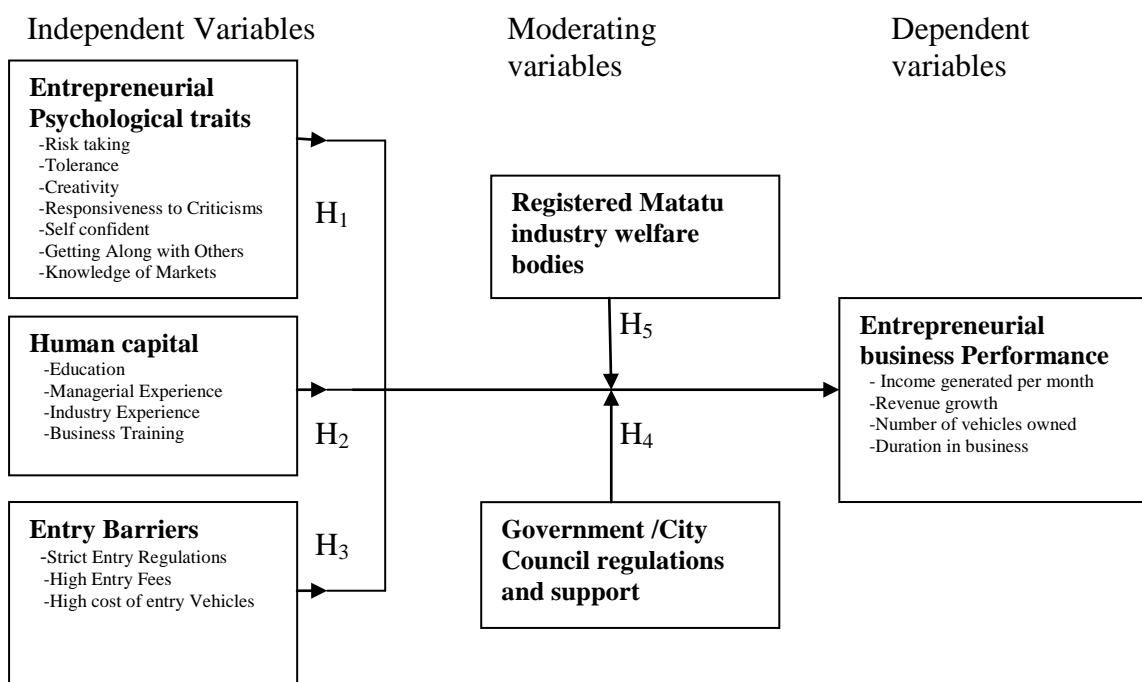
Entrepreneurs' psychological personality traits have been identified to have impact on organizational performance (Robinson & Sexton, 1994). Studies also found that personality traits such as locus of control and ambiguity tolerance influenced the business success directly and the business process indirectly (Entrialgo et al., 2000). An entrepreneur with high personal initiative is someone who initiates to take action and to be proactive.



Human capital is concerned with knowledge and capacity including education level, industry experience and management experience. Human capital elements of the entrepreneurs such as family-environment, education, age, work history, role models and support networks from family, friends, former employers and government have been identified to contribute to the business venture success (Hisrich, 1990; Krueger, 1993).

Lastly, what is the government's role in supporting the entrepreneurs both during start-up and venture growth? Many businesses are often unaware of funds and programs provided by the government, while some believe it is impossible to obtain such assistance. Business support also comes in through the registered welfare bodies such as the Matatu Welfare Association (MWA) and Matatu Owners Association (MOA). This study will be guided by the conceptual model presented in Figure 2.4

**Figure 2.4. Conceptual Model**



Source: Author (2013)

In the conceptual model in Figure 2.4, the interconnection between the dependent, independent and moderating variables have been given and these are the ones which have been hypothesized to be responsible for business success. In the model, moderating variables refer those variables that affect the operations of the industry directly or indirectly. For this study, business success will be measured by business performance.

## **2.5 Research Hypotheses**

This study tested the following five research hypotheses:

- H<sub>1</sub>** There is a significant relationship between the presence of entrepreneurial psychological traits of the owners and performance in the Matatu business.
- H<sub>2</sub>** There is a significant relationship between the human capital and competencies and performance in the Matatu business.
- H<sub>3</sub>** There is a significant relationship between performance in the Matatu business and the presence of entry barriers in the industry.
- H<sub>4</sub>** The joint relationship between entrepreneurial traits, human capital and entry barriers and the performance of Matatu business is moderated by Government policies on small scale businesses.
- H<sub>5</sub>** The joint relationship between entrepreneurial traits, human capital and entry barriers and the performance of Matatu business is moderated by the registered Matatu industry welfare bodies.

A summary of the research objectives, questions and hypotheses and the linkages between them is presented in Table 2.2.

**Table 2.2: Summary of Objectives Research Questions and Hypotheses**

<b>Research questions</b>	<b>Objectives</b>		<b>Hypotheses</b>	
1. What are the factors leading to performance in the Matatu business in Nairobi?  2. How does each factor identified in (i) above contribute to the good performance in Matatu business?	i	To determine the effect of personality traits on performance of Matatu business.	H <sub>1</sub>	There is a significant relationship between performance in the industry and entry barriers in the industry
	ii	To find out the influence of human capital on the performance of Matatu business.	H <sub>2</sub>	There is a significant relationship between human capital/ competencies and performance in the Matatu business
	iii	To establish the influence of entry barriers on the performance of Matatu business.	H <sub>3</sub>	There is a significant relationship between entrepreneurial psychological traits and performance in the Matatu business
3. How does moderation by Government policies on these factors contribute to the performance of the Matatu business?	iv	To establish the joint effects of personality traits, human capital entry barriers, and entrepreneurial on the Matatu business performance moderated by Government policies.	H <sub>4</sub>	The joint relationship between entrepreneurial traits, human capital and entry barriers and performance of Matatu business is moderated by Government policies on small scale businesses.
4. What is the effect of these factors to Matatu business performance when moderated by the registered Matatu industry welfare bodies?	v	To determine the joint effect of personality traits, human capital entry barriers, and entrepreneurial on the Matatu business performance moderated by the registered Matatu Associations.	H <sub>5</sub>	The joint relationship between entrepreneurial traits, human capital and entry barriers and performance of Matatu business is moderated by the registered Matatu industry welfare bodies.

*Source: Author (2013)*

## 2.6 Chapter summary

The chapter has outlined in detail the major theories of entrepreneurship, the definition of informal small scale businesses, business performance factors and measurement of business performance. It has goes further to give a comparison of public transport between the global South and the global North. The chapter has

reviewed the existing literature on the key variables of the study as well as the empirical studies on the entrepreneurial business performance and the existing knowledge gaps in this area. Finally, the chapter has presented a conceptual framework for the study as well as a number of hypotheses to guide the research. It is expected that the findings of the study will extend the frontiers of knowledge by generating valuable insights for academic and managerial actions.

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.1 Introduction**

This chapter deals with the philosophical orientation of the study, research design, the population of the study, sampling techniques, sample, data collection, research instruments, measurement of variables, independent / predictor variables, dependent / criterion variables, data analysis and regression models.

#### **3.2 Philosophical Orientation of the Study**

Research is all about finding out something whose absence may distort our ability to make informed decisions. Business research is a social science which deals with human beings and human organizations that can hardly be predicted (Nwokah et al., 2009). Researchers in business need to appreciate that business decisions are taken within a broad social and historical context, which gives substance, direction, and ultimately meaning to the work of the individual researcher. There are two main philosophical views regarding knowledge and reality. They are positivism and phenomenology.

Hussey & Hussey (1997) state that positivism is founded on the belief that the study of human behaviour should be conducted in the same way as studies conducted in the natural sciences. They went further to argue that positivists' law provides the basis of explanation, permit the anticipation of phenomena, predict their occurrence and therefore allow them to be controlled. They argue that explanation consists of establishing casual relationship between the variables by establishing casual laws and

linking them to a deductive or integrated theory. The positivistic approach seeks the facts or causes of social phenomena. Ciborra (1998) argues in positivism, logical reasoning is applied to the research so that precision, objectivity and rigor replace hunches, experience and intuition as the means of investigating research problems. Positivism attempts to be highly objective in nature and is based on the belief that the researcher is independent from that which is being researched. The researcher becomes only an observer in the whole research process. This type of research seeks facts of social phenomena with little regard to subjective status of the individuals. The positivists believe that only phenomena, which are observable and measurable, can be validly regarded as knowledge. They try to maintain an independent and objective stance.

On the other hand, Hussey & Hussey (1997) define phenomenology as a science of phenomena. This type of research focuses on the immediate experience, open and unstructured interviews. A phenomenon is a fact or an occurrence that appears or is perceived, especially one of which cause is in question. Phenomenological paradigm is concerned with understanding human behaviour from the participant's own frame of reference. In this research, the researcher becomes part of the research process.

As a result of the definitions and explanations given above therefore, the school of thought which was used in this study was positivism as opposed to phenomenology, because the observer was independent of what was observed and the choice of what studied to be undertaken was determined by objective criteria rather than human belief. Concepts in this particular school of thought were operationalized in a way

which enabled facts to be measured quantitatively and enough samples were selected for purposes of generalizing the results.

### **3.3 Research Design**

A survey was picked as the research design for this study. This was because the intention was to cover the whole of Nairobi region by collecting data across the existing *Matatu* routes and thereafter test the causal relationships between variables.

### **3.4 Population of the Study**

The population of interest in this study comprised of the *Matatu* entrepreneurs operating in Nairobi in all the routes. The reason why Nairobi was picked was due to the fact that it is the capital city of Kenya and hence had the highest concentration of *Matatus*. According to the *Matatus*' Owners Association (MOA), there were 71 routes in Nairobi and its environs. These were grouped together into six major regions so as to cover the entire city. Information obtained from both the Transport Licensing Board (TLB) and the MOA revealed that there were 45,000 *Matatus* in the country of which 10,000 were operating in Nairobi. According to the *Matatu* Welfare Association (MWA) and MOA, the *Matatus* operating in Nairobi were owned by 7,000 registered entrepreneurs and the lists of these owners were available in the offices of the above two associations. For purposes of reliability, these were the ones the researcher focused on in obtaining information required for the research study.

### **3.5 Sampling**

The sample required out of a population of 7,000, was obtained from Equation 1

$$n = \frac{z^2 pq}{L^2}, \quad (1)$$

where;

n = The desired sample

Z = Is the degree of confidence usually chosen at 95%.

p = The proportion in the target population estimated to have characteristics being measured. 50% is chosen as by Fisher et al. (1999).

q = The proportion in the target population estimated having no characteristics being measured 0.5 (q = 1-p)

L = Accuracy level

$$n = \frac{(1.96)^2(0.50)(0.50)}{(0.05)^2} = 384 \quad (2)$$

Equation 1 provides for population greater than 10,000. In this study, however the target population was less than 10,000 (i.e. 7,000). Therefore, to calculate the final sample estimate,  $n_f$ , Equation 3 was used.

$$n_f = \frac{n}{1 + \frac{n}{N}} \quad (3)$$

where;

$n_f$  = The desired sample size (when the population is less than 10,000).

n = The desired sample size (when the population is more than 10,000).

N = The estimate of the population size (7,000).



$$n_f = \frac{384}{1 + \frac{384}{7000}} = 364 \quad (4)$$

**Table 3.1 Nairobi Regions and Matatu Routes Profile**

Regions (Strata)	Number of routes	Percentage of total population per region	Sub sample
1. Westlands and Kabete	11	15.38	56
2. Eastlands	18	25.28	92
3. Mombasa road	8	11.26	41
4. Thika road /Aga Khan	13	18.41	67
5. Argwings and Ngong	12	17.03	62
6. South lands	9	12.64	46
Total	71	100	364

Source: The Author (2013)

As presented in Table 3.1, the 71 *Matatu* routes in Nairobi were grouped together into six major strata. Based on the routes, lists of registered *Matatu* owners were availed to the researcher by both the MOA and the MWA in their offices. Stratified random sampling technique was used to get the sample required. A total sample of 364 which had been earlier calculated to represent the population under study was divided into sub-samples whose elements were then randomly selected within the strata giving a representation of five plus either one or two (depending on the size of the routes in the respected proportions) *Matatus* from each route. After selection of the elements on paper, the researcher then proceeded to the field (*Matatu* terminus) to look for the owners (elements). Most of the Owners were based at the main *Matatu* terminus in town but for those who would not be found in these places, arrangement were made to meet them in the Associations' offices. Percentage calculation of various sub-samples was done using the overall total population.

### **3.6 Data Collection**

The researcher used a self-administered questionnaire to collect data. To minimise the research error, the researcher required the respondents to fill the questionnaires and hand them back to either him or his research assistants immediately. The research assistants were trained first before they were sent out to the field. A pilot study was first conducted for purposes of testing the workability of the research instruments. Only the Matatu owners were required to fill the questionnaires. The questionnaires were formulated and divided into various sections to suite the researcher's stated objectives and hypotheses. A total of three hundred and sixty four (364) questionnaires were issued, out of which 346 questionnaires were filled and returned to the researcher giving a response rate of 95%. These questionnaires were then analysed and interpreted.

### **3.7 Research Instruments**

A self administered questionnaire was used. It was divided into eight sections and each of them was carefully designed to give very specific information. This questionnaire had a mixture of both structured an unstructured questions. Most structured questions in the instrument were designed to be answered through a Likert type of scale.

### **3.8 Measurement of Variables**

Independent variables are those which influenced the dependent or criterion variables and account for (or explain) the variance or difference in the dependent variables (Sekaran, 1992; Boyd et al., 2004). A dependent variable is one that is influenced by

other variable (Boyd et al., 2004). In this study all the five dependent variables, were similar. All of them were about “Business Success in the Matatu transport industry” and these were measured by revenue growth, profits, number of vehicles, monthly income and duration in business.

### **3.9 Operationalization of Research Variables**

The independent variables in this study consisted of entry barriers, human capital, entrepreneurial traits, Government policies and regulations, Management and route allocations by registered welfare bodies. The dependent variable was business success. A Likert-type scale was used to get the information required. This was chosen because scales such as these, with labels attached to each point on the scale, were widely used in market research and had been extensively tested in both the marketing and social science literature. However, Likert type scales sometimes are subjected to distortion from several causes. Respondents may avoid using extreme response categories (central tendency bias); agree with statements as presented (acquiescence bias); or try to portray themselves or their organization in a more favourable light (social desirability bias). The study variables were therefore operationalized and measured as shown in Table 3.2. A copy of the study instrument is presented in Appendix II

**Table 3. 2 Operationalization of Research Variables**

<b>Dependent variable</b>		
<b>Variable</b>	<b>Operationalization of Research variables</b>	<b>Measure</b>
<b>Business Performance</b>	Income generated per month, Revenue growth, Number of vehicles owned and Duration in business.	Mixture of qualitative and quantitative measurements
<b>Independent variables</b>		
<b>Entry Exit Barriers</b>	Entry Regulations, Entry Fees, Easy Acquisitions of entry Vehicles,	5-point likert scale
<b>Human capital / Competencies</b>	Education, Managerial Experience, Industry Experience, Business Training.	5-point likert scale
<b>Personal Traits</b>	Risk taking, Tolerance, Creative, Responsive to Criticism, Self confident, Getting Along with Others, Knowledge of Markets.	5-point likert scale
<b>Moderating variables</b>		
<b>Government policies and regulations.</b>	Law and Order, Good Working Environments, Security Measures and Helping People Start their own small Businesses.	5-point likert scale
<b>Registered industry welfare bodies</b>	Fair Route Allocations, Law and Order, Fair Business Practice and Speaking with One Voice.	5-point likert scale

*Source: Author (2013)*

### **3.10 Data Analysis**

The data from the questionnaires was cleaned, coded and analysed. The descriptive statistics was used to analyse section A of the questionnaires, while inferential statistics was used to analyze Sections B to H. Descriptive statistics was used to describe the owners profile while inferential statistics was used in the study to test the hypotheses. Multi regression analysis model was used first to test the results on the conditional probability distribution of  $y$  given  $X$ . Goodness of fit of the model was checked by the coefficient of determination ( $R^2$ ). Multicollinearity for the independent variables was tested in the model. Multicollinearity is a statistical

phenomenon in which two or more predictor variables in a multiple regression model are highly correlated. The linear regression model which was used was of the following form;

$$Y = \beta_0 + \beta_1 X_1 + \epsilon \text{ (Simple linear)} \quad \mathbf{3.4}$$

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \dots + \beta_n X_n + \epsilon \text{ (Multi linear)} \quad \mathbf{3.3}$$

where;

- Y = Dependent variable
- $\beta_0$  = Constant term or intercept
- $\beta_1$  = Slope or change in Y, given one unit change in  $X_1$
- $x_1 \dots x_n$  = Independent variables
- $\epsilon$  = Error term

where;

- Y Is calculated by finding the mean of the average (Income generated per month + Monthly income + Number of vehicles owned + Duration in business). See details in Table 4.2.

A summary of the hypotheses and the analytical models is presented in Table 3.3.

**Table 3.3 Study Hypotheses and Analytical Models**

	<b>Hypothesis</b>	<b>Analytical Models</b>	<b>Corresponding Section in the questionnaire</b>
H <sub>1</sub>	<p>There is a significant relationship between the presence of entrepreneurial psychological traits of the owners and performance in the Matatu business.</p>	<p>Performance (P) is a function of Risk taking (RT) + Tolerance (T) + Creativity (C)+ Responsiveness to Criticisms (RC) + Self confident (SC) + Getting Along with Others (GAO) + Knowledge of Markets (KM) thus:</p> $P = \beta_0 + \beta_1 (\text{Risk taking}) + \beta_2 (\text{Tolerance}) + \beta_3 (\text{Creativity}) + \beta_4 (\text{Responsiveness to Criticisms}) + \beta_5 (\text{Self confident}) + \beta_6 (\text{Getting Along with Others}) + \beta_7 (\text{Knowledge of Markets})$ <p><b>Performance (y<sub>3</sub>) therefore is due to:</b></p> <p>x<sub>1</sub> = Risk taking  x<sub>2</sub> = Tolerance  x<sub>3</sub> = Creativity  x<sub>4</sub> = Responsiveness to Criticisms  x<sub>5</sub> = Self confident  x<sub>6</sub> = Getting Along with Others  x<sub>7</sub> = Knowledge of Markets</p> <p>Hence;</p> $y_3 = \beta_0 + \beta_1 x_1 + \beta_2 x_2 + \beta_3 x_3 + \beta_4 x_4 + \beta_5 x_5 + \beta_6 x_6 + \beta_7 x_7$	<b>B</b>
H <sub>2</sub>	<p>There is a significant relationship between the human capital and competencies and performance in the Matatu business.</p>	<p>Performance (P) is a function of Education (E)+ Managerial Experience (ME) + Industry Experience (IE) + Business Training (BT) thus:</p> $P = \beta_0 + \beta_8 (\text{Education}) + \beta_9 (\text{Managerial Experience}) + \beta_{10} (\text{Industry Experience}) + \beta_{11} (\text{Business Training})$ <p><b>Performance (y<sub>2</sub>) therefore is due to:</b></p> <p>X<sub>8</sub> = Education  X<sub>9</sub> = Managerial Experience  X<sub>10</sub> = Industry Experience  X<sub>11</sub> = Business Training</p> <p>Hence;</p> $y_2 = \beta_0 + \beta_8 x_8 + \beta_9 x_9 + \beta_{10} x_{10} + \beta_{11} x_{11}$	<b>C</b>
H <sub>3</sub>	<p>There is a significant relationship between performance in the Matatu business and the presence of entry</p>	<p>Performance (P) is a function of Entry Regulations (ER) + Entry Fees (EF) + Easy Acquisition of entry Vehicles (EAV) thus:</p> $P = \beta_0 + \beta_{12} (\text{Entry Regulations}) + \beta_{13} (\text{Entry Fees}) + \beta_{14} (\text{Easy Acquisition of entry Vehicles})$ <p><b>Performance (y<sub>1</sub>) therefore is due to:</b></p>	<b>D</b>

	<b>Hypothesis</b>	<b>Analytical Models</b>	<b>Corresponding Section in the questionnaire</b>
	barriers in the industry.	$x_{12}$ = Strict Entry Regulations $x_{13}$ = Entry Fees $x_{14}$ = Expensive to Acquire entry Vehicles  Hence;  $y_1 = \beta_0 + \beta_{12} x_{12} + \beta_{13} x_{13} + \beta_{14} x_{14}$	
H <sub>4</sub>	The joint relationship between entrepreneurial traits, human capital and entry barriers and the performance of Matatu business is moderated by Government policies on small scale businesses.	Performance (P) is a function of Law and Order (LO) + Good Working Environments (GW) + Security Measures (SM) + Helping People Start their own small Businesses (HPSB)  $P = \beta_0 + \beta_{15}$ (Law and Order) + $\beta_{16}$ (Good Working Environments) + $\beta_{17}$ (Security Measures) + $\beta_{18}$ (Helping People Start their own small Businesses)  <b>Performance (y<sub>4</sub>) therefore is due to:</b>  $x_{15}$ = law and order $x_{16}$ = good working environments $x_{17}$ = security measures $x_{18}$ = helping people start their own small businesses $x_{19}$ = Entrepreneurial Training  Hence;  $y_4 = \beta_0 + \beta_{15} x_{15} + \beta_{16} x_{16} + \beta_{17} x_{17} + \beta_{18} x_{18}$	E
H <sub>5</sub>	The joint relationship between entrepreneurial traits, human capital and entry barriers and the performance of Matatu business is moderated by the registered Matatu industry welfare bodies.	Performance (P) is a function of Fair Route Allocations (FRA) + Law and Order (LO) + Fair Business Practice (FBP)+ Speaking with One Voice (RC) thus:  $P = \beta_0 + \beta_{20}$ (Fair Route Allocations) + $\beta_{21}$ (Law and Order) + $\beta_{22}$ (Fair Business Practice) + $\beta_{23}$ (Speaking with One Voice)  <b>Performance (y<sub>5</sub>) therefore is due to:</b>  $x_{20}$ = Fair Route Allocations $x_{21}$ = Law and Order $x_{22}$ = Fair Business Practice $x_{23}$ = Speaking with One Voice  Hence;  $y_5 = \beta_0 + \beta_{20} x_{20} + \beta_{21} x_{21} + \beta_{22} x_{22} + \beta_{23} x_{23}$	F

Source. Author (2013)

### **3.11 Reliability of Measurement Scales**

Reliability is a fundamental issue in any measurement scale. Scale reliability is considered as the proportion of variance attributed to the true score of the latent construct. It is usually measured by internal consistency reliability that indicates the homogeneity of items comprising a measurement scale. Internal consistency gives the extent at which items in a model are inter-correlated. Thus, high inter-item correlations explain that the items of a scale have a strong relationship to the latent construct and are possibly measuring the same thing. Usually, the internal consistency of a measurement scale is assessed by using Cronbach's coefficient alpha. It is generally recommended that a measurement scale having a Cronbach's coefficient above 0.70 is acceptable as an internally consistent scale so that further analysis can be possible. However, if the scale has a coefficient alpha below .70, the scale should be examined for any sources of measurement errors such as inadequate sampling of items, administration errors, situational factors, sample characteristics, number of items, and theoretical errors in developing a measurement scale. If found that the number of items measured are small and given their heterogeneity, even reliabilities of 0.5 is reasonable (DeVellis, 1991; Gable & Wolf, 1993). A summary of the measurement reliability tests are presented in Table 3.4



**Table 3.4: Summary of the Measurement Reliability (Cronbach's Alpha)**

<b>Measurement Scale</b>	<b>Number of Items</b>	<b>Cronbach's Alpha (<math>\alpha</math>)</b>	<b>Comments</b>
Barriers to entry	3	0.631	Meets the minimum requirement of 0.5 threshold
Human capital	4	0.557	Meets the minimum requirement of 0.5 threshold
Personality I traits	7	0.651	Meets the minimum requirement of 0.5 threshold
Government policy	5	0.631	Meets the minimum requirement of 0.5 threshold
Ind. Welfare bodies	4	0.860	Meets the set requirements of 0.7

*Source: Research data 2013*

### **3.12 Validity of Measurement Scales**

The researcher conducted pilot study to test both the reliability validity of the instrument. In the pilot study, it was established that the instrument was both reliable and valid. Validity concerns the accuracy and meaningfulness of inferences which are based on the research results (Mugenda & Mugenda, 2003). There are four categories of validity, content validity, construct validity, criterion related validity and external validity.

Content validity refers to the extent to which the measuring instrument provides adequate coverage of the investigative questions guiding the study. For this study, the questionnaires were double checked to ensure they covered all the five hypotheses of this study. Construct validity is the extent to which a set of measured items actually reflects the theoretical latent construct those items are designed to measure (Mugenda & Mugenda, 2003). The study ensured construct validity by constructing the questionnaire based on prior studies and a logical conceptual framework.

Criterion related validity refers to the use of a measure in assessing subjects' behaviour in specific situations (Mugenda & Mugenda, 2003). Criterion validity reflects the success measures for prediction and estimation. It consists of concurrent validity which represents how well the measures related to the predictor. The predictive validity dimension was demonstrated by the results of hypotheses testing.

External validity has to do with the representativeness of the sample with regard to the target population. External validity refers to the degree to which the research findings can be generalized to populations and environments outside the experimental setting. The question is, can the same results be obtained at other times and other settings, keeping the key factors constant (Mugenda & Mugenda, 2003)? The purpose of the researcher conducting a pilot study was to try and ascertain that the results which would be obtained from the main study would be generalised to the target population as required. A scientific formula was used to calculate the sample required for this study. Based on the calculated sample and the results obtained, it is the researcher's view that these results can be generalized to the target population and that if the same research is repeated, the same results would be obtained.

### **3.13 Chapter summary**

This chapter began by outlining the philosophical orientation of the study where positivism (deductive research) was picked to guide the study. Further, the chapter discussed in detail the research design, the population of the study, sampling, data collection, research instruments, measurement of variables, operationalization of research variables, data analysis, reliability and validity of the measurement scales.

## CHAPTER FOUR

### DATA ANALYSIS, FINDINGS AND DISCUSSIONS

#### 4.1 Introduction

In this chapter, the results of data collected are described and the findings of the applied statistical tests are presented. First of all, the preliminary tests of the collected data are presented and the demographic characteristics of the respondents that made up the sample are described. Next, the results of both descriptive and inferential statistics of the measurement scales for the constructs: personality traits, human capital, barriers to entry, government regulations and registered industry welfare bodies are reported. Then, the reliability of the measurement scales are examined and reported.

#### 4.2 Demographic Profile of Matatu Operators

The demographic characteristics of sampled – *Matatu* Owners in this study were measured by gender, age, education, status of the business and position held in the business. Respondents were asked to provide their answers to questions that were designed by nominal scales. The summary of demographic characteristics of respondents is reported in Table 4.1. The following discussion compares the major characteristics of samples collected for this study.

**Table 4.1: Demographic Characteristics of Matatu Owners**

<b>Gender</b>	<b>Frequency</b>	<b>Percent</b>
Male	272	78.6
Female	74	21.4
<b>Total</b>	<b>346</b>	<b>100.0</b>
<b>Age of owners</b>		
Less 20	3	0.9
Between 21- 30	79	22.8
Between 31-40	161	46.5
Between 41-50	91	26.3
More than 50	12	3.5
<b>Total</b>	<b>346</b>	<b>100.0</b>
<b>Education level</b>		
Post graduate	16	4.6
Graduate	81	23.4
Diploma	91	26.3
Secondary education	139	40.2
Primary education	19	5.5
<b>Total</b>	<b>346</b>	<b>100.0</b>
<b>Position held in this business</b>		
Owner	292	84.4
Shareholder	38	11.0
Agent	16	4.6
<b>Total</b>	<b>346</b>	<b>100.0</b>

*Source: Research data 2013*

The respondents comprised of male (78.6%) and female (21.4%). The result showed that 46.5% of respondents ranged between 31 and 40, followed by 41 and 50 (26.3%), and 21 and 30 (22.8%). Accordingly, the majority of respondents were middle aged or older (72.8%, between 31 and 50 years old), and the respondents were fairly normally distributed in entire age groups. Education levels of *Matatu* owners revealed that 94.5% had secondary certificates or higher with 28% having a graduate or post graduate degree. This result implies that most of the respondents were educated. In terms of position held in the business, majority of respondents were owners (84.4%) followed by shareholders (11.0%).

### **4.3. The Effect of Personality Traits on Performance of Matatu Business.**

This section dealt with entrepreneurial personality traits and their influence on business performance. Entrepreneurial personality trait is drawn from the psychological theory of entrepreneurship and is considered to be among the forces behind entrepreneurial business performance. In this regard therefore, attributes like self confidence, risk taking, tolerances among others are key in this variable. The purpose of studying this variable was because the same had been reported by other researchers' as one of the major performance factor in entrepreneurial performance hence the need to confirm the same.

This variable had six coefficients reflecting the risk taking, tolerance, creativity, responsiveness to criticism, self confident and getting along with others. Respondents were asked to provide answers on each item that was measured by a five point Likert scale. Based on the descriptive statistics on this variable on the mean score of each item, respondents on average strongly agreed that for you to performance in business, you must be self confident, risk taking, tolerant and positive to criticisms. Further respondents agreed that for one to perform in Matatu business, getting along with others and being creative was a must but respondents were neutral, on the coefficient of knowledge business. The full results and findings are given in Table 4.2.

**Table 4.2: Personality Traits**

Variables	N. Statistic	Mean	Std. Error	Std. Deviation
Self confident.	346	4.4595	0.0357	0.6636
Risk taking.	346	4.3671	0.0523	0.9726
Tolerance.	346	4.2659	0.0407	0.7567
Positive response to criticisms.	346	4.1329	0.0524	0.9749
Getting along with others.	346	3.9942	0.0538	1.0014
Creativity.	345	3.7855	0.0657	1.2201
Knowledge of business Markets.	346	3.3642	0.0728	1.3536

*Note: Measurement scale, 1= Strongly Disagree and 5 = Strongly Agree*

*Source: Research data 2013*

The above statistics were further subjected to the multi regression analysis for purposes of testing the hypothesis on this variable which stated that ‘There is a significant relationship between the presence of entrepreneurial psychological traits of the owners and performance in the Matatu business’. Results of the estimated regression model presented in Tables 4.3 presents un amended multi regression correlation analysis on barrier to entry. The results of the model yielded a multiple correlation of 0.2290 while  $R^2$  is 0.0523. This means that the multiple regression analysis yielded a multiple correlation 22.9% while  $R^2 = 5.23\%$ . The independent variables therefore, accounted for 5.23%. of the variance in the dependent variable. The rest of 94.77% variance in the dependent variable was accounted for by variables outside the model.

**Table 4.3: Multiple Regression Correlation Analysis on Entrepreneurial Traits**

R	0.2290				
R Square	0.0523				
	Sum of Squares	df	Mean Square	F	Sig.
Regression	225.3390	7.0000	32.1913	2.6562	0.0110
Residual	4084.2499	337.0000	12.1194		
Total	4309.5888	344.0000			

*Source: Research data 2013*

**Table 4.4: Multiple Regression Analysis on Variables on Entrepreneurial Traits**

	Unstandardized Coefficients		Standardized Coefficients			95.0% Confidence Interval for B	
	B	Std. Error	Beta	t-value	p-value	Lower Bound	Upper Bound
(Constant)	4.8917	1.6313		2.9986	0.0029	1.6829	8.1005
X <sub>1</sub>	-0.0153	0.2285	-0.0042	-0.0670	0.9466	-0.4649	0.4342
X <sub>2</sub>	0.5255	0.3057	0.1124	1.7191	0.0865	-0.0758	1.1269
X <sub>3</sub>	0.1987	0.1742	0.0685	1.1408	0.2548	-0.1439	0.5414
X <sub>4</sub>	-0.2585	0.2015	-0.0712	-1.2829	0.2004	-0.6549	0.1379
X <sub>5</sub>	-0.0133	0.2978	-0.0025	-0.0447	0.9643	-0.5991	0.5725
X <sub>6</sub>	0.0614	0.2117	0.0174	0.2899	0.7721	-0.3550	0.4778
X <sub>7</sub>	0.3216	0.1565	0.1230	2.0546	0.0407	0.0137	0.6295

Source: Research data 2013

$$Y_3 = 4.8917 - 0.0153X_1 + 0.5255X_2 + 0.1987X_3 - 0.2585X_4 - 0.0133X_5 + 0.0614X_6 + 0.3216X_7 \quad (4.5)$$

Table 4.4 shows the statistical association between performance in Matatu industry (Y) and risk taking (X<sub>1</sub>), tolerance (X<sub>2</sub>), creativity (X<sub>3</sub>), responsiveness to criticism (X<sub>4</sub>), self confident (X<sub>5</sub>), getting along with others (X<sub>6</sub>) and knowledge of markets (X<sub>7</sub>). The coefficient of tolerance (X<sub>2</sub>), creativity (X<sub>3</sub>), getting along with others (X<sub>6</sub>) and knowledge of markets (X<sub>7</sub>) were positively associated with performance in Matatu business. The coefficients of risk taking (X<sub>1</sub>), responsiveness to criticism (X<sub>4</sub>) and self confident (X<sub>5</sub>) were negatively associated with performance in Matatu business. However, among the seven parameters only knowledge of markets (X<sub>7</sub>) was statistically significant at 95% confidence level and therefore the rest of the coefficients were removed from the original model creating the amended models as follows.

**Table 4.5: Amended Multiple Regression Correlation Analysis on Entrepreneurial Traits**

R	0.1560				
R Square	0.0245				
	Sum of Squares	df	Mean Square	F	Sig.
Regression	105.4019	1.0000	105.4019	8.5993	0.0040
Residual	4204.1869	343.0000	12.2571		
Total	4309.5888	344.0000			

Source: Research data 2013

The results of the reduced model yielded a multiple correlation of 0.1560 while  $R^2$  is 0.0245. It means that the multiple regression analysis yielded a multiple correlation 15.6% while  $R^2$  is 2.45%. The independent variables therefore, accounted for 2.45% of the variance in the dependent variable. This means that the attribute of knowledge of markets alone cannot account for 97.55% variance in the dependent variable there were other variables outside the model which accounted for this variance.

**Table 4.6: Amended Multiple Regression Analysis on Variables on Entrepreneurial Traits**

	Unstandardized Coefficients		Standardized Coefficients		95.0% Confidence Interval for B		
	B	Std. Error	Beta	t-value	p-value	Lower Bound	Upper Bound
(Constant)	4.8999	1.0801		4.5364	0.0000	2.7754	7.0244
X <sub>7</sub>	0.7315	0.2494	0.1564	2.9324	0.0036	0.2408	1.2221

Source: Research data 2013

The reduced regression model therefore is;

$$Y_1 = 4.8999 + 0.7315X_7 \quad (4.6)$$

This hypothesis was supported as variable on knowledge of markets (X<sub>7</sub>) was statistically significantly. This meant that one unit increase in knowledge of markets, performance in business increased by 0.7315.



#### 4.4. The Influence of Human Capital on the Performance of Matatu Business.

Human capital in the literature is considered to be a major performance factor in entrepreneurial performance. Human capital as a variable consists of items like education, work experience, managerial experience, professional training among others. Going by the literature, this variable had been captured by many authors as one of the major performance factor influencing entrepreneurial business performance. The purpose of including this variable in this study therefore was to try to find out whether it is true that this variable can contribute to business performance as reported by others.

This variable consisted of four items reflecting the respondent's level of education, management experience, industry experience and business training. Respondents were asked to provide answers on each item that was measured by a five point Likert scale. Based on the descriptive statistics on this variable on the mean score of each item, respondents on average tended to agree that both the managerial and industry experiences contributed positively towards the success of the Matatu business but were neutral on the issue of business training. However, when it came to education they indicated that it was not a major factor in Matatu business. Descriptive results of human capital are presented in table 4.7.

**Table 4.7: Human Capital**

Variables	N. Statistic	Mean	Std. Error	Std. Deviation
Level of education of the owners	346	2.3237	0.0694	1.2918
Managerial experience.	346	4.1387	0.0480	0.8934
Industry Experience.	346	4.0087	0.0633	1.1783
Business training	346	2.9971	0.0794	1.4774

*Note: Measurement scale, 1= Strongly Disagree and 5 = Strongly Agree*

*Source: Research data 2013*

To confirm the above results, this variable was further subjected to a multi regression analysis and this was to test the hypothesis on this particular variable which stated that ‘There is a significant relationship between the human capital and competencies and performance in the Matatu business. Results of the estimated regression model presented in Tables 4.8 presents an amended multiple regression correlation analysis on human capital. Results of the model yielded a multi correlation of 0.2850 while  $R^2$  is 0.0810. This means that the multiple regression analysis yielded a multiple correlation 28.5% while  $R^2 = 8.1\%$ . The independent variables therefore, accounted for 8.1% of the variance in the dependent variable. This means that the independent variable in the model only accounted for 8.1% the rest of 91.9% variance in the dependent variable was accounted for by variables outside the model.

**Table 4.8: Multiple Regression Correlation Analysis on Human Capital**

R	0.2850				
R Square	0.0810				
	Sum of Squares	df	Mean Square	F	Sig.
Regression	351.670	4	87.918	7.511	0.000
Residual	3991.418	341	11.705		
Total	4343.089	345			

Source: Research data 2013

**Table 4.9: Multiple Regression Analysis on Variables on Human Capital**

	Unstandardized Coefficients		Standardized Coefficients			95.0% Confidence Interval for B	
	B	Std. Error	Beta	t-value	p-value	Lower Bound	Upper Bound
(Constant)	5.7413	1.0154		5.6545	0.0000	3.7441	7.7384
X <sub>8</sub>	-0.3355	0.1527	-0.1222	-2.1967	0.0287	-0.6359	-0.0351
X <sub>9</sub>	0.0205	0.2115	0.0052	0.0969	0.9228	-0.3956	0.4366
X <sub>10</sub>	0.3165	0.1779	0.1051	1.7797	0.0760	-0.0333	0.6664
X <sub>11</sub>	0.5739	0.1419	0.2390	4.0434	0.0001	0.2947	0.8531

Source: Research data 2013

$$Y_2 = 5.7413 - 0.3355X_8 + 0.0205X_9 + 0.3165X_{10} + 0.5739X_{11} \quad (4.3)$$

Coming to the multi regression on the coefficients on this variable, Table 4.9 shows the statistical association between performance in Matatu (Y) and education level (X<sub>8</sub>), managerial experience (X<sub>9</sub>), industry experience (X<sub>10</sub>) and business training (X<sub>11</sub>). The coefficient of education level (X<sub>8</sub>) was negative which represents the reality in most Matatu businesses in Kenya as most Matatu owners in Kenya have no formal higher education. While managerial experience (X<sub>9</sub>), industry experience (X<sub>10</sub>) and business training (X<sub>11</sub>) contributed positively to the model. Among the four parameters only education level (X<sub>8</sub>) and business training (X<sub>11</sub>) were statistically significant thus they were included in the reduced model as shown in Tables 4.10 and 4.11. The rest of the variables were removed from the model.

**Table 4.10: Amended Multiple Regression Correlation Analysis on Human Capital**

R	0.1760				
R Square	0.0311				
	Sum of Squares	df	Mean Square	F	Sig.
Regression	135.016	2	67.508	5.503	0.004
Residual	4208.073	343	12.268		
Total	4343.089	345			

*Source: Research data 2013*

The results of the reduced model yielded a multiple correlation of 0.1760 while R<sup>2</sup> is 0.0311. It means that the multiple regression analysis yielded a multiple correlation 17.6% while R<sup>2</sup> is 3.11%. The independent variables therefore, accounted for only 6.2% of the variance in the dependent variable. The rest of the variance in the dependent variable was accounted for by variables outside the model.

**Table 4.11: Amended Multiple Regression Analysis on Variables on Human Capital**

	Unstandardized Coefficients		Standardized Coefficients		95.0% Confidence Interval for B		
	B	Std. Error	Beta	t-value	p-value	Lower Bound	Upper Bound
(Constant)	7.0263	0.9194		7.6426	0.0000	5.2180	8.8346
X <sub>8</sub>	-0.1297	0.1939	-0.0356	-0.6687	0.041	0.5111	0.2517
X <sub>11</sub>	0.4593	0.1397	0.1752	3.2885	0.0011	0.1846	0.7340

*Source: Research data 2013*

The reduced model is therefore given as;

$$Y_2 = 7.0263 - 0.1297X_8 + 0.4593X_{11} \quad (4.4)$$

The human capital represent an entrepreneurs capacity and capability to manage a business successfully and the results of the reduced model in Table 4.11, show that education level (X<sub>8</sub>) was negatively related to performance in Matatu business and statistically significant, while business training (X<sub>11</sub>) was positive and statistically significantly at P=0.0011. H<sub>2</sub> therefore received a mixed support hence was not fully accepted.

#### **4.5 The Influence of Entry Barriers on the Performance of Matatu Business.**

This section mainly deals with entry barriers in Matatu business. Entry barriers in this context are used to indicate those variables in this business which make it difficult for the new entrants to do business. In this regard, things like entry regulations, fees charged by route cartels and availability of credit to buy vehicles are considered to be the major barriers in this business. The Purpose of studying this variable is to try and find out whether the presence or absence of the same has any effect in the performance of Matatu business.

In this variable, respondents were given questionnaires and were asked to provide answers on each item that was measured by a five point Likert scale. In the first part of this section descriptive statistics was used to analyze data. The measurement scale in this section consisted of three items reflecting the entry regulations, entry fees and availability of credit facilities to purchase vehicles. Based on the mean score of each item, as presented in Table 4.12, respondents tended to agree that the route cartels had put in place strict entry regulations but were neutral on entry fees demanded by the same. Finally, they tended to agree that due to availability of credit facilities from various financial institutions acquisition of Matatu vehicles was easy.

**Table 4.12: Analysis of Barriers to Entry**

Varibbles	Statistic	Mean	Std. Error	Std. Deviation
Entry fees demanded by route.	346	2.9971	0.0794	1.4774
Strict entry and regulations.	346	4.1792	0.0581	1.0806
Availability of credit.	345	3.9507	0.0621	1.1541

*Note: Measurement scale, 1= Strongly Disagree and 5 = Strongly Agree*

*Source: Research data 2013*

The above results were further subjected to a multi regression analysis and purpose was to test the hypothesis on this particular variable which stated that ‘There is a significant relationship between performance in the Matatu business and the presence of entry barriers in the industry’. Results of the estimated regression model presented in Tables 4.13 and 4.14 show the statistical association between performance in Matatu industry (Y) and strict entry regulation ( $X_{12}$ ), entry fees ( $X_{13}$ ) and availability of credit ( $X_{14}$ ). The multiple regression equation estimating success in Matatu business (Y) was obtained as;

**Table 4.13: Multiple Regression Correlation Analysis on Barriers to Entry**

R	0.2570				
R Square	0.0660				
	Sum of Squares	df	Mean Square	F	Sig.
Regression	15.8985	3	5.2995	8.0578	0.0000
Residual	224.9281	342	0.6577		
Total	240.8266	345			

Source: Research data 2013

**Table 4.14: Multiple Regression Analysis on Variables on Barriers to Entry**

	Unstandardized Coefficients		Standardized Coefficients			95.0% Confidence Interval for B	
	B	Std. Error	Beta	t-value	Sig.	Lower Bound	Upper Bound
(Constant)	2.8389	0.2018		14.0676	0.0000	2.4419	3.2358
X <sub>12</sub>	0.1542	0.0380	0.2253	4.0563	0.0001	0.0794	0.2289
X <sub>13</sub>	0.0223	0.0310	0.0395	0.7197	0.4722	-0.0387	0.0834
X <sub>14</sub>	-0.1477	0.0427	-0.1910	-3.4580	0.0006	-0.2317	-0.0637

Source: Research data 2013

$$Y_3 = 2.8389 + 0.1542X_{12} + 0.0223X_{13} - 0.1477X_{14} \quad (4.1)$$

Tables 4.13 above presents un amended multi regression analysis correlation on barrier to entry. In this regression, R was found to be 25.7% while R Square was 6.6%. This meant that the model only explained 6.6% variations in the dependent variable through the independent variables. 93.4% variation can only be explained by variables outside the model. When it came to Multiple Regression Analysis on Variables on Barriers to Entry given in table 4.14, three constructs were tested; Strict entry regulation, Entry fees and Availability of credit. Results from the regression indicated that the coefficient of Entry fees (X<sub>13</sub>) was positive but not statistically significant at 95% confidence level hence it was removed from the model. The other

two constructs that is strict entry regulation and availability of credit were statistically significant and hence were included in the amended model in tables 4.15 and 4.16

**Table 4.15: Amended Multiple Regression Correlation Analysis on Barriers to Entry**

R	0.2540				
R Square	0.0646				
	Sum of Squares	df	Mean Square	F	Sig.
Regression	15.5578	2	7.7789	11.8444	0.0000
Residual	225.2687	343	0.6568		
Total	240.8266	345			

Source: Research data 2013

The results of the reduced model presented in Tables 4.15 yielded a multiple correlation of 0.2540 while  $R^2$  is 0.0646. It means that the multiple regression analysis yielded a multiple correlation of 25.4% while  $R^2$  is 6.46%. The independent variables therefore, accounted for 6.46% of the variance in the dependent variable, while entry fees and Expensive to acquire entry vehicles would not jointly account for 93.54% of the variance in the dependent variable.

**Table 4.16: Amended Multiple Regression Analysis Variables on Barriers to Entry**

	Unstandardized Coefficients				95.0% Confidence Interval for B	
	B	Std. Error	t-value	p-value	Lower Bound	Upper Bound
(Constant)	2.8616	0.1992	14.3680	0.0000	2.4699	3.2534
X <sub>12</sub>	0.1597	0.0372	4.2967	0.0000	0.0866	0.2329
X <sub>14</sub>	-0.1423	0.0420	-3.3867	0.0008	-0.2249	-0.0597

Source: Research data 2013

A reduced model was therefore developed as shown in equation 4.2;

$$Y_3 = 2.8616 + 0.1597X_{12} - 0.1423X_{14} \quad (4.2)$$

Based on the results of the above model, coefficient of strict entry regulation ( $X_1$ ) was statistically significant and positively related meaning that the higher the entry fees the smaller the number of new entrepreneurs joining the Matatu business thus confirming the positive association. Coefficient of availability of credit ( $X_{14}$ ) was statistically significant but negatively related to performance in Matatu business, it meant that the higher the value of availability of credit, the lower the performance in Matatu business and the lower the availability of credit, the higher the performance in Matatu business.  $H_3$  received mixed reactions and hence not fully supported.

#### **4.6 The Joint Effects of Personality Traits, Human Capital and Entry Barriers on the Performance of Matatu Business Moderated by Government policies.**

This section tries to bring on board the joint effects of personality traits, human capital and entry barriers on the performance of Matatu business moderated by Government policies. In the literature, it was reported that government support is critical in the performance of businesses. Policies drawn by governments play a great role in encouraging its citizens enter into business. In this section the researcher examined variables ranging from industry regulations to helping people start small businesses. The purpose of having this variable in this study was to try to find out whether government support was critical in business and if the same would assist in entrepreneurial business performance.

This section had four measurable items reflecting law and order, working environments, security and assistance to start businesses. Respondents were given questionnaires and were asked to provide answers on each item that was measured by a five point Likert scale. The researcher first used descriptive statistics to analyze the



captured data. Based on the mean score of each item, as presented in Table 4.17, respondents tended to agree that the government had tried to develop a good working environment to enable the Matatu owners operate their businesses smoothly. However they were neutral on the issue of law and order and security. They disagreed on the issue that the government was helping people start their own small businesses within the City centre.

**Table 4.17: The Government**

Variables	N.		Std.	
	Statistic	Mean	Error	Std. Deviation
Law and order.	346	2.9971	0.0794	1.4774
Working environments	346	3.9017	0.0657	1.2214
Security measures.	346	3.3642	0.0728	1.3536
Helping people start small businesses.	345	1.9217	0.0634	1.1774

*Note: Measurement scale, 1= Strongly Disagree and 5 = Strongly Agree*

*Source: Research data 2013*

The above statistics were further subjected to a multi regression analysis and the purpose of doing so was to test the hypothesis on this particular variable which read “The joint relationship between entrepreneurial traits, human capital and entry barriers and the performance of Matatu business is moderated by Government policies on small scale businesses”. Results of the estimated regression model presented in Tables 4.18 presents an amended multi regression correlation analysis on barrier to entry. The results of the model yielded a multiple correlation of 0.1280 while  $R^2$  is 0.0163. This means that the multiple regression analysis yielded a multiple correlation 12.8% while  $R^2 = 1.63\%$ . This means that the independent variable in the model only accounted for 1.63% variance the rest of the variance in the dependent variable was accounted for by variables outside the model.

**Table 4.18: Multiple Regression Analysis Correlation on Government Policies on Small Scale Businesses**

R						0.1280
R Square						0.0163
	Sum of Squares	df	Mean Square	F	Sig.	
Regression	3.881	4	0.9703	1.408	0.2310	
Residual	234.346	340	0.6893			
Total	238.228	344				

Source: Research data 2013

**Table 4.19: Multiple Regression Analysis on Variables on Government Policies on Small Scale Businesses**

	Unstandardized Coefficients		Standardized Coefficients		95.0% Confidence Interval for B		
	B	Std. Error	Beta	t-value	p-value	Lower Bound	Upper Bound
(Constant)	2.824	.121		23.295	.000	2.586	3.063
X <sub>15</sub>	-0.007	0.046	-0.012	-0.154	0.877	-0.097	0.083
X <sub>16</sub>	-0.003	0.048	-0.005	-0.068	0.946	-0.097	0.091
X <sub>17</sub>	-0.051	0.049	-0.061	-1.044	0.297	-0.147	0.045
X <sub>18</sub>	0.097	0.042	0.137	2.284	0.023	0.013	0.180

Source: Research data 2013

The full model is given as follows,

$$Y_4 = 2.824 - 0.007X_{15} - 0.003X_{16} - 0.051X_{17} + 0.097X_{18} \quad (4.7)$$

Tables 4.19 show the relationships between success in Matatu business (Y) and law and order (X<sub>15</sub>), work environment (X<sub>16</sub>), security (X<sub>17</sub>) and assistance start businesses (X<sub>18</sub>). Based on the results, the coefficients of law and order (X<sub>15</sub>), work environment (X<sub>16</sub>) and security (X<sub>17</sub>) were negative and not statistically significant. Only coefficient of assistance to starts businesses (X<sub>18</sub>) was positive and statistically significant. Coefficients which were not statistically significant were removed hence the amended multi regression model in tables 4.20 and 4.21.

**Table 4.20: Amended Multiple Regression Correlation Analysis on Government Policies on Small Scale Businesses**

R	0.1110				
R Square	0.0123				
	Sum of Squares	df	Mean Square	F	Sig.
Regression	2.934	1	2.934	4.278	0.0390
Residual	235.293	343	0.6860		
Total	238.228	344			

Source: Research data 2013

The results of the reduced model yielded a multiple correlation of 0.1110 while  $R^2$  is 0.0123. This means that the multiple regression analysis yielded a multiple correlation of 11.1% while  $R^2$  is 1.23%. The independent variables therefore, accounted for 1.23% of the variance in the dependent variable. The rest of the variance in the dependent variable would be accounted for by variables outside the model.

**Table 4.21: Amended Multiple Regression Analysis on Variables on Government Policies on Small Scale Businesses**

	Un-standardized Coefficients		Standardized Coefficients			95.0% Confidence Interval for B	
	B	Std. Error	Beta	t-value	p-value	Lower Bound	Upper Bound
(Constant)	1.899	0.145		13.137	0.000	1.615	2.183
X <sub>18</sub>	0.126	0.040	0.170	3.193	0.002	0.049	0.204

Source: Research data 2013

The p-value showed that only X<sub>18</sub> was found to be statistically significant. Thus the amended regression model was obtained as;

$$Y_4 = 1.899 + 0.126X_{18} \quad (4.8)$$

The hypothesis was supported as variable on assistance from City Council X<sub>18</sub> (p=0.002) was statistically significantly and positive. The results therefore meant that

one unit increase in assistance from the City Council ( $X_{18}$ ) success in Matatu business increases by 0.126.

#### **4.7 The Joint Effect of Personality Traits, Human Capital and Entry Barriers on the Matatu Business Performance Moderated by the Registered Matatu Associations.**

This is the last section and it deals with the joint effect of personality traits, human capital and entry barriers on the Matatu business performance moderated by the registered Matatu welfare associations. This is a new variable in this study and has never been researched on other researchers. This particular variable had items like route allocations, speaking with one voice among others. The purpose of including this variable in this study was to try to find out the contribution of these welfare associations to business performance in the Matatu sector. That if the same would be found to be contributing positively Matatu business performance then the same would be considered to be one of the new discovered performance factor or indicator in entrepreneurial performance.

This variable consisted of four items reflecting fair allocation of routes, bringing order on routes, unfair business practices and speaking with one voice. The results were first analysed using descriptive as presented in Table 4.2. Respondents were asked to provide answers on each item that was measured by a five point Likert scale. Based on the mean score of each item, respondents were neutral that both these Associations have helped in the fair allocation of routes and minimized unfair business practices. But they moderately agreed that both associations have assisted in bringing order in most routes and have made the owners speak with one voice.

**Table 4.22: Managements by Matatu Associations**

Variables	N. Statistic	Mean	Std. Error	Std. Deviation
Fair route allocations.	346	3.3353	0.0711	1.3222
Order in the routes.	346	3.5751	0.0620	1.1529
Fair business play.	345	3.4319	0.0709	1.3170
speak with one voice.	346	3.7688	0.0667	1.2412

*Note: Measurement scale, 1= Strongly Disagree and 5 = Strongly Agree*

*Source: Research data 2013*

The above information was subjected variable was further subjected to a multi regression analysis. The purpose of this was to test the relevant hypothesis on this variable and also to confirm whether the results of descriptive will be the same as that of inferential statistics. The hypothesis on this variable stated that ‘The joint relationship between entrepreneurial traits, human capital and entry barriers and the performance of Matatu business is moderated by the registered Matatu industry welfare bodies’. Tables 4.23 and 4.24 shows the relationships between success in Matatu business (Y) and fair route allocation (X<sub>20</sub>), law and order (X<sub>21</sub>), fair business practice (X<sub>22</sub>) and speaking with one voice (X<sub>23</sub>). The multiple regression equation estimating success in Matatu industry (Y) was obtained as;

**Table 4.23: Multiple Regression Correlation Analysis on Management and Registered Welfare Bodies**

R	0.1980				
R Square	0.0393				
	Sum of Squares	df	Mean Square	F	Sig.
Regression	9.456	4	2.364	3.476	0.0080
Residual	231.218	340	.680		
Total	240.674	344			

*Source: Research data 2013*

**Table 4.24: Multiple Regression Analysis on Variables on Management and Registered Welfare Bodies**

	Unstandardized Coefficients		Standardized Coefficients		95.0% Confidence Interval for B		
	B	Std. Error	Beta	t-value	p-value	Lower Bound	Upper Bound
(Constant)	2.3459	0.1627		14.4144	0.0000	2.0258	2.6660
X <sub>20</sub>	0.0281	0.0502	0.0445	0.5611	0.5751	-0.0705	0.1268
X <sub>21</sub>	0.0528	0.0532	0.0729	0.9918	0.3220	-0.0519	0.1575
X <sub>22</sub>	-0.0455	0.0508	-0.0716	-0.8956	0.3711	-0.1453	0.0544
X <sub>23</sub>	0.1111	0.0491	0.1651	2.2647	0.0242	0.0146	0.2076

Source: Research data 2013

$$Y_5 = 2.3459 + 0.0281X_{20} + 0.0528X_{21} - 0.0455X_{22} + 0.1111X_{23} \quad (4.9)$$

From the above analysis, it was observed that fair route allocation (X<sub>20</sub>), law and order (X<sub>21</sub>) and speaking with one voice (X<sub>23</sub>) contributes positively towards success in Matatu business while the coefficient of fair business practice (X<sub>22</sub>) has a negative contribution. That only the coefficient of speaking with one voice (X<sub>23</sub>) was found to be statistically significant and was therefore included in the amended model. The rest of the coefficients were removed from the original model. Thus the amended regression model was obtained as;

**Table 4.25: Amended Multiple Regression Correlation Analysis on Management and Registered Welfare Bodies**

R	0.1830				
R Square	0.0333				
	Sum of Squares	df	Mean Square	F	Sig.
Regression	8.025	1	8.025	11.831	0.0010
Residual	232.649	343	0.6783		
Total	240.674	344			

Source: Research data 2013

The results of the reduced model yielded a multiple correlation of 0.1830 while  $R^2$  is 0.0333. It means that the multiple regression analysis yielded a multiple correlation 18.3% while  $R^2$  is 3.33%. The independent variables therefore, accounted for 3.33% of the variance in the dependent variable. This means that the sub-variable of speaking with one voice alone could not account for 96.67% variance in the dependent variable. This would only be accounted for by other factors outside the model.

**Table 4.26: Amended Multiple Regression Analysis on Variables on Management and Registered Welfare Bodies**

	Unstandardized Coefficients		Standardized Coefficients	t-value	p-value	95.0% Confidence Interval for B	
	B	Std. Error	Beta			Lower Bound	Upper Bound
(Constant)	2.4283	0.1417		17.1331	0.0000	2.1495	2.7070
$X_{23}$	0.1229	0.0357	0.1826	3.4396	0.0007	0.0526	0.1931

Source: Research data 2013

$$Y_5 = 2.4283 + 0.1229X_{23} \quad (4.10)$$

The coefficients in Table 4.26 show that the independent variables is having a complementary significance in predicting performance in Matatu business with a standardized regression weight of 0.1229 (speaking with one voice ( $X_{23}$ )). The percentage correlation for the independent variables speaking with one voice ( $X_{23}$ ) in the amended model was 18.26% and was therefore significant at alpha level of 0.05.

This hypothesis was fully supported as the P-value for speaking with one voice ( $X_{23}$ ) was (0.0007) and therefore statistically significantly. The parameter estimates

speaking with one voice ( $X_{23}$ ) is 0.1229 which implies that for one unit increase in speaking in one voice ( $X_{23}$ ), success in Matatu business increases by 0.1229.

#### **4.8. Findings and Discussions**

Borrowing heavily from several entrepreneurship theories, this study sought to determine the factors contributing to success in the Matatu industry in Nairobi Kenya. A total of 23 potential success factors were tested against a compound business performance measures composed of four indicators. The research findings were recorded in both descriptive and inferential form in all the independent variables and their coefficients. The first independent variable was on personality traits, descriptive results indicated that respondents agreed that success in Matatu business dependent among others the following attributes; self confident; risk taking, tolerance and positive response to criticisms. Further, respondents agreed that performance in business also dependent on one's creativity but were neutral on the issue of knowledge of the business markets. However results from inferential statistics dealing with hypothesis three ( $H_3$ ) indicate that coefficient of  $X_2$ ,  $X_3$ ,  $X_6$  and  $X_7$  were positively associated with performance in Matatu business. While the coefficients of  $X_1$ ,  $X_4$  and  $X_5$  were negatively associated with performance in Matatu business. However, among the seven parameters only  $X_7$  was statistically significant at 95% confidence level. This meant that one unit increase in knowledge of markets, success in business increased by 0.7315 and therefore the registered Matatu industry bodies became one of the performance factor in small business particularly the Matatu business. The results therefore indicate that  $H_1$  was fully supported.



When it came to the issue of human capital and competencies, the descriptive results revealed that respondents agreed that both managerial and industrial experiences contributed to the success in the Matatu business. However, they were neutral on the issue of business training but disagreed that Success in Matatu business depended on the level of education of the owners of business. Moving to inferential statistics on this variable which was addressing hypothesis two ( $H_2$ ), only coefficients of  $X_8$  (education level) and  $X_{11}$  (business training) were found to be statistically significant at 95% confidence level. However,  $X_8$  was negatively associated with success. The other two remaining coefficients of  $X_9$  (Managerial experience) and  $X_{10}$  (Industry experience) were not statistically significant. The parameter estimates  $X_8$  is -0.3355 which implies that for one unit increase in the level of education, success in Matatu business decreases by 0.3355. One unit increase in business training ( $X_{11}$ ), success in business increases by 0.4593. The above results indicate that  $H_2$  received mixed reactions and hence was not fully supported. Given the above therefore, though necessary, it was found that education parse was not a major performance factor in Matatu business in Nairobi, Kenya.

Coming to independent variable was on barrier to entry. Descriptive results on this variable indicated that respondents agreed that the government had put in place rules and regulations for Matatu owners who are already in business. They further agreed that due to availability of credit from various financial institutions, acquisition of Matatus (business vehicles) was easy but they were neutral on the issue of entry fees demanded by route cartels making it not easy to enter into business. When it came to inferential statistics, only coefficients of  $X_{12}$  (entry fees demanded by route cartels),  $X_{14}$  (expensive to acquire entry vehicles) were found to be statistically significant

though coefficient  $X_{14}$  was negatively related. Given this inferential results therefore, Hypothesis one (**H<sub>3</sub>**), received mixed reactions emanating from the negativity of coefficients of  $X_{14}$  in the regression model. Since the parameter estimate of  $X_{12}$  is 0.1542 for the model, this result implies that when there is strict entry regulations into the business there is 0.1542 percent increase in the level of success in Matatu business while the parameter estimate of  $X_{14}$  is -0.1477 which implies that when there is one unit increase in expenses for acquiring a vehicles the success in Matatu business decreases by 0.1477. The parameter estimates of  $X_{12}$  is 0.0223 implies that when the entry fees into the Matatu business increases the performance in Matatu business for those already in the business increases by 0.0223. Other things held equal, the performance int the Matatu business is 2.8389 (intercept) which means it is moderately good. This means that **H<sub>3</sub>** was not fully supported.

The descriptive results on Government regulations revealed that respondents agreed that the Council has tried to develop good working environments to enable the Matatu owners operate their businesses smoothly. However, they were neutral that the Government / City Council has been helpful in bringing law and order in the industry neutral and had also tried to come up with the security measures for the protection of the Matatu business from criminals. Regarding the Council administration in helping people start their own small businesses within the City centre, most respondents gave negative answers and therefore strongly disagreed with this statement. This is the section which assisted address hypothesis four (**H<sub>4</sub>**) of this thesis. Coming to inferential statistics, the coefficient of  $X_{15}$ ,  $X_{16}$  and  $X_{17}$  were negatively associated with the success in performance business and at the same time they were not statistically significant. The coefficient of  $X_{18}$  (Assistance from city council, which

was a motivational factor) contributed positively to success and was statistically significant. The results indicate that for one unit increase in assistance from the City Council ( $X_{18}$ ) performance in Matatu business increases by 0.126.  $H_4$  was therefore supported.

Coming to the last variable which is addressing hypothesis five ( $H_5$ ) that is the Management by Matatu Associations, the descriptive statistics revealed that respondents were neutral that both the Matatu Owners Association and the Matatu Welfare Association had helped in the fair allocation of routes and that without these two association, there would be unfair business play in the Matatu industry but they moderately agreed that both associations had assisted in bringing order in most routes. At the same time they also moderately agreed the two associations had strengthened the owners in fighting for their rights. When it came to inferential statistics, it was observed that coefficients of  $X_{20}$  (fair route allocation),  $X_{21}$  (law and order) and  $X_{23}$  (speaking in one voice) contributes positively towards performance in Matatu business while  $X_{22}$  (fair business practice) has a negative contribution. The p-value showed that only  $X_{23}$  was found to be statistically significant. The parameter estimates  $X_{23}$  is 0.1229 which implies that for one unit increase in speaking in one voice ( $X_{23}$ ), performance in Matatu business increases by 0.1229.  $H_5$  was therefore supported. In the overall, all the objectives were met

From the research findings, some of the factors discussed in the literature influencing business performance had been confirmed. Though entry barriers are supposed to affect business positively, findings from this research reveal that the reverse is the

case. Those who are already in this business (Matatu) do not get worth of their investments.

Further the research study has revealed that human is key to business performance. That entrepreneurial performance depends on the following; managerial and industry experiences, business training and education. Though majority of the respondents were with the opinion that education was not a major factor in business performance, the role of education cannot be ignored in most business set ups. Knowledge of markets, managerial and industry experiences can only be learned fast if one has some level of education.

The research borrowed heavily from various sections of the three theories of entrepreneurship; the Resource based, Psychological and Cultural theories. Each of these theories contributed in one way or the other towards the start of Matatu (small) business. However, due to the uncertain and risk nature of this type of business, the Psychological approach and the resource based theories seemed to be more relevant to this research hence they were used to guide the study. Management and running of Matatu business to a large extent depends on the personal attributes of a person involved. Without these attributes, success can be realized but with limitations. These personal attributes are associated with the Psychological approach theory of entrepreneurship hence the reason why the theory was preferred for use.

For performance of business, government support in terms of policy framework and infrastructure cannot be ignored. If governments do not give the necessary support, then the probability of succeeding in business will be quite low. Governments are the

pillars behind business success. Among the variables which were formulated specifically to address the issue of government support, the respondents indicated that they were not happy with work environment and security but were okay with the motivational factor.

When it came to dealing with the registered Matatu welfare bodies, most respondents were in agreement that these Associations had brought some sanity in the Matatu industry. Though most of the variables in this segment were not statistically significant, they contributed positively towards business success. This means that though the Matatu Associations are seen as a burden, they have a role to play towards the success of the Matatu owners in Nairobi.

#### **4.9. Chapter Summary**

This chapter has presented data analysis in two forms; descriptive and inferential. In the descriptive analysis, constructs touching on demography, barrier to entry, human capital/competences, personality traits, government regulations, management by registered Matatu associations as well as the performance factors were analysed and results given.

In the inferential statistics, the five hypotheses of the study were analysed and results presents in three forms; correlation (R), coefficient of determination ( $R^2$ ) and regression models. Three of the five hypotheses were accepted while two hypotheses were rejected. The chapter ends with a section on findings and discussions.

## **CHAPTER FIVE**

### **SUMMARY CONCLUSIONS AND RECOMMENDATIONS**

#### **5.1 Summary**

This study was conducted to determine the success factors of Matatu entrepreneurs in the informal transport business in Nairobi - Kenya. The proposed hypotheses that attempted to identify the relationships between successes of Matatu business and the five constructs in the model were examined. In this study, Matatu owners included individuals who were working for or involved in Matatu business either as owners, shareholders or agents. Particularly, this study focused on Matatu owners who formed the population of study. The major focus of this final chapter is to present the summary, conclusions, recommendations, Limitations of the study suggestions for future studies.

Stratified random sampling technique was used to select the sample. Demographic information indicated that the respondents were surveyed from very diverse Matatu business operators who were currently operating in different routes in Nairobi. Out of a total 364 questionnaire given out, 346 were filled and returned to the researcher giving a response rate of 95%.

Based on the theoretical review and empirical studies, the measurement scales for each construct were investigated to find out the relationships between the variables. An examination of reliability of the measurement scales revealed that the measurement scale for each construct was reliable in terms of the internal consistency and accuracy of what they were supposed to measure. Of significance is that the measurement scale for factors affecting success in Matatu business, which comprised

of 31 items, generated a Cronbach's coefficient's alpha of 0.729. This result indicated that this measurement scale was highly reliable in assessing factors affecting success among the Matatu operators.

The major findings of the study based on descriptive statistics showed that Personality traits, Government / City council support and by Matatu Associations contributed greatly toward the success of Matatu business in Nairobi. The other contributors of success though to a less extent included barrier to entry and human capital and competencies.

As discussed in the literature review, results from this research strongly supported other researchers' assumptions and arguments on how barriers to entry (Hisrich, 1990; Krueger, 1993) and human capital and competencies (Hisrich, 1990; Krueger, 1993) affect business success. Other factors influencing business success according to various researchers include entrepreneurial personality traits (Robin & Sexton 1994), industry experience (Willard, et al., 1992), managerial experience (Lussiers & Pfeifer 2001) and Government support on small scale businesses development (Abdullah, 1999).

One of the researcher's specific contribution to the body of knowledge apart from the success factors picked from the literature, was the management of the Matatu industry by the registered industry bodies (MWA and MOA) as one of the additional/new success factor in Matatu business.

## **5.2 Conclusion**

Based on the research findings, all the five hypotheses were supported though hypotheses one and two were not fully supported. Though it had been revealed when doing the inferential analysis that some variables in the various regression models were not statistically significant, some of the descriptive analysis revealed the opposite. Those variables which had been rejected by the inferential statistics were recognized by the descriptive statistics (actual responses) as some of the contributors of success in Matatu business in the informal sector. The descriptive analysis had shown that success in Matatu business was a function of but not limited to personality traits, government/city council policies, operational barriers and the management of registered Matatu bodies. It was further shown that success in this business was partially a function of entry barriers and human capital/competencies.

## **5.3 Recommendations**

Following the research findings, it was established that the Government had not come up with more and specific policies to promote small scale businesses especially in urban centres like Nairobi. It was further established that no proper mechanisms had been put in place to protect the existing and young entrepreneurs from unnecessary harassment from route cartels and police/City Council operations. It is therefore the researcher's recommendation that the Government should develop more stringent laws and regulations to protect the small businesses. Further, it will be necessary for the government to critically look at the whole issue of entrepreneurship with a view to develop specific policies for the promotion and protection of this sector.



Secondly, though the research findings established that there were many financial institutions operating in Nairobi, accessing real soft credit facilities from them was not easy, more particularly the upcoming entrepreneurs. Lack of easy/soft credit facilities would negatively affect entrepreneurial growth and development. In the Far East, the economies have been built using small scale businesses. For purposes of prosperity, what is happening in the East can still be borrowed and be used in this country. Small scale businesses are the engines of economic growth and development in major economies of the world. To counter the issue of soft loans, owners of Matatus and other small businesses should be encouraged to pull their resources together to act as collateral for purposes of securing not only soft loans but other loans facilities from the existing financial institutions.

Thirdly, the findings from the research revealed that infrastructure in Nairobi and more particularly in the remote places of the City needed some attention. Though there is remarkable work going on, still a lot need to be done. There are areas in Nairobi and other parts of the country which are un-accessible due to poor. Good road network encourages investments and hence acts as catalyst to economic growth and development.

Last but not least, it was further revealed that insecurity was a big challenge in Nairobi. The Government and more particularly the City Council of Nairobi should put in place more security measures to insure that Matatu operators and their properties are safeguarded. It is hard to expect someone to work hard and flourish under the conditions of fear and insecurity.

#### **5.4 Limitations of the Study**

Some respondents pretended that they did not understand the questionnaire. It forced me and my research assistants to keep on explaining how the questionnaire was to be filled and sometime reading and interpreting the questions into Kiswahili for ease of understanding. This contributed to the slowness of the entire research process.

Second, Lack of enough information on the Matatu industry in relevant government Ministries delayed the research process a great deal. This forced the research to move from one government department/Ministry to the other to look for information. The researcher expected to get some computerized information in these Ministries/ departments but unfortunately the information obtained was not enough.

Another constraining factor was that of getting the Matatu owners themselves. Knowing their places of residence was not easy. This was further worsened due to the fact that some of them were residing outside Nairobi hence needing more time to get them. This made the researcher to go back to the offices of the MWA and MOA where further arrangement were made to have these owners called to these offices to fill the questionnaires.

#### **5.5 Suggestions for Future Studies**

This study specifically focussed on the fourteen sitter public passenger transport operating only in Nairobi and its environs. Given the above fact therefore, it is the researcher view that a similar study be carried out in other passenger public road transport vehicles this time covering the entire country.

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## APPENDICES

### Appendix I

#### INTRODUCTION LETTER



*University of Nairobi*  
*Towards World Class Excellence*  
School of Business,  
P.O. Box 30197 – 00100  
NAIROBI

Dear Respondent

**SUBJECT: The Influence of Entrepreneurial Personality Traits, Human Capital and Entry Barriers on Performance of Entrepreneurs in the “Informal Transport Business” in Nairobi, Kenya**

This questionnaire has been designed to gather information on the above subject. This is purely an academic research paper and is in partial fulfilment for the award of the degree of Doctor of Philosophy, School of Business – University of Nairobi. I kindly request you to fill the questionnaire and the information that you provide will be treated with utmost confidence and in no instance will your name or that of your Institution be mentioned in the report.

A copy of the research project will be provided to you upon request. Your co-operation will be highly appreciated. Thanking you in advance.

Yours faithfully



### **SECTION -A- Personality Traits**

	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
1. Risk taking is one of the requirements if one wants to succeed in business.	( )	( )	( )	( )	( )
1. To succeed in business, one has to seriously exercise the art of tolerance.	( )	( )	( )	( )	( )
3. Creativity in <i>Matatu</i> business is a major factor to be considered if one wants to succeed.	( )	( )	( )	( )	( )
4. Positive response to criticisms enables one to improve and therefore succeed in business.	( )	( )	( )	( )	( )
5. For you to have an impact and therefore make some business successes, you must be self confident.	( )	( )	( )	( )	( )
6. Success in <i>Matatu</i> business means that you are able to get along with others.	( )	( )	( )	( )	( )
7. To succeed in <i>Matatu</i> business, knowledge of business Markets is a must.	( )	( )	( )	( )	( )

### **SECTION -C- Human Capital**

	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
1. Success in <i>Matatu</i> business depends on the level of education of the owner of business	( )	( )	( )	( )	( )
2. Managerial Experience contributes greatly towards the success of the <i>matatu</i> business.	( )	( )	( )	( )	( )
3. Industry Experience contributes greatly towards the success of the <i>matatu</i> business.	( )	( )	( )	( )	( )
4. Business training is a must if one wants to perform well in <i>Matatu</i> business .	( )	( )	( )	( )	( )

### **SECTION -D- Entry barriers**

	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
1. Due to the high entry fees demanded by					

- |    |   |     |     |     |     |     |
|----|---|-----|-----|-----|-----|-----|
|    | route cartels, it is not easy to enter into the <i>Matatu</i> business.   | ( ) | ( ) | ( ) | ( ) | ( ) |
| 2. | The management of various routes have put in place strict rules and regulations for people who want to enter into the <i>Matatu</i> business. | ( ) | ( ) | ( ) | ( ) | ( ) |
| 3  | Due to unavailability of credit facilities, It was not easy to purchase Matatu vehicles   | ( ) | ( ) | ( ) | ( ) | ( ) |

**SECTION -E- Government / City Council policies and Regulations**

- |    |   | 1   | 2   | 3   | 4   | 5   |
|----|---|-----|-----|-----|-----|-----|
| 1. | The Government has developed policies for training the matatu operators on entrepreneurship and small business management.        | ( ) | ( ) | ( ) | ( ) | ( ) |
| 2. | The City council has been helpful in bringing law and order in the industry   | ( ) | ( ) | ( ) | ( ) | ( ) |
| 3. | The Council has tried to develop a good working environments to enable the <i>Matatu</i> owners operate their businesses smoothly | ( ) | ( ) | ( ) | ( ) | ( ) |
| 4. | The Council has tried to come up with the security measures for the protection of the Matatu business from criminals              | ( ) | ( ) | ( ) | ( ) | ( ) |
| 5. | The Council administration has been helping people start their own small businesses within the City centre                        | ( ) | ( ) | ( ) | ( ) | ( ) |

**SECTION -F- Welfare Bodies**

- |    |  | 1   | 2   | 3   | 4   | 5   |
|----|--|-----|-----|-----|-----|-----|
| 1. | Both the <i>Matatu</i> Owners association and <i>Matatu</i> welfare association have helped in the fair allocation of routes | ( ) | ( ) | ( ) | ( ) | ( ) |
| 2. | Both Associations have assisted in bringing order to the routes  | ( ) | ( ) | ( ) | ( ) | ( ) |
| 3. | Without these two association, there will not be fair business play  |     |     |     |     |     |

- in the *Matatu* industry ( ) ( ) ( ) ( ) ( )
4. The two Associations have made the owners have strength in fighting for their rights ( ) ( ) ( ) ( ) ( )

**SECTION -G- Performance of Business**

- 1 How many *Matatus* do you own?  
 One ( )  
 Two ( )  
 Three ( )  
 Four ( )  
 Over five ( )
2. How much net income do you generate per month?  
 Ksh 1,000 – 5,000 ( )  
 ” 6,000- 10,000 ( )  
 ” 11,000 – 20,000 ( )  
 ” 21,000 – 50,000 ( )  
 ” Over 60,000 ( )
3. How many years have you been in operation?  
 < 2 ( )  
 3 -5 ( )  
 6 - 8 ( )  
 9 - 11 ( )  
 > 12 ( )
4. Has your monthly income been rising?  
 Yes ( )  
 No ( )